

26 JULY 2001

FIRST FLEXIBLE NO. 4 plc

- and -

THE CHASE MANHATTAN BANK

TRUST DEED

constituting
£460,000,000 Class A Mortgage Backed
Floating Rate Notes due 2036

and

£35,000,000 Class M Mortgage Backed
Floating Rate Notes due 2036

and

£5,000,000 Class B Mortgage Backed
Floating Rate Notes due 2036

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THIS TRUST DEED is made and delivered the 26th day of July 2001

BETWEEN

- (1) **FIRST FLEXIBLE NO.4 plc**, a company incorporated under the laws of England and Wales whose registered office is at Sir William Atkins House, Ashley Avenue, Epsom, Surrey KT18 5AS (hereinafter called the “**Issuer**”) of the one part; and
- (2) **THE CHASE MANHATTAN BANK**, a company incorporated under the laws of England and Wales, whose principal office is at Trinity Tower, 9 Thomas More Street, London E1W 1YT (hereinafter called the “**Trustee**”, which expression shall, wherever the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of these presents) of the other part.

WHEREAS

- (A) By a resolution of the Board of Directors of the Issuer passed on 18 July 2001 the Issuer has resolved to issue £460,000,000 in aggregate principal amount of Class A Mortgage Backed Floating Rate Notes due 2036, £35,000,000 in aggregate principal amount of Class M Mortgage Backed Floating Rate Notes due 2036 and £5,000,000 in aggregate principal amount of Class B Mortgage Backed Floating Rate Notes due 2036, all of such Notes to be constituted and secured in the manner hereinafter appearing and as set out in the Deed of Charge.
- (B) The Class A Notes shall comprise £460,000,000 Class A Notes, the Class M Notes shall comprise £35,000,000 Class M Notes and the Class B Notes shall comprise £5,000,000 Class B Notes.
- (C) The Trustee has agreed to act as trustee of these presents upon and subject to the terms and conditions hereinafter contained.

NOW THIS TRUST DEED WITNESSES AND IT IS HEREBY AGREED AND DECLARED as follows:

1 INTERPRETATION

1.1 Definitions

Terms defined in the Conditions or in the Master Definitions Schedule dated 26 July 2001 shall, unless otherwise defined herein or the context requires otherwise, bear the same meaning herein (including the recitals hereto). In these presents unless there is anything in the subject or context inconsistent therewith the expressions listed below shall have the following meanings, namely:

“**Agency Agreement**” means the Agency Agreement of even date herewith, appointing the Principal Paying Agent and the Agent Bank in relation to the Notes and includes any other agreement for the time being in force appointing further or other Paying Agents or any other Agent Bank in relation to the Notes, or in connection with their respective duties, the terms of which have been previously approved in writing by the Trustee, together with any agreement for the time being in force amending or modifying, with the prior written approval of the Trustee, any of the aforesaid agreements;

“**Agent Bank**” means The Chase Manhattan Bank or, if applicable, any successor agent bank which shall become such pursuant to the provisions of the Agency Agreement or such other agent

bank in relation thereto as may (with the prior written approval of, and on terms previously approved in writing by, the Trustee) from time to time be appointed as such by the Issuer and (except in the case of the initial Agent Bank) notice of whose appointment has been given to the Noteholders pursuant to Clause 13(xiii) in accordance with Condition 14;

“**Auditors**” means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of these presents, such other firm of accountants as may be appointed in writing by the Issuer after consultation with the Trustee;

“**Britannic Money**” means Britannic Money plc;

“**Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in the City of London;

“**Class A Conditions**” means the terms and conditions applicable to the Class A Notes, in the form set out in Schedule 4 to this Trust Deed, as the same may, from time to time, be modified in accordance with these presents and any reference in these presents to a particular numbered Class A Condition shall be construed accordingly and references in the Class A Conditions to paragraphs shall be construed as paragraphs of such Class A Conditions;

“**Class A Noteholders**” means the several persons who are for the time being holders of the Class A Notes (being, if and to the extent that the Class A Notes are represented by the Definitive Class A Notes, the bearers thereof and, if and to the extent that the Class A Notes are represented by a Global Class A Note, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear, if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class A Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Class A Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of a Global Class A Note in accordance with and subject to their respective terms and the terms of these presents) and for which purpose “**Class A Noteholders**” means the bearer of a Global Class A Note; and the words “**holder**” and “**holders**” and related expressions shall (where appropriate) be construed accordingly;

“**Class A Notes**” means the £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036 constituted hereby or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Temporary Global Class A Note (or any part thereof), the Permanent Global Class A Note (or any part thereof) and the Definitive Class A Notes (or any of them);

“**Class B Conditions**” means the terms and conditions applicable to the Class B Notes, in the form set out in Schedule 4 to this Trust Deed, as the same may, from time to time, be modified in accordance with these presents and any reference in these presents to a particular numbered Class B Condition shall be construed accordingly and references in the Class B Conditions to paragraphs shall be construed as paragraphs of such Class B Conditions;

“**Class B Noteholders**” means the several persons who are for the time being holders of the Class B Notes (being, if and to the extent that the Class B Notes are represented by the Definitive Class B Notes, the bearers thereof and, if and to the extent that the Class B Notes are represented by a Global Class B Note, the persons for the time being shown in the records of Euroclear and

Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear, if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class B Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Class B Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of a Global Class B Note in accordance with and subject to their respective terms and the terms of these presents) and for which purpose “**Class B Noteholders**” means the bearer of a Global Class B Note; and the words “**holder**” and “**holders**” and related expressions shall (where appropriate) be construed accordingly;

“**Class B Notes**” means the £5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036 constituted hereby or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Temporary Global Class B Note (or any part thereof), the Permanent Global Class B Note (or any part thereof) and the Definitive Class B Notes (or any of them);

“**Class M Conditions**” means the terms and conditions applicable to the Class M Notes, in the form set out in Schedule 4 to this Trust Deed, as the same may, from time to time, be modified in accordance with these presents and any reference in these presents to a particular numbered Class M Condition shall be construed accordingly and references in the Class M Conditions to paragraphs shall be construed as paragraphs of such Class M Conditions;

“**Class M Noteholders**” means the several persons who are for the time being holders of the Class M Notes (being, if and to the extent that the Class M Notes are represented by the Definitive Class M Notes, the bearers thereof and, if and to the extent that the Class M Notes are represented by a Global Class M Note, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear, if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class M Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of Class M Notes standing to the account of any person shall be conclusive and binding for all purposes (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of a Global Class M Note in accordance with and subject to their respective terms and the terms of these presents) and for which purpose “**Class M Noteholders**” means the bearer of a Global Class M Note; and the words “**holder**” and “**holders**” and related expressions shall (where appropriate) be construed accordingly;

“**Class M Notes**” means the £35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 constituted hereby or the amount thereof for the time being outstanding or, as the context may require, a specific number thereof and includes the Temporary Global Class M Note (or any part thereof), the Permanent Global Class M Note (or any part thereof) and the Definitive Class M Notes (or any of them);

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme;

“**Common Depositary**” means a depositary common to Euroclear and Clearstream, Luxembourg;

“**Conditions**” means the Class A Conditions, the Class M Conditions and the Class B Conditions and any reference in there presents to a particular numbered Condition shall be construed to mean

the relevant paragraph(s) of the Class A Conditions, the Class M Conditions and the Class B Conditions;

“**Couponholders**” means the several persons who are for the time being holders of the Coupons;

“**Coupons**” means, in relation to the Definitive Notes, the bearer interest coupons appertaining to such Definitive Notes, (and the words “**Interest Coupons**” shall be construed accordingly) or, as the context may require, a specific number thereof and, save where the context otherwise requires, includes the Talons and any replacement Coupons or Talons issued pursuant to Condition 13;

“**Deed of Charge**” means the deed of charge and assignment of even date herewith between, *inter alia*, the Issuer, the Trustee and the Servicer and includes, where the context so admits, any Supplemental Deed of Charge granted pursuant thereto;

“**Definitive Notes**” means the Definitive Class A Notes and/or the Definitive Class M Notes and/or the Definitive Class B Notes and “**Definitive Note**” means any of them;

“**Definitive Class A Notes**” means the bearer notes in definitive form with a grid endorsed thereon for the purposes of recording the payment of principal in respect of the Class A Notes to be issued pursuant to, and in circumstances specified in, the provisions of Clause 3.7 to 3.10 of this Trust Deed and includes any replacements for Definitive Class A Notes issued pursuant to Class A Condition 13;

“**Definitive Class B Notes**” means the bearer notes in definitive form with a grid endorsed thereon for the purposes of recording the payment of principal in respect of the Class B Notes to be issued pursuant to, and in circumstances specified in, the provisions of Clause 3.7 to 3.10 of this Trust Deed and includes any replacements for Definitive Class B Notes issued pursuant to Class B Condition 13;

“**Definitive Class M Notes**” means the bearer notes in definitive form with a grid endorsed thereon for the purposes of recording the payment of principal in respect of the Class M Notes to be issued pursuant to, and in circumstances specified in, the provisions of Clause 3.7 to 3.10 of this Trust Deed and includes any replacements for Definitive Class M Notes issued pursuant to Class M Condition 13;

“**Documents**” has the meaning given to it in Condition 3 and, except in the Conditions, includes the Other Relevant Documents as defined in Condition 11;

“**Euroclear**” means Euroclear Bank S.A./N.A. as operator of the Euroclear System;

“**Event of Default**” means any of the events set out in paragraph (i) to (vi) inclusive of Condition 9(a) (being events upon the happening of which the Notes referable thereto would, subject only to the issue of a certificate (where required) and/or notice by the Trustee as therein provided, become immediately due and repayable);

“**Exchange Date**” means in relation to a Note, the day which is forty days after the Issue Date;

“**Extraordinary Resolution**” has the meaning set out in Schedule 5 of this Trust Deed;

“**Fitch**” means Fitch Ratings Limited;

“**Global Class A Notes**” means the Temporary Global Class A Note and the Permanent Global Class A Note and “**Global Class A Note**” means either of them;

“Global Class B Notes” means the Temporary Global Class B Note and the Permanent Global Class B Note and **“Global Class B Note”** means either of them;

“Global Class M Notes” means the Temporary Global Class M Note and the Permanent Global Class M Note and **“Global Class M Note”** means either of them;

“Global Notes” means any of the Temporary Global Notes and Permanent Global Notes and **“Global Note”** means any of them;

“Interest Payment Date” has the meaning ascribed thereto in Condition 4(b);

“Interest Period” has the meaning ascribed thereto in Condition 4(b);

“Issue Date” means 26 July 2001;

“Listing Authority” means the United Kingdom Listing Authority or any other authority or stock exchange on which the Notes are listed and which is approved for the purposes of these presents by the Trustee;

“Managers” means the managers so named in the Subscription Agreements in respect of the Notes relating thereto;

“Mortgage Sale Agreement” means the mortgage sale agreement of even date herewith between, *inter alios*, the Issuer, the Trustee, Arianty and Britannic Money;

“Noteholders” means the Class A Noteholders and/or the Class M Noteholders and/or the Class B Noteholders and **“Noteholder”** means any of them;

“Notes” means the Class A Notes, the Class M Notes and the Class B Notes;

“outstanding” means in relation to the Notes, all of the Notes issued other than:

- (a) those Notes which have been redeemed in full and cancelled pursuant to Condition 5, as the case may be, or otherwise pursuant to these presents;
- (b) those Notes in respect of which the date for redemption in full in accordance with the Conditions has occurred and the redemption moneys for which (including all interest payable thereon) have been duly paid to the Trustee or to a Paying Agent in the manner provided in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with Condition 14) and remain available for payment against presentation of the relevant Notes and/or Coupons;
- (c) those Notes which have become void under Condition 7;
- (d) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 13;
- (e) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 13;

- (f) the Temporary Global Notes to the extent that they shall have been exchanged for the Permanent Global Notes pursuant to the provisions contained therein and in Clause 3.1 to 3.6 of this Trust Deed; and
- (g) the Permanent Global Notes to the extent that they shall remain in escrow to be exchanged for the Temporary Global Notes or shall have been exchanged for Definitive Notes, pursuant to the provisions contained therein and in Clause 3 of this Trust Deed;

PROVIDED THAT for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of these presents, the relevant Conditions and, for the avoidance of doubt, the relevant paragraphs of Schedule 5 to this Trust Deed;
- (iii) any discretion, power or authority contained in these presents which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of any of the Noteholders; and
- (iv) the determination by the Trustee whether any of the events specified in Condition 9 is materially prejudicial to the interests of the Noteholders or when the Trustee is required to determine any matters pursuant to Condition 10 and/or 11,

those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer or any of its respective subsidiaries or holding companies) for the benefit of the Issuer or any of its subsidiaries or holding companies shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

“Paying Agent” means:

- (i) the several institutions (including where the context requires, the Principal Paying Agent) at their respective specified offices outside the United States initially appointed as paying agents by the Issuer pursuant to the Agency Agreement; and/or
- (ii) such other or further paying agents outside the United States in respect of the Notes as may from time to time be appointed by the Issuer (with the prior approval of, and on terms previously approved by, the Trustee in writing); and/or
- (iii) such other or further specified offices outside the United States (in the former case, being within the same city as those for which they are substituted) as may from time to time be nominated, in each case, by the Issuer,

and (except in the case of the initial appointments and specified offices made under and specified in the Agency Agreement) notice of whose appointment or nomination has been given to the Noteholders pursuant to Clause 13(xiii) of this Trust Deed in accordance with Condition 14;

“Permanent Global Class A Note” means the permanent global note in bearer form to be issued in respect of the Class A Notes by the Issuer pursuant to the provisions of Clause 3.1 to 3.6 of this Trust Deed and substantially in the form set out in Schedule 2 to this Trust Deed;

“Permanent Global Class B Note” means the permanent global note in bearer form to be issued in respect of the Class B Notes by the Issuer pursuant to the provisions of Clause 3.1 to 3.6 of this Trust Deed and substantially in the form set out in Schedule 2 to this Trust Deed;

“Permanent Global Class M Note” means the permanent global note in bearer form to be issued in respect of the Class M Notes by the Issuer pursuant to the provisions of Clause 3.1 to 3.6 of this Trust Deed and substantially in the form set out in Schedule 2 to this Trust Deed;

“Permanent Global Notes” means the Permanent Global Class A Note, the Permanent Global Class B Note and the Permanent Global Class M Note;

“powers” in relation to the Trustee and any attorney, manager, delegate, agent or other person appointed by it under these presents means their respective powers, authorities and discretions under these presents or the general law;

“Principal Amount Outstanding” of any Note, means £10,000 less the aggregate amount of all Actual Redemption Amounts in respect of a Note of the relevant class that have become due and payable since the Issue Date on or prior to such date (whether or not paid);

“Principal Paying Agent” means The Chase Manhattan Bank at its office at Trinity Tower, 9 Thomas More Street, London E1W 1YT or such other principal paying agent in respect of the Class A Notes, the Class M Notes and the Class B Notes and for the time being as may have been appointed as such by the Issuer with the prior written approval of, and on terms previously approved by, the Trustee in writing and (except in the case of the initial principal paying agent) notice of whose appointment has been given to the Noteholders pursuant to Clause 13(xiii) in accordance with Condition 14;

“Rating Agencies” means Fitch and S&P, or whichever of them shall at the relevant time have published a current rating for the Notes;

“Reference Banks” means the several banks referred to in the Conditions and appointed by the Issuer with the prior written approval of the Trustee or such other banks as may (with the prior written approval of the Trustee) from time to time be appointed as such by the Issuer in accordance with the Conditions and these presents and notice of whose appointment has been given to the Noteholders pursuant to Clause 13 (xiii) of this Trust Deed in accordance with Condition 14;

“repay”, “redeem” and “pay” shall each include both the others and cognate expressions shall be construed accordingly;

“Servicer” means Britannic Money or any successor servicer appointed pursuant to the provisions of the Servicing Agreement;

“Servicing Agreement” means the servicing agreement dated 26 July 2001 between, *inter alios*, the Issuer, the Trustee and the Servicer;

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.;

“Talons” means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Notes and includes any replacement Talons issued pursuant to Condition 13;

“Temporary Global Class A Note” means the temporary global note in bearer form to be issued in respect of the Class A Notes by the Issuer, pursuant to the provisions of Clause 3.1 to 3.6 of this Trust Deed and substantially in the form set out in Schedule 1 to this Trust Deed;

“Temporary Global Class B Note” means the temporary global note in bearer form to be issued in respect of the Class B Notes by the Issuer pursuant to the provisions of Clause 3.1 to 3.6 of this Trust Deed and substantially in the form set out in Schedule 1 to this Trust Deed;

“Temporary Global Class M Note” means the temporary global note in bearer form to be issued in respect of the Class M Notes by the Issuer pursuant to the provisions of Clause 3.1 to 3.6 of this Trust Deed and substantially in the form set out in Schedule 1 to this Trust Deed;

“Temporary Global Notes” means the Temporary Global Class A Note, the Temporary Global Class M Note and the Temporary Global Class B Note;

“these presents” means this Trust Deed and the Schedules and any Trust Deed expressed to be supplemental hereto and the Schedules (if any) thereto and the Deed of Charge all as from time to time supplemented or modified in accordance with the provisions contained in these presents and, where applicable, therein contained;

“Trust Corporation” means a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee and shall be deemed to include The Chase Manhattan Bank;

“Trustee Acts” means both the Trustee Act 1925 and the Trustee Act 2000 of England and Wales;

words denoting the singular number only shall include the plural number also and vice versa;

words denoting one gender only shall include the other genders; and

words denoting persons only shall include firms and corporations and vice versa.

1.2 Construction of Certain References

- (i) All references in these presents to costs or charges or expenses shall include any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.
- (ii) All references in these presents to **“pounds”**, **“sterling”**, **“pounds sterling”** or the sign **“£”** shall be construed as references to the lawful currency for the time being of the United Kingdom and all references in these presents to **“euro”** shall be construed as references to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.
- (iii) All references in these presents to any provisions of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.
- (iv) All references in these presents to guarantees or to an obligation being guaranteed shall be deemed to include respectively references to indemnities or to any indemnity being given in respect thereof.
- (v) Any reference to any person or party shall, unless the context otherwise requires, include reference to its successors and permitted assigns.

- (vi) All references in these presents to any action, remedy or method of judicial proceeding for the enforcement of the rights of creditors shall be deemed to include, in respect of any jurisdiction other than England, references to such action, remedy or method of judicial proceeding for the enforcement of the rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate to such action, remedy or method of judicial proceeding described or referred to in these presents.
- (vii) Unless the context otherwise requires words or expressions contained in these presents shall bear the same meanings as in the Companies Act 1985 of Great Britain.
- (viii) In this Trust Deed references to Schedules, Clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the Schedules to this Trust Deed and to the Clauses, sub-clauses, paragraphs and sub-paragraphs of this Trust Deed respectively.
- (ix) The headings and contents page in this Trust Deed have been inserted for ease of reference only and shall not affect its interpretation.
- (x) Any reference in these presents to a “class” of Notes shall be a reference to the Class A Notes, the Class M Notes and the Class B Notes or the respective Noteholders and “classes”, in a similar context, shall be construed accordingly.
- (xi) Words denoting the singular number only shall include the plural number also and vice versa.
- (xii) Words denoting one gender only shall include the other genders.
- (xiii) Words denoting persons only shall include firms and corporations and vice versa.

2 AMOUNT OF THE NOTES AND COVENANT TO REPAY AND TO PAY INTEREST ON NOTES

2.1 Amount of Notes The Notes shall be comprised of £460,000,000 in aggregate principal amount of Class A Notes, £35,000,000 in aggregate principal amount of Class M Notes and £5,000,000 in aggregate principal amount of Class B Notes.

2.2 Covenant to Repay Principal and Pay Interest The Issuer hereby covenants with the Trustee that it will, in accordance with the Conditions and these presents, on the due date for the final maturity of the Notes as specified in the Conditions, or on each such earlier date as the same or any part thereof may become due and repayable thereunder, pay or procure to be paid unconditionally to or to the order of the Trustee in pounds sterling in London for immediate value the principal amount of such Notes then repayable or, in the case of a partial payment of such Notes, the principal amount payable thereon, subject to and in accordance with the terms of such Notes (including the Conditions), on that date and shall in the meantime and until such payment as well after as before any judgment or other order of a court of competent jurisdiction pay or procure to be paid unconditionally to or to the order of the Trustee as aforesaid interest on the Principal Amount Outstanding of the Notes at rates calculated from time to time in accordance with Condition 4 and on the dates provided for in the Conditions PROVIDED THAT:

- (a) every payment in accordance with the Conditions of principal or interest in respect of the Notes made to or to the account of the Principal Paying Agent in the manner provided in the Agency Agreement shall operate in satisfaction *pro tanto* of the relevant covenant by the Issuer contained in this Clause 2.2 except to the extent that there is a default in

accordance with the Conditions in the subsequent payment thereof to the Noteholders or Couponholders (as the case may be);

- (b) in the case of any payment of principal made to the Trustee or the Paying Agents after the due date or on or after accelerated maturity following an Event of Default, interest shall continue to accrue on the Principal Amount Outstanding of the Notes in accordance with the Conditions up to and including the date which the Trustee determines to be the date on and after which payment is to be made to the Noteholders in respect thereof as stated in a notice given to such Noteholders in accordance with Condition 14 (such date to be no later than 30 days after the day on which the whole of such Principal Amount Outstanding, together with an amount equal to the interest which has accrued and is to accrue up to and including that date, has been received by the Trustee or the Paying Agent); and
- (c) in any case where payment of the whole or any part of the Principal Amount Outstanding of any Note is improperly withheld or refused upon due presentation thereof (other than in circumstances contemplated by (b) above) interest shall accrue on that principal amount of such Note payment of which has been so withheld or refused in accordance with the Conditions from the date of such withholding or refusal until and including the date on which notice is given in accordance with Condition 14 that the full amount in pounds sterling payable in respect of such Note is available for payment PROVIDED THAT, upon due presentation of the relevant Note or Coupon, payment is in fact made.

2.3 Benefits of Covenants The Trustee shall hold the benefits of the covenants above and the covenants contained in Clauses 5 and 13 on trust for itself and the Secured Creditors.

2.4 Trustee's Requirements following an Event of Default At any time after an Event of Default (or any condition, event or act which, with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default) shall have occurred, the Trustee may:

- (a) by notice in writing to the Issuer, the Agent Bank, the Principal Paying Agent and the Paying Agents require the Agent Bank and the Paying Agents pursuant to the Agency Agreement:
- (i) to act thereafter as the Agent Bank, the Principal Paying Agent and Paying Agents respectively of the Trustee in relation to payments to be made or performed by or on behalf of the Trustee under the provisions of these presents *mutatis mutandis* on the terms provided in the Agency Agreement (save that the Trustee's liability under any provisions thereof for the indemnification of the Agent Bank, the Principal Paying Agent and the Paying Agents shall be limited to the amounts for the time being held by the Trustee on the trusts of these presents for that purpose) and thereafter (in the case of the Principal Paying Agent and/or the Paying Agents) to hold all Notes and Coupons and all sums, documents and records held by them in respect of Notes and Coupons on behalf of the Trustee and (in the case of the Agent Bank) to hold all documents and records held by it in respect of the Notes and Coupons on behalf of the Trustee; or
- (ii) (in the case of the Principal Paying Agent and/or the Paying Agents) to deliver up all Notes and Coupons and all sums, documents and records held by it in respect of Notes and Coupons to the Trustee and (in the case of the Agent Bank) to deliver up all documents and records held by it in respect of Notes and Coupons to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply

to any documents or records which the Agent Bank and/or a Paying Agent is/are obliged not to release by any law or regulation; and

- (b) by notice in writing to the Issuer require it to make all subsequent payments in respect of the Notes and Coupons to or to the order of the Trustee and not to the Paying Agents and with effect from the issue of any such notice to the Issuer and until such notice is withdrawn proviso (a) to Clause 2.2 shall cease to have effect.

3 FORM AND ISSUE OF THE NOTES

3.1 Issue of Temporary Global Notes The Class A Notes issued on the Issue Date shall initially be represented by the Temporary Global Class A Note, the Class M Notes issued on the Issue Date shall initially be represented by the Temporary Global Class M Note and the Class B Notes issued on the Issue Date shall initially be represented by the Temporary Global Class B Note each of which the Issuer shall deposit with the Common Depositary for Euroclear and Clearstream, Luxembourg on terms that the Common Depositary shall hold the same for the account of the Noteholders referable thereto and the successors in title to such persons as appearing in the records of Euroclear and Clearstream, Luxembourg for the time being.

3.2 Exchange of Temporary Global Notes for Permanent Global Notes Each of the Temporary Global Class A Note, the Temporary Global Class M Note and the Temporary Global Class B Note shall, on the Exchange Date, be exchanged for the relevant Permanent Global Note in accordance with their respective terms and the relevant Notes in respect of which such exchange is made shall (subject as provided in Clauses 3.7 to 3.11) thereafter be represented by the relevant Permanent Global Note (or part thereof) for which such exchange was made.

3.3 Deposit of Permanent Global Notes The Issuer shall on or before the Exchange Date deposit the Permanent Global Class A Note, the Permanent Global Class M Note and the Permanent Global Class B Note with the Common Depositary for Euroclear and Clearstream, Luxembourg on terms that the Common Depositary shall, on or before the Exchange Date, hold the Permanent Global Notes in escrow and, on and after the exchange of the same for the relevant Temporary Global Notes, hold the Permanent Global Class A Note for the account of the Class A Noteholders, the Permanent Global Class M Note for the account of the Class M Noteholders and the Permanent Global Class B Note for the account of the Class B Noteholders.

3.4 Procedures for Exchange The procedures as regards the exchange, authentication, delivery, surrender, cancellation, presentation, marking down of any of the Global Notes (or part thereof) and any other matters to be carried out by the relevant parties upon such exchange (in whole or part) shall be made in accordance with the provisions of these presents and the relevant terms of the Global Notes and/or the normal practice of the Common Depositary, the Principal Paying Agent and the rules and procedures of Clearstream, Luxembourg and Euroclear for the time being.

3.5 Form of Global Notes The Temporary Global Notes and Permanent Global Notes shall be printed or typed in the form or substantially in the form set out in Schedules 1 and 2, respectively. Each of the Global Notes shall be signed manually or in facsimile by a person duly authorised by the Issuer on behalf of the Issuer. The Issuer shall procure that, prior to the issue and delivery of each Global Note, each Global Note:

- (a) will be authenticated manually by an authorised signatory on behalf of the Paying Agent, and
- (b) no Global Note shall be valid for any purpose unless and until so authenticated, and

(c) a Global Note so executed shall be a binding and valid obligation of the Issuer.

3.6 Rights attached to the Global Notes Until the relevant Global Notes (or part thereof) have been exchanged pursuant to these Clauses 3.1 to 3.11 (but without prejudice to the escrow arrangements referred to in Clause 3.3), each Global Note (or part thereof) shall in all respects be entitled to the same benefits as the relevant Definitive Note except that the bearer thereof subject to the provisions of these presents shall be the only person entitled to receive payments of principal and interest as set out therein. If any Global Note, is lost, stolen or destroyed it shall, upon satisfactory evidence of such loss, theft or destruction being given to the Issuer and the Trustee, become void and a duly executed and authenticated replacement Global Note shall be immediately delivered by the Issuer to the Common Depositary.

3.7 Issue of Definitive Notes If (while the Class A Notes and/or Class M Notes and/or Class B Notes are represented by Global Note(s)):

- (a) the Class A Notes and/or Class M Notes and/or Class B Notes become immediately due and repayable pursuant to Class A Condition 9(a) and Class M Conditions 9(a) and Class B Condition 9(a) respectively; or
- (b) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or, in fact, does so; or
- (c) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date the Issuer is or will be, or the Paying Agents are or will be, required to make any deduction or withholding from any payment in respect of the Class A Notes and/or Class M Notes and/or Class B Notes which would not be required were the relevant Class A Notes and/or Class M Notes and/or Class B Notes in definitive form,

then the Issuer shall at its sole cost and expense within 30 days of the occurrence of the relevant event issue the relevant Definitive Notes (together with Coupons and Talons attached) in exchange for the whole (or the remaining part(s) outstanding) of the relevant Global Note.

All Definitive Notes shall be held by the Paying Agent and shall not be delivered to the relevant Noteholders until the same are requested to be so delivered. The Global Class A Note, the Global Class M Note and the Global Class B Note shall (in each case) be marked-down in respect of those Definitive Notes which are so delivered, as appropriate.

3.8 Notification of issue of Definitive Notes The Issuer shall notify the Trustee forthwith upon the occurrence of any of the events referred to in Clause 3.7 and shall, unless the Trustee agrees otherwise, promptly give notice thereof and of its obligations to issue Definitive Notes to the relevant Noteholders in accordance with Condition 14.

3.9 Form of Definitive Notes The Definitive Notes, the Coupons and the Talons shall be payable or distributable to the bearer in the respective forms or substantially in the respective forms set out in Schedule 3 and each Definitive Note shall, subject to the provisions of Clause 2.4, be issued in the denomination of £10,000 each (serially numbered) with the Coupons for dates falling after the date of issue and (if appropriate) Talons attached and shall be endorsed with the relevant Conditions and a grid for the recording of all payments of principal made in accordance with the Conditions; PROVIDED ALWAYS THAT each Definitive Note shall have

attached to it at the time of delivery only such Coupons and Talons as will ensure that neither loss nor gain of principal and/or interest shall accrue to the bearer thereof. Title to the Definitive Notes, the Coupons and the Talons shall pass by delivery.

3.10 Execution of the Definitive Notes The Definitive Notes, shall be signed manually or in facsimile by a person duly authorised by the Issuer. The Coupons and the Talons shall not be signed. The Issuer may use the facsimile signature of any person who, at the date of printing of the Definitive Notes, is a director of the Issuer notwithstanding that at the time of issue of any of the Definitive Notes he may have ceased for any reason to be the holder of such office and the Definitive Notes so executed shall be binding and valid obligations of the Issuer. The Issuer shall procure that, prior to their issue, the Definitive Notes will be authenticated by an authorised signatory of the Paying Agent and none of the Definitive Notes or the Coupons or Talons appertaining thereto shall be valid for any purpose unless and until the Definitive Notes are so authenticated.

3.11 Failure by the Issuer to issue Definitive Notes pursuant to sub-clause 3.7(c) If after the Exchange Date the Issuer becomes obliged to issue, or procure the issue of, Definitive Notes pursuant to Clause 3.7(c) but fails to do so within 30 days of the occurrence of the relevant event described in Clause 3.7(c), then the Issuer shall indemnify the Trustee, the bearer of the relevant Global Notes and the relevant Noteholders in respect of the relevant Notes and keep them indemnified against any loss or damage incurred by any of them if the amount received by the Trustee, the bearer of the relevant Global Notes or the relevant Noteholders in respect of the relevant Notes is less than the amount that would have been received had Definitive Notes been issued. If, and for so long as, the Issuer discharges its obligations under this indemnity, the breach by the Issuer of the provisions of Clause 3.7(c) shall be deemed to be cured *ab initio*.

4 PAYMENT OF DUTIES AND TAXES ON THE NOTES

The Issuer will pay all stamp and other similar duties or taxes, payable in the United Kingdom, Belgium or Luxembourg on or arising out of or in consequence of:

- (a) the execution and delivery of these presents and the Documents and the creation of the security constituted by or pursuant to the Deed of Charge;
- (b) the constitution and issue and delivery of the Notes and Coupons; and
- (c) any action taken by the Trustee or (where permitted under these presents so to do), any Noteholder or Couponholder to enforce the provisions of the Notes or the Coupons or these presents or the Documents or to enforce the security.

5 COVENANT OF COMPLIANCE

The Issuer hereby covenants with the Trustee that it will comply with and perform and observe all the provisions of these presents which are expressed to be binding on it. The Notes shall be held subject to the provisions contained in these presents and the Conditions, all of which shall be binding on the Issuer, the Noteholders and the Couponholders. The Trustee shall be entitled to enforce the obligations of the Issuer under the Notes, the Coupons and the Conditions as if the same were set out and contained in these presents which shall be read and construed as one document with the Notes. The provisions contained in Schedule 5 shall have effect in the same manner as if herein set forth.

6 CANCELLATION OF NOTES

6.1 Cancellation The Issuer shall procure that all Notes:

- (i) redeemed pursuant to Condition 5; or
- (ii) which, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 13,

(together in each case with all unmatured Coupons and any unexchanged Talon attached thereto or delivered therewith) and all Coupons and Talons paid in accordance with the Conditions or which, being mutilated or defaced, have been so surrendered and replaced pursuant to Condition 13 and all Talons exchanged in accordance with the Conditions for further Coupons shall forthwith be cancelled by or on behalf of the Issuer.

6.2 Certificates: A certificate in respect of Notes redeemed in accordance with Condition 5 and/or Notes, Coupons or Talons cancelled in accordance with Clause 6.1 stating:

- (i) the aggregate principal amount of the Definitive Notes which have been redeemed in full and the aggregate amounts in respect of Coupons which have been paid or, as the case may require, the aggregate amounts of principal and interest paid in respect of either of the Global Notes;
- (ii) the serial numbers of such Definitive Notes;
- (iii) the total numbers by maturity date of such Coupons;
- (iv) the aggregate principal amounts of Definitive Notes which have been so surrendered and replaced and the serial numbers of such Definitive Notes and the total number by maturity date of Coupons which have been so surrendered and replaced; and
- (v) the total number of Talons which have been so exchanged; and
- (vi) the total number and maturity dates of unmatured Coupons which were missing from Definitive Notes redeemed and the serial numbers of such Definitive Notes to which such missing and unmatured Coupons appertain,

shall be given to the Trustee by or on behalf of the Issuer as soon as possible and in any event within four months after the date of such redemption, payment or replacement (as the case may be). The Trustee may accept such certificate as conclusive evidence of repayment or replacement pro tanto of the Notes or payment of interest thereon or exchange of the Talons respectively and of cancellation of the relative Notes, Coupons and Talons.

6.3 Records The Issuer shall procure (i) that the Principal Paying Agent shall keep a full and complete record of all Notes and Coupons (other than serial numbers of Coupons) and of their redemption, cancellation or payment (as the case may be) and of all replacement Notes or Coupons or Talons issued in substitution for lost, stolen, mutilated, defaced or destroyed Notes or Coupons (ii) that the Principal Paying Agent shall in respect of the Coupons of each maturity and/or Talons retain until the expiry of five years from the maturity date of such Coupons either all paid Coupons and/or presented Talons of that maturity or a list of the serial numbers of Coupons of that maturity still remaining unpaid and/or Talons not yet presented (iii) that the Principal Paying Agent shall keep a full and complete record of all principal amounts paid in

respect of the Notes; and (iv) that such records and Coupons (if any) and Talons (if any) shall be made available by the Principal Paying Agent to the Trustee at all reasonable times.

7 ENFORCEMENT

7.1 Enforcement of payments At any time after the Notes of any class shall have become due and repayable and without prejudice to its rights of enforcement in relation to the security created by or pursuant to the Deed of Charge, the Trustee may at its discretion subject to Condition 10 and without further notice take such steps as it may think fit to enforce the security created in favour of the Trustee for itself and on trust for others by, and contained in, or granted pursuant to the Deed of Charge and/or such proceedings as it may think fit against the Issuer to enforce payment of the Notes of such class together with accrued interest and any other moneys payable pursuant to these presents PROVIDED THAT the Trustee shall be bound by the terms of the Deed of Charge in determining the priority in which any moneys received by it shall be applied.

7.2 Institution of legal proceedings Should the Trustee take legal proceedings against the Issuer to enforce any of the provisions of the Notes, the Coupons or these presents:

- (i) proof therein that as regards any specified Note the Issuer has made default in paying any principal or interest due in respect of such Note shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Notes in respect of which the relevant payment is then due;
- (ii) proof therein that as regards any specified Coupon the Issuer has made default in paying any interest due in respect of such Coupon shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Coupons which are then due and payable; and
- (iii) proof therein that as regards any specified Talon the Issuer has made default in exchanging such Talon for further Coupons and a further Talon as provided by its terms shall (unless the contrary be proved) be sufficient evidence that the Issuer has made the like default as regards all other Talons which are then available for exchange.

7.3 Disposal of the Security by the Trustee The Trustee will not be liable for any decline in the value, nor any loss realised upon any sale or other dispositions made pursuant to the Deed of Charge or of any of the other Documents, of any Security (as defined in the Conditions). Without prejudice to the foregoing, and without limitation, the Trustee shall not be liable for any such decline or loss directly or indirectly arising from its acting, or failing to act, as a consequence of an opinion reached by it in good faith based on advice received by it in accordance with Condition 2(d).

8 PROCEEDINGS

8.1 Noteholders' instructions to the Trustee to enforce payment The Trustee shall not be bound to take any such proceedings as are mentioned in Clause 7.2 or any other action or proceedings pursuant to or in connection with these presents, the Notes, the Coupons or the Documents unless respectively directed or requested to do so (a) by an Extraordinary Resolution of the Class A Noteholders, the Class M Noteholders or the Class B Noteholders as the case may be, or in writing by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes, or as the case may be, by 25 per cent. in aggregate of the Principal Amount Outstanding of the Class M Noteholders, or as the case may be, by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class B Notes

and, in each case, (b) it shall be indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all liabilities, losses, costs, charges, damages and expenses which it may incur by so doing PROVIDED THAT:

- (i) so long as any of the Class A Notes remain outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Class M Noteholders or the Class B Noteholders unless either so to do would not in its opinion be materially prejudicial to the interests of the Class A Noteholders or such action is sanctioned by an Extraordinary Resolution of the Class A Noteholders; and
- (ii) so long as any of the Class M Notes remain outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Class B Noteholders unless either so to do would not in its opinion be materially prejudicial to the interests of the Class M Noteholders or such action is sanctioned by an Extraordinary Resolution of the Class M Noteholders.

8.2 Enforcement of the Security Only the Trustee may enforce the security created in favour of the Trustee by, and contained in, or granted pursuant to the Deed of Charge or the provisions of these presents, the Notes, the Coupons or the Documents. The Trustee cannot, while any of the Class A Notes are outstanding, be required to enforce the security created by or pursuant to the Deed of Charge, at the request of the Class M Noteholders and/or the Class B Noteholders and the Trustee cannot, while any of the Class M Notes are outstanding, be required to enforce the security created by or pursuant to the Deed of Charge, at the request of the Class B Noteholders or any other Secured Creditor. No Noteholder or Couponholder or other Secured Creditor shall be entitled to enforce the said security or to proceed directly against the Issuer to enforce the performance of any of the provisions of these presents or of the Notes or the Coupons or the Documents unless the Trustee, having become bound as aforesaid to do so, fails to do so within a reasonable period and such failure shall be continuing and, for the avoidance of doubt, only if and to the extent that such holder is able to do so under applicable law.

9 RATE OF INTEREST

The rate of interest payable in respect of the Class A Notes, the Class M Notes and the Class B Notes in the event of the Class A Notes, the Class M Notes and the Class B Notes having become due and repayable shall be calculated at the same intervals as the rate of interest payable pursuant to the Class A Conditions, the Class M Conditions and the Class B Conditions respectively, commencing on the expiry of the Interest Period during which the Class A Notes, the Class M Notes and the Class B Notes become immediately due and repayable *mutatis mutandis* in accordance with the provisions of Class A Condition 4, Class M Condition 4 and Class B Condition 4 respectively, as the case may be, except that no notices need be published in respect thereof.

10 NOTICE OF PAYMENTS

The Trustee shall arrange for notice to be given to the Class A Noteholders, the Class M Noteholders and the Class B Noteholders in accordance with Condition 14 of the day fixed for any payment to them thereunder. Such payment may be made in accordance with Class A Condition 6, the Class M Condition 6 and the Class B Condition 6 respectively and any payment so made shall be a good discharge to the Trustee.

11 INVESTMENT BY TRUSTEE

11.1 Investments If the amount of the moneys at any time available for the payment of principal and interest in respect of the Notes thereunder shall be less than 10 per cent. of the principal amount of the Notes then outstanding the Trustee may at its discretion invest such moneys in some or one of the investments hereinafter authorised with power from time to time at the like discretion to vary such investments and such investments with the resulting income therefrom may be accumulated until the accumulations together with any other funds for the time being under the control of the Trustee and available for such purpose shall amount to a sum being not less than 10 per cent. of the principal amount of the Notes then outstanding and then such accumulations and funds shall be applied as provided in Condition 2(e).

11.2 Variation of Investments Any moneys which under the trusts of these presents ought to or may be invested by the Trustee may be invested in the name or under the control of the Trustee in any of the investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments whether similar to the aforesaid or not which may be selected by the Trustee or by placing the same on deposit with any bank or financial institution in the name or under the control of the Trustee as the Trustee may think fit. If that bank or financial institution is the Trustee or a holding company, affiliate or subsidiary of the Trustee, it need only account for an amount of interest payable on a deposit of similar amount to an independent customer. The Trustee may at any time or times vary any such investments for or into other investments and shall not be responsible for any loss due to depreciation in value or otherwise resulting from any such investments or deposits.

12 PARTIAL PAYMENTS

Upon any payment under Clause 2 (other than:

- (i) a payment which is made in full; or
- (ii) a payment which is made in full except to the extent of any withholding or deduction made therefrom for or on account of taxes or duties as permitted by the Conditions,

against surrender of a Note or Coupon) the Note or Coupon in respect of which such payment is made shall be produced to the Trustee or the Paying Agent and the Trustee shall or shall cause the Paying Agent to enface thereon a memorandum of the amount and the date of payment.

13 COVENANTS BY THE ISSUER

So long as any of the Notes remains outstanding the Issuer shall:

- (i) **Conduct:** at all times carry on and conduct its affairs in a proper and efficient manner;
- (ii) **Information:** give or procure to be given to the Trustee such information and evidence as it shall reasonably require and in such form as it shall reasonably require (including but without prejudice to the generality of the foregoing the procurement by the Issuer of all such certificates called for by the Trustee pursuant to Clause 15.3 or any other provision of these presents or any other Document) for the purpose of the discharge of the duties, trusts, powers, authorities and discretions vested in it under these presents or the Documents or by operation of law;

- (iii) **Auditors Reports:** cause to be prepared and certified by the Auditors in respect of each financial year, accounts in such form as will comply with the requirements for the time being of the Companies Act 1985, the Listing Authority and the London Stock Exchange;
- (iv) **Books of Account:** at all times keep proper books of account and allow the Trustee, the Trustee's auditors or, with the Servicer's prior approval, any professional or financial adviser of the Trustee at any time upon reasonable notice to have access to all books of record and account and other relevant records and to all of the relevant personnel in order to discuss the same with such personnel;
- (v) **Copies of Securities and Shareholders' Documents:** send to the Trustee (in addition to any copies to which it may be entitled as a holder of any securities of the Issuer) (i) at the time of the issue thereof and in any event not more than 180 days after the end of the financial year two copies in English of every balance sheet, profit and loss account, report, circular and notice of general meeting for such financial period and (ii) at the time of issue thereof and in any event not more than 180 days after the end of each financial year four copies in English of the audited annual balance sheet and profit and loss account, report circular and notice of general meeting for such financial period, and every other document issued or sent to its shareholders together with any of the foregoing, and every document issued or sent to holders of its securities other than its shareholders (in their capacity as shareholders) (including the Noteholders) as soon as practicable and by no later than 180 days after the issue or publication thereof;
- (vi) **Notification of Event of Default:** forthwith give notice in writing to the Trustee of the occurrence of any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default;
- (vii) **Directors' Certificate** give to the Trustee (a) within seven days after demand by the Trustee therefor and (b) (without the necessity for any such demand) after its audited accounts become available in respect of each financial period commencing with the financial period, ended 31 December 2001 and in any event not later than 187 days after the end of each such financial period a certificate of the Issuer substantially in the form of Schedule 6 to this Trust Deed signed by two Directors of the Issuer to the effect that as at a date not more than seven days before delivering such certificate (the "**relevant date**"), to the best of the knowledge, information and belief of the Issuer, there did not exist and had not existed since the relevant date of the previous certificate (or in the case of the first such certificate the date hereof) any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default (a "**Potential Event of Default**") (or if such exists or existed specifying the same) and that during the period from and including the relevant date of the last such certificate (or in the case of the first such certificate the date hereof) to and including the relevant date of such certificate the Issuer has complied with all its obligations contained in these presents or (if such is not the case) specifying the respects in which it has not complied;
- (viii) **Further Acts:** insofar as is permitted by applicable law and subject so far as relevant to the Servicing Agreement, at all times execute documents and do all such further acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to these presents;

- (ix) **Maintenance of Agent Bank, Reference Banks and Paying Agents:** at all times maintain an Agent Bank, five Reference Banks, a Principal Paying Agent and any Paying Agent in accordance with the Conditions;
- (x) **Notification of Late Payment:** procure the Principal Paying Agent to notify the Trustee forthwith in the event that it does not, on or before the due date for repayment of the Notes or any of them or any of the Coupons, receive unconditionally pursuant to the Agency Agreement payment of the full amount in pounds sterling of the moneys payable on such due date on all such Notes or Coupons as the case may be;
- (xi) **Notification of Unconditional Payment:** in the event of the unconditional payment to the Principal Paying Agent of any sum due in respect of the Notes or any of them or any of the Coupons being made after the due date for payment thereof forthwith give or procure to be given notice to the Noteholders in accordance with Condition 14 that such payment has been made;
- (xii) **Listing:** use its best endeavours to maintain the listing of the Notes on the Listing Authority and admission of the Notes to trading on the London Stock Exchange or, if it is unable to do so having used its best endeavours or if the maintenance of such listing and admission to trading is agreed by the Trustee to be unduly onerous, use its best endeavours to obtain and maintain a quotation or listing of the Notes on such other authority or authorities stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Trustee) decide and shall also use its best endeavours to procure that there will at all times be furnished to any such authority, stock exchange or securities market such information as such authority, stock exchange or securities market may require to be furnished in accordance with its requirements and shall also upon obtaining a quotation or listing of the Notes on such other authority, stock exchange or securities market enter into a deed supplemental to this Trust Deed to effect such consequential amendments to these presents as the Trustee may require or as shall be requisite to comply with the requirements of any such authority, stock exchange or securities market;
- (xiii) **Change of Paying Agents, Agent Bank and Reference Banks:** give notice to the Noteholders in accordance with Condition 14 and to the Rating Agencies of any appointment, resignation or removal of any Agent Bank or Paying Agent (other than the appointment of the initial Agent Bank or Principal Paying Agent) after having obtained the prior written approval of the Trustee thereto or change of any Paying Agent's specified office and (except as provided by the Agency Agreement) at least 60 days prior to such event taking effect; PROVIDED ALWAYS THAT so long as any of the Notes remains outstanding in the case of the termination of the appointment of the Agent Bank or any Paying Agent, no such termination shall take effect until a new Agent Bank or Paying Agent has been appointed on terms previously approved in writing by the Trustee;
- (xiv) **Notice to Noteholders:** obtain the prior written approval of the Trustee to, and promptly give to the Trustee two copies of, the form of every notice given to the Noteholders (other than in relation to notices relating to the Rate of Interest determined in respect of each Interest Period) in accordance with Condition 14;
- (xv) **Compliance with Agency Agreement:** comply with and perform all its obligations under the Agency Agreement and use its best endeavours to procure that the Agent Bank, the Principal Paying Agent and the Paying Agents comply with and perform all their respective obligations thereunder and do not make any amendment or modification to such Agreement without the prior written approval of the Trustee;

- (xvi) ***Ascertaining the Outstanding Amounts of the Notes***: in order to enable the Trustee to ascertain the Principal Amount Outstanding of Notes for the time being for any of the purposes referred to in the proviso to the definition of “outstanding” contained in the Master Definitions Schedule, deliver to the Trustee within three Business Days after being so requested in writing by the Trustee a certificate in writing signed by two Directors of the Issuer setting out the total number and aggregate Principal Amount Outstanding of the relevant Notes which at the date of such certificate are held by or for the benefit of the Issuer or, so far as the Issuer is aware (without being required to make enquiries other than of any of its respective subsidiaries or holding companies), are held by any person for the benefit of the Issuer or any of its respective subsidiaries or holding companies;
- (xvii) ***Compliance***: use its reasonable endeavours to procure that the other parties thereto, other than the Trustee, comply with and perform all their respective obligations under the Documents and do not make any amendment or modification thereto or agree to waive or authorise any breach thereof without the prior written approval of the Trustee;
- (xviii) ***Maintenance of Servicer***: ensure that there is at all times a servicer appointed in accordance with the provisions of the Servicing Agreement;
- (xix) ***Disposal of Assets***: not transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (xx) ***Restrictions on Activities***: except with the prior written consent of the Trustee, not (i) engage in any activity which is not incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in or (ii) have any subsidiaries or employees or premises;
- (xxi) ***Disposal of Assets***: except with the prior written consent of the Trustee or as contemplated by this Trust Deed, or any of the Documents, it will not transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option present or future right to acquire, any of the Charged Property or other assets or undertakings or any interest, estate, right, title or benefit therein;
- (xxii) ***Borrowings***: except with the prior written consent of the Trustee, not incur any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;
- (xxiii) ***Compliance with Conditions of the Notes***: comply with the Conditions of the Notes and to perform all its obligations thereunder;
- (xxiv) ***Other***: it will not permit the validity or effectiveness of any of the Documents or the priority of the security interests created thereby to be amended, terminated or discharged, or consent or waiver pursuant to the terms of these present, the Conditions or any of the Documents, or permit any party to any of the Documents or any insurance contracts or any other person whose obligations form part of the security to be released from such obligations save as envisaged in the Documents,

provided that in giving any consents to any of the following in this Clause 13(xx) to (xxiv), the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders.

14 REMUNERATION AND INDEMNIFICATION OF TRUSTEE

14.1 Remuneration The Issuer shall pay to the Trustee remuneration for its services as trustee as from the date of this Trust Deed, such remuneration to be at such rate as may from time to time be agreed between the Issuer and the Trustee. Such remuneration shall be payable in advance in equal instalments on such dates and at such times as may be agreed between the Issuer and the Trustee. Such remuneration shall accrue from day to day and be payable (in priority to payments to the Noteholders, Couponholders and others in accordance with the Priority of Payments) down to the date when, all the Notes having become due for redemption, the redemption moneys and interest thereon to the date of redemption have been paid to the Paying Agent or the Trustee PROVIDED THAT if upon due presentation of any Note or Coupon payment of the moneys due in respect thereof is improperly withheld or refused, remuneration will commence again to accrue.

14.2 Additional Remuneration In the event of the Trustee giving an Enforcement Notice or considering it expedient or necessary or being requested by the Issuer to undertake duties which the Trustee and the Issuer agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents or the Documents, the Issuer shall pay to the Trustee such additional remuneration as may be agreed between them at the relevant time.

14.3 Value Added Tax in respect of Remuneration The Issuer shall in addition pay to the Trustee an amount equal to the amount of any value added tax or similar tax chargeable in respect of its remuneration under these presents.

14.4 Remuneration Disputes In the event of the Trustee and the Issuer failing to agree (in a case to which Clause 14.2 applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents or the Documents, or upon such additional remuneration, such matter shall be determined by an independent investment bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of The Law Society of England and Wales (the expenses involved in such nomination and the fees of such independent investment bank being payable by the Issuer) and the determination of any such independent investment bank shall be final and binding upon the Trustee and the Issuer.

14.5 Trustee's Expenses The Issuer shall also pay or discharge all legal fees and other costs, charges, liabilities and expenses properly incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, these presents or the Documents, including but not limited to legal and travelling expenses and any stamp and other similar taxes or duties referred to in Clause 4 paid by the Trustee in connection with any legal proceedings brought or contemplated by the Trustee for enforcing the security created in favour of the Trustee by, and contained in, or granted pursuant to the Deed of Charge or against the Issuer for enforcing any obligations under these presents, the Notes or the Coupons or any of the Documents.

14.6 Indemnity Without prejudice to any right of indemnity by law, the Issuer shall indemnify the Trustee and every attorney, manager, agent, delegate or other person appointed by it under these presents against (i) all liabilities, costs and expenses (including legal fees and expenses incurred by it, or by any persons appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution or purported execution of the trusts, powers, authorities or discretions vested in it by this Trust Deed or any of the Documents and (ii) all liabilities, actions, proceedings, costs, claims and demands in respect of any matter or thing done

or omitted in any way relating to this Trust Deed or any of the Documents. On any discharge of the trusts of this Trust Deed the provisions of this Clause 14.6 shall continue in full force and effect, despite such discharge.

14.7 Interest Rate All costs, charges, liabilities and expenses incurred and payments made by the Trustee in the lawful exercise of the powers conferred upon it by these presents and all remuneration payable to the Trustee shall be payable by the Issuer on demand and in the case of payments actually made by the Trustee prior to such demand shall carry interest at the rate of the Trustee's cost of funding from the date of the same being incurred, and in all other cases shall carry interest at such rate from the date 30 days after the date of the same being incurred.

14.8 Provisions Continuing Unless otherwise specifically stated in any discharge of these presents the provisions of this Clause shall continue in full force and effect notwithstanding such discharge.

15 TERMS OF APPOINTMENT

By way of supplement to the Trustee Acts (or in relation to Northern Ireland, the Trustee (Northern Ireland) Act 1958 as amended) and subject to Clause 16, it is expressly declared as follows in relation to these presents and the Documents:

15.1 Advice The Trustee may act on the advice or opinion of or any information obtained from any lawyer, valuer, accountant, banker, broker or other expert whether obtained by the Issuer, the Trustee or otherwise and shall not be responsible for any loss occasioned by so acting.

15.2 Transmission of Advice Any such advice, opinion or information may be sent or obtained by letter, telex, telegram, facsimile transmission or cable and the Trustee shall not be liable for acting on any advice, opinion or information purporting to be conveyed by any such letter, telex, telegram, facsimile transmission or cable although the same shall contain some error or shall not be authentic.

15.3 Certificate of Authorised Signatory The Trustee may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed by two Directors of the Issuer or any one Director and the Secretary and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by the Trustee acting on such certificate.

15.4 Deposit of Documents The Trustee shall be at liberty to hold or to place these presents and any other documents relating to the Notes in any part of the world with any banker or banking company or company whose business includes undertaking the safe custody of documents or lawyer or firm of lawyers considered by the Trustee to be of good repute and the Trustee shall not be responsible for or required to insure against any loss incurred in connection with any such deposit and may pay all sums required to be paid on account of or in respect of any such deposit.

15.5 Payment for the Notes etc. The Trustee shall not be responsible for the application of the proceeds of the issue of the Notes by the Issuer or of any amounts paid under and in respect of the Mortgage Sale Agreement or which are or ought to be made pursuant to any provisions of the Documents or the making of any Permitted Investments whether under the provisions of the Servicing Agreement or the Guaranteed Investment Contract.

15.6 Events of Default The Trustee shall not be bound to give notice to any person of the execution of these presents or any of the Documents or of the transactions contemplated thereby or to take any steps to ascertain whether any Event of Default (or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default) has happened and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no such Event of Default, condition, event or act has happened and that the Issuer is observing and performing all the obligations on its part contained in the Notes and Coupons and under these presents and the Documents and the transactions contemplated thereby.

15.7 Discretion of the Trustee Save as expressly otherwise provided in these presents, the Trustee shall have absolute and uncontrolled discretion as to the exercise of its powers (the exercise of which as between the Trustee and the Noteholders and Couponholders shall be conclusive and binding on the Noteholders and Couponholders) but whenever the Trustee is under the provisions of these presents bound to act at the request or direction of the Noteholders, the Trustee shall nevertheless not be so bound unless first indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by doing so.

15.8 Resolution of the Noteholders The Trustee shall not be liable for acting upon any resolution purporting to have been passed at any meeting of the Noteholders in respect whereof minutes have been made and purport to have been signed by the chairman thereof even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Noteholders and the relative Couponholders.

15.9 Reliance on Certification of Clearing System The Trustee shall not be liable to the Issuer or any Noteholder or any Couponholder by reason of having accepted as valid or not having rejected any Note or Coupon purporting to be such and subsequently found to be forged or not authentic and the Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence of the facts stated therein a certificate or letter of confirmation certified as true and accurate and signed on behalf of Euroclear, Clearstream, Luxembourg or any common depository for them or such person as the Trustee considers appropriate, or any form of record made by any of them to the effect that at any particular time or through any particular period any particular person is, was, or will be, shown in its records as entitled to a particular number of Notes.

15.10 Trustee's Consent Any consent or approval given by the Trustee for the purposes of these presents or the Documents may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit and notwithstanding anything to the contrary contained in these presents or the Documents or the Conditions may be given retrospectively.

15.11 Confidentiality The Trustee shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be required to disclose to any Noteholder or Couponholder or any other Secured Creditor any confidential, financial, price sensitive or other information made available to the Trustee by the Issuer in connection with the trusts of these presents or the Documents and no Noteholder or Couponholder shall be entitled to take any action to obtain from the Trustee any such information.

15.12 Currency Conversion Where it is necessary or desirable for any purpose in connection with these presents to convert any sum from one currency to another it shall (unless otherwise provided by these presents or required by law) be converted at such rate or rates, in accordance with such method and as at such date for the determination of such rate of exchange,

as may be agreed by the Trustee in consultation with the Issuer and any rate, method and date so agreed shall be binding on the Issuer, the Noteholders, the Couponholders and the other Secured Creditors of the Issuer.

15.13 Default in Performance The Trustee may certify whether or not any of the Events of Default is in its opinion materially prejudicial to the interests of the relevant Noteholders and any such certificate shall be conclusive and binding upon the Issuer, the relevant Noteholders and the relevant Couponholders.

15.14 Assumption of Due Performance The Trustee shall not be bound to take any steps to ascertain whether any event, condition or act, the happening of which would cause a right or remedy to become exercisable by the Trustee or the Issuer under these presents or the Documents, has happened or to monitor or supervise the observance and performance by the Issuer or any of the other parties thereto of their respective obligations thereunder and, until it shall have actual knowledge or express notice to the contrary, the Trustee shall be entitled to assume that no such event, condition or act has happened and that the Issuer and any of the other parties thereto are observing and performing all their respective obligations thereunder.

15.15 Reliance on Title to the Security The Trustee may accept without enquiry, requisition or objection such title as the Issuer may have to the Security created in favour of the Trustee by, and contained in, or granted pursuant to the Deed of Charge or any part thereof or any item comprised therein from time to time and shall not be bound to investigate or make any enquiry into the title of the Issuer to such security or any part thereof or any such item from time to time whether or not any default or failure is or was known to the Trustee or might be, or might have been, discovered upon examination, inquiry or investigation and whether or not capable of remedy.

15.16 Registration and Perfecting Title to the Security The Trustee shall not be liable for any failure, omission or defect in registering or otherwise perfecting the Security created in favour of the Trustee by, and contained in, or granted pursuant to the Deed of Charge or calling for delivery of documents of title to such security or requiring any further assurance in relation to any property or assets comprised in such security.

15.17 Reliance on Documents The Trustee shall not be responsible for recitals, statements, warranties or representations of any party contained in any Document or in any mortgage or charge or other document entered into in connection therewith and shall assume the accuracy and correctness thereof or for the execution, legality, effectiveness, adequacy, genuineness, validity or enforceability or admissibility in evidence of any such agreement or other document or any security thereby constituted. Notwithstanding the generality of the foregoing, each Noteholder shall be solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Security and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

15.18 Perfecting Title to Mortgages The Trustee shall not be obliged (whether or not directed to do so by the Noteholders) to perfect legal title to any Mortgage in its name if, in its opinion, such perfection would or might result in the Trustee becoming liable to or incurring any obligation to any Borrower under a Mortgage and, in its opinion, there is or would be insufficient cash to discharge, in accordance with the provisions of the Deed of Charge, such liabilities or obligations as and when they arise.

15.19 Insurance The Trustee shall not be under any obligation to insure any of the Security or any deeds or documents of title or other evidence in respect thereof and shall not be

responsible for any loss, expense or liability which may be suffered as a result of the lack of or inadequacy of any such insurance.

15.20 No responsibility for the Security etc. The Trustee shall not be responsible for any loss, expense or liability occasioned to the Security however caused by any act or omission of the Issuer or the Servicer or any other person (including any bank, broker, depository, warehouseman or other intermediary or any clearing system or the operator thereof) acting in accordance with or contrary to the terms of any of the Documents or otherwise and irrespective of whether the Security is held by or to the order of any of the foregoing persons, unless such loss is occasioned by the wilful neglect or misconduct or fraud of the Trustee.

15.21 No responsibility for tax on the Security The Trustee shall have no responsibility whatsoever to the Issuer or any Noteholder or Couponholder or any other Secured Creditor as regards any deficiency or additional payment, as the case may be, which might arise because the Trustee or the Issuer is subject to any tax in respect of the Security or any part thereof or any income therefrom or any proceeds thereof.

15.22 No liability for Employees The Trustee shall not be liable for any error of judgment made in good faith by any officer or employee of the Trustee assigned by the Trustee to administer its corporate trust matters unless it shall be proved that the Trustee or the employee of the Trustee was negligent in ascertaining the pertinent facts.

15.23 Financial liability No provision of these presents shall require the Trustee to risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it and, without prejudice to the generality of the foregoing, nothing contained in these presents shall impose any obligation on the Trustee to make any further advance to a Borrower.

15.24 Determinations of the Trustee Conclusive The Trustee as between itself, the Noteholders and the Couponholders shall have full power to determine all questions and doubts arising in relation to any of the provisions of these presents, and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Noteholders and the Couponholders.

15.25 Responsibility Notwithstanding the generality of sub-clauses 15.15 or 15.17 above, the Trustee shall not be responsible for the genuineness, validity, effectiveness or suitability of any of the Documents or any of the mortgages, standard securities, charges or other documents entered into in connection therewith or any other document or any obligation or rights created or purported to be created thereby or pursuant thereto or any security or the priority thereof constituted or purported to be constituted thereby or pursuant thereto, nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents or the unenforceability thereof, whether arising from statute, law or decision of any court and (without prejudice to the generality of the foregoing) the Trustee shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

- (a) the nature, status, creditworthiness or solvency of any Borrower or any other person or entity who has at any time provided any security or support whether by way of guarantee, charge or otherwise in respect of any advance made to any Borrower;
- (b) the execution, legality, validity, adequacy, admissibility in evidence or enforceability of any Mortgage or charge or any other document entered into in connection therewith;

- (c) the title, ownership, value, sufficiency or existence of any Property;
- (d) the registration, filing, protection or perfection of any Mortgage or charge or the priority of the security thereby created whether in respect of any initial advance or any subsequent advance or any other sums or liabilities;
- (e) the scope or accuracy of any representations, warranties or statements made by or on behalf of any Borrower in any application for any advance or in any Mortgage or charge or in any document entered into in connection therewith;
- (f) the performance or observance by any Borrower or any other person of any provisions of any Mortgage or charge or in any document entered into in connection therewith or the fulfilment or satisfaction of any conditions contained therein or relating thereto or as to the existence or occurrence at any time of any default, event of default or similar event contained therein or any waiver or consent which has at any time been granted in relation to any of the foregoing;
- (g) the existence, accuracy or sufficiency of any legal or other opinions, searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection with any mortgage or charge;
- (h) the title of the Issuer to any Mortgage, charge or any other Security Interest;
- (i) the suitability, adequacy or sufficiency of any Lending Policy and any arrears and enforcement procedures operated by the Issuer or compliance therewith or compliance with any applicable criteria for any Further Advances or the legality or recoverability or enforceability thereof or the priority of the Security in relation thereto;
- (j) the compliance of the provisions and contents of and the manner and formalities applicable to the execution of the Mortgages, charges or any other Security Interest and any documents connected therewith or the making of any advance intended to be secured thereby, with the Mortgage Indemnity Guarantee Policies and with any applicable laws or regulations (including without prejudice to the generality of the foregoing, the Consumer Credit Act 1974 or the Unfair Terms in Consumer Contracts Regulations 1999);
- (k) the failure by Britannic Money, First Active, the Servicer, Arianty, or by the Issuer to obtain or comply with any licence, consent or other authority in connection with the origination, sale or purchase of any of the Mortgages or charges or the making of any advances in connection therewith or the failure to effect or procure registration of or to give notice to any person in relation to or otherwise protect the security created or purported to be created by or pursuant to any of the Mortgages, charges or any other Security Interest or other documents entered into in connection therewith;
- (l) the failure to call for delivery of documents of title to or require any transfers, legal Mortgages, charges or any other Security Interest or other further assurances in relation to any of the assets the subject matter of any of the Documents or any other document;
- (m) any of the Transaction Account, the Reserve Account, the Trust Accounts or any other accounts, books, records or files maintained by Britannic Money, the Servicer or any other person in respect of any of the Mortgages or charges;
- (n) any failure to keep the Title Deeds properly identified as the property of the Issuer; or

- (o) any other matter or thing relating to or in any way connected with any Mortgage or charges or any document entered into in connection therewith whether or not similar to the foregoing.

15.26 Exclusion of Liability The Trustee shall not be liable or responsible for any loss, cost, damages, expenses or inconvenience which may result from anything done or omitted to be done by it in accordance with the provisions of these presents, any Documents or any other document or as a consequence of or in connection with it being held or treated as, or being deemed to be, a creditor, for the purposes of the Consumer Credit Act 1974 or the Unfair Terms in Consumer Contracts Regulations 1999, in respect of any of the Mortgages.

15.27 Certificates of Other Parties to the Relevant Documents The Trustee shall be entitled to request and rely upon a certificate reasonably believed by it to be genuine, of the Issuer, the Servicer, Britannic Money, Arianty, First Active, the Reference Banks, the Agent Bank, the Principal Paying Agent or any Paying Agent or any of them in respect of every matter and circumstance for which a certificate is expressly provided for under these presents or the Conditions and to call for and rely upon a certificate of the Servicer reasonably believed by it to be genuine as to any other fact or matter prima facie within the knowledge of the Servicer as sufficient evidence thereof and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be occasioned by its failing so to do.

15.28 Consequences of Modifications In connection with the exercise of the Trustee's powers, trusts, authorities, duties and discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, no Noteholder or Couponholder shall be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

15.29 Responsibility for the Rating of the Notes The Trustee shall have no responsibility for the maintenance of any rating of the Class A Notes or the Class M Notes or the Class B Notes by the Rating Agencies or any other person.

15.30 No liability as a result of the delivery of a Certificate The Trustee shall have no liability whatsoever for any loss, cost, damages or expenses directly or indirectly suffered or incurred by the Issuer, any Noteholder or any other person as a result of the delivery by the Trustee of a notice to the Issuer as to material prejudice pursuant to Condition 9(a) on the basis of an opinion formed by it in good faith.

15.31 Responsibility for the Determination of Certain Matters The Trustee acknowledges that the Servicer is responsible, pursuant to the Servicing Agreement, for determining the amount of (i) the Potential Redemption Amount, the Actual Redemption Amount, the Class A Redemption Amount, the Class M Redemption Amount and the Class B Redemption Amount (each as defined in the Conditions), (ii) the Principal Amount Outstanding and the Pool Factor (each as defined in the Conditions) and (iii) the actual amount of interest on the Notes, in relation to any Interest Payment Date (as defined in the Conditions) and the Trustee shall have no responsibility to recalculate any such amounts notwithstanding a manifest error therein. However, if the Servicer does not at any time for any reason determine the amount of (i) the Potential Redemption Amount or the Actual Redemption Amount or the Class A Redemption

Amount or the Class M Redemption Amount or the Class B Redemption Amount, (ii) the Principal Amount Outstanding and the Pool Factor (each as defined in the Conditions) and (iii) the actual amount of interest on the Notes, the Trustee may (but shall not be obliged to) determine the same, subject to such information as is available to the Trustee at the time, and such calculation shall be deemed to have been made by the Issuer pursuant to the Servicing Agreement and the Conditions and the Trustee shall have no liability in respect thereof other than as a result of the negligence, bad faith or wilful default of the Trustee.

15.32 Trustee's Assumption The Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Conditions or any of the Documents, that such exercise will not be materially prejudicial to the interests of any of the Class A Noteholders, the Class M Noteholders and the Class B Noteholders if the Rating Agencies have confirmed that the then current rating of any Class A Notes, the Class M Notes and the Class B Notes would not be adversely affected by such exercise.

15.33 Illegality No provision of these presents shall require the Trustee to do anything which would or might, in the opinion of the Trustee, be illegal, contrary to any applicable law or regulation or any requirement or request of any fiscal or monetary or other governmental authority or in breach of any contract, treaty or agreement, the terms of which bind the Trustee or which would or might cause it to act in a manner which might prejudice its interests.

16 TRUSTEE'S LIABILITY

16.1 Trustee's Breach of Duty or Trust Nothing contained in these presents shall in any case in which the Trustee has failed to show the degree of care and diligence required of it as trustee having regard to the provisions of these presents conferring on it any powers, authorities or discretions exempt the Trustee from or indemnify it against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties under these presents.

16.2 Consideration of the Interests of the Noteholders The Trustee shall, as regards all the powers, trusts, authorities, duties and discretions vested in it by these presents, the Documents or the Notes (including the Conditions), except where expressly provided otherwise in the Documents, have regard to (i) (for so long as there are Class A Notes outstanding) the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (a) the Class A Noteholders and (b) the holders of any Class M Notes, the holders of any Class B Notes and/or any other Secured Creditors; or (ii) (if there are no Class A Notes outstanding) the interests of the Class M Noteholders if, in the Trustee's opinion, there is a conflict between the interests of (a) the Class M Noteholders and (b) the holders of any Class B Notes and/or any other Secured Creditors; or (iii) (if there are no Class M Notes outstanding) the interests of the Class B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders and any other Secured Creditors.

17 DELEGATION OF TRUSTEE'S POWERS

The Trustee may whenever it thinks fit delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons (whether being a joint trustee of these presents or not) all or any of the trusts, powers and authorities vested in the Trustee by these presents and the Documents and such delegation may be made upon such terms and subject to such conditions including power to sub-delegate with the approval of the Trustee and subject to such regulations as the Trustee may in the interests of the Noteholders think fit and the Trustee shall not be bound to supervise the proceedings or be in any way responsible for any loss incurred by reason of any

misconduct or default on the part of any such delegate or sub-delegate. The Trustee shall within a reasonable time prior to any such delegation or any renewal, extension or termination thereof give notice thereof to the Issuer.

18 EMPLOYMENT OF AGENT BY TRUSTEE

18.1 Delegation to an Agent The Trustee may in the conduct of the trusts of these presents and the Documents and its powers instead of acting personally employ and pay an agent whether being a lawyer or other professional person to transact or concur in transacting any business and to do or concur in doing all acts required to be done in connection with the trusts of these presents and the Documents and its powers and the Trustee shall not in any way be responsible for any loss incurred by reason of any misconduct or default on the part of any such agent appointed by it under these presents or the Documents or be bound to supervise the proceedings or acts of any such agent.

18.2 Remuneration of such Agent Any trustee of these presents being a lawyer, accountant, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his firm in connection with the trusts of these presents and the Documents and also his reasonable charges in addition to disbursements for all other work and business done and all time spent by him or his firm in connection with matters arising in connection with these presents and the Documents.

19 TRUSTEE CONTRACTING WITH ISSUER

Neither the Trustee, nor any body corporate which is a parent company or a subsidiary, or a subsidiary of a parent company, of the Trustee, nor any director or officer of a corporation acting as a trustee under these presents or of such a body corporate shall by reason of its or his fiduciary position be in any way precluded from entering into or being interested in any contract or financial or other transaction or arrangement with the Issuer, or any person or body corporate associated with the Issuer, including, without prejudice to the generality of this provision, any contract, transaction or arrangement of a banking or insurance nature or any contract, transaction or arrangement in relation to the making of loans or the provision of financial facilities to, or the purchase, placing or underwriting of or subscribing or procuring subscriptions for or otherwise acquiring, holding or dealing with the Notes or any other bonds, stocks, shares, debenture stock, debentures, notes or other securities of, the Issuer or any person or body corporate associated as aforesaid, or from accepting or holding the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to or the trusteeship of any shares in the Issuer or any such person or body corporate so associated or any other office of profit under the Issuer, or any such person or body corporate so associated, and shall be entitled to retain and shall not be in any way liable to account for any profit made or share of brokerage or commission or remuneration or other benefit received thereby or in connection therewith.

20 WAIVERS AND MODIFICATIONS AND SUBSTITUTION OF PRINCIPAL DEBTOR

20.1 Waiver, Authorisation and Determination The Trustee may, without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its opinion the interests of the relevant Noteholders shall not (subject to Clause 16.2 hereof) be materially prejudiced thereby, waive or authorise, on such terms and subject to such conditions as to it shall seem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in these presents or in the Notes or Coupons or in the Documents or determine that any condition,

event or act which constitutes, or which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute, but for such determination, an Event of Default shall not be treated as such for the purposes of these presents PROVIDED ALWAYS THAT the Trustee shall not exercise any powers conferred on it by this Clause in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 9(a) or 10 PROVIDED THAT such direction or request is binding in accordance with the provisions of Clause 8.1 but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, if, but only if, the Trustee shall so require, shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

20.2 Modification The Trustee may without the consent of the Noteholders or Couponholders at any time and from time to time concur with the Issuer in making any modification (i) to these presents or any of the Documents or the Conditions (other than the definition of “**Basic Terms Modification**” contained in paragraph 1 of Schedule 5 hereto or any provision of these presents or the Conditions referred to in that proviso) which in the opinion of the Trustee it may be proper to make PROVIDED THAT the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or Couponholders (subject to Clause 16.2 hereof) or (ii) to these presents or the Conditions or the Documents if in the opinion of the Trustee such modification is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding upon the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter. In addition, so long as the Notes of any class are rated by the Rating Agencies, any such modification shall be notified in writing by the Issuer to the Rating Agencies as soon as reasonably practicable thereafter.

20.3 Substitution of Principal Debtor The Trustee may agree, without the consent of the Noteholders or the Couponholders and with the consent of the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Clause 20.3) as the principal debtor in respect of the Notes of another body corporate incorporated (being a single purpose entity) in any country in the world (the “**Substituted Company**”), PROVIDED THAT:-

- (i) a trust deed or an indenture is executed or some other form of undertaking is given by the Substituted Company to the Trustee in a form satisfactory to the Trustee to be bound by the terms hereof and by the Conditions (including without limitation the covenants contained in Condition 3) with any consequential amendments which may be appropriate as fully as if the Substituted Company had been a party to these presents and named therein and in the Notes and the Coupons as the principal debtor in respect of these presents, the Notes and the Coupons in place of the Issuer (or such previous substitute as aforesaid);
- (ii) (if all or substantially all of the assets of the Issuer are transferred to the Substituted Company) the Substituted Company acquires the Issuer’s or such previous substitute’s as aforesaid equity of redemption in the Charged Property (other than the undertaking of the Issuer (or such previous substitute as aforesaid)), acknowledges the security and other matters created and effected in respect thereof pursuant to the Deed of Charge and takes all such action as the Trustee may require so that the Charged Property is subject to security and other matters created by the Substituted Company and otherwise effected or maintained in all respects corresponding to those previously subsisting on the part of the Issuer (or such previous substitute as aforesaid);

- (iii) (unless all or substantially all of the assets of the Issuer are transferred to the Substituted Company) an irrevocable and unconditional guarantee is given by the Issuer to the Trustee, secured on the Charged Property, in a form satisfactory to the Trustee of the payment of all moneys payable by the Substituted Company as such principal debtor;
- (iv) two or all of the directors of the Issuer and the Substituted Company certify that the Substituted Company will be solvent immediately after the time at which the said substitution is to be effected and the Trustee may rely absolutely on such certificate and shall not be bound to have regard to the financial condition, profits or prospects of the Substituted Company or compare the same with those of the Issuer (or of any previous substitute under this Clause 20.3) or to have regard to the possibility of avoidance of the security referred to in (ii) above or any part thereof on the grounds of insolvency or the proximity to insolvency, liquidation or some other event of the creation of the said security;
- (v) the Trustee shall be satisfied that (a) all necessary governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substituted Company of its obligations under these presents, the Notes and the Coupons in place of the Issuer (or such previous substitute as aforesaid) and for the giving by the Issuer of its guarantee aforesaid have been obtained and (b) such approvals and consents are at the time of substitution in full force and effect;
- (vi) the Issuer and the Substituted Company (or any previous substitute under Clause 20.3) shall execute such other deeds, documents and instruments (if any) as the Trustee may require in order that such substitution is fully effective and comply with such other requirements in the interests of the Noteholders and the Couponholders as the Trustee may direct;
- (vii) the Rating Agencies confirm in writing to the Trustee that the rating of the Notes will not be lowered as a result thereof; and
- (viii) the Trustee is provided with a legal opinion in respect of such substitution in form and substance satisfactory to it.

In the case of any substitution as aforesaid the Trustee may in its absolute discretion agree with the Issuer without the consent of the Noteholders or the Couponholders, as to a change of law expressed to govern the Notes and the Coupons or these presents or any of the Documents provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders or the Couponholders (subject to Clause 16.2 hereof).

Upon the execution of such documents and compliance with such requirements the Substituted Company shall be deemed to be named in these presents and on the Notes and the Coupons as the principal debtor in place of the Issuer (or any previous substitute under Clause 20.3) and these presents and the Notes and the Coupons shall thereupon be deemed to be amended in such manner as shall be necessary to give effect to the substitution. Agreement by the Trustee to such substitution shall, if so expressed, operate to release the Issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes hereunder but without prejudice to the Issuer's obligations under its guarantee and/or security aforesaid (if any). Not later than 15 days after the execution of any such undertaking and guarantee and such other deeds, documents and instruments as aforesaid and compliance with the said requirements of the Trustee, the Issuer shall, unless the Trustee agrees otherwise, give notice thereof to the Noteholders in accordance with Condition 14.

21 NOTEHOLDER'S TITLE TO THE NOTES

21.1 Noteholder assumed to be Couponholder Wherever in these presents the Trustee is required or entitled to exercise a power except as ordered by a court of competent jurisdiction or as required by applicable law, the Trustee shall, notwithstanding that it may have express notice to the contrary, assume that each Noteholder is the holder of all Coupons appertaining to each Note of which he is the holder.

21.2 No Notice Neither the Trustee nor the Issuer shall be required to give any notice to the Couponholders for any purpose under these presents and the Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with Condition 14.

21.3 Holder Deemed Absolute Owner The Issuer, the Trustee and the Paying Agents may deem and treat the holder of any Note and the holder of any Coupon appertaining thereto as the absolute owner of such Note or such Coupon, as the case may be, for all purposes (or as the case may be, for the purposes described in the definition of Class A Noteholders, Class M Noteholders and Class B Noteholders, as the case may be) (whether or not such Note or such Coupon shall be overdue and notwithstanding any notation or notice of ownership or writing thereon or any notice of previous loss or theft), and the Issuer, the Trustee and the Paying Agents shall not be affected by any notice to the contrary. All payments made to any such Noteholder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for the moneys payable upon such Notes and Coupons.

21.4 Reliance on clearing system certificates The Issuer and the Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof a certificate or letter or confirmation signed on behalf of the Common Depository or Euroclear or Clearstream, Luxembourg or any form of record made by any of them to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as entitled to a particular interest in a Global Note.

22 CURRENCY INDEMNITY

The Issuer shall indemnify the Trustee, the Noteholders and the Couponholders and keep them indemnified against:

- (a) any loss or damage incurred by any of them arising from the non-payment by the Issuer of any amount due to the Trustee or the Noteholders or Couponholders under these presents or the Notes or the Coupons by reason of any variation in the rates of exchange between those used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Issuer; and
- (b) any deficiency arising or resulting from any variation in rates of exchange between (a) the dates as of which the local currency equivalent of the amounts due or contingently due under these presents (other than this Clause) or in respect of the Notes or Coupons is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Issuer and (b) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation, in respect of which claims are required to be made in a currency other than sterling. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

The above indemnity shall constitute an obligation of the Issuer separate and independent from its obligations under the Notes and the Coupons and shall apply irrespective of any indulgence granted by the Trustee or the Noteholders or the Couponholders from time to time and shall continue in force and effect notwithstanding the judgment or filing or any proof or proofs in any bankruptcy, insolvency or liquidation of the Issuer for a liquidated sum or sums in respect of amounts due under these presents (other than this Clause) or the Notes. Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Noteholders and Couponholders and no proof or evidence of any actual loss shall be required by the Issuer or its liquidator or liquidators.

23 APPOINTMENT OF TRUSTEES

23.1 Appointment by the Issuer The power to appoint a new trustee of these presents shall be vested in the Issuer but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution of the Class A Noteholders, or, if none of the Class A Notes remains outstanding, the Class M Noteholders, or, if none of the Class M Notes remains outstanding, the Class B Noteholders. One or more persons may hold office as trustee or trustees of these presents but such trustee or trustees shall be or include a Trust Corporation. Whenever there shall be more than two trustees of these presents the majority of such trustees shall be competent to execute and exercise all the duties, powers, trusts, authorities and discretions vested in the Trustee by these presents provided that a Trust Corporation shall be included in such majority.

23.2 Appointment of separate or co-trustees by the Trustee Notwithstanding the provisions of Clause 23.1, the Trustee may, upon giving prior written notice to the Issuer (but without the consent of the Issuer or the Noteholders), appoint any person established or resident in any jurisdiction (whether a Trust Corporation or not) to act either as a separate trustee or as a co-trustee jointly with the Trustee (i) if the Trustee considers such appointment to be in the interests of the Noteholders or (ii) for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdictions in which any particular act or acts is or are to be performed or (iii) for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction of either a judgment already obtained or any of the provisions of these presents against the Issuer. The Issuer hereby irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment. Such a person shall (subject always to the provisions of these presents) have such trusts, rights, powers, authorities and discretions (not exceeding those conferred on the Trustee by these presents) and such duties and obligations as shall be conferred or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such reasonable remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses properly incurred by it in performing its function as such separate trustee or co-trustee shall for the purposes of these presents be treated as costs, charges and expenses incurred by the Trustee.

23.3 Notice provisions Any appointment of a new trustee of these presents shall as soon as practicable thereafter be notified by the Issuer to the Paying Agent and the Noteholders and to the Rating Agencies.

24 TRUSTEE'S RETIREMENT AND REMOVAL

The Trustee of these presents may retire at any time on giving not less than three months' prior written notice to the Issuer without assigning any reason and without being responsible for any costs occasioned by such retirement. The Class A Noteholders or, if none of the Class A Notes remain outstanding, the Class M Noteholders or, if none of the Class M Notes remain outstanding, the Class B Noteholders, as the case may be, shall have the power exercisable by

Extraordinary Resolution to remove any trustee or trustees for the time being of these presents. The Issuer undertakes that in the event of the only trustee of these presents which is a Trust Corporation giving notice under this Clause or being removed by Extraordinary Resolution it will use all reasonable endeavours to procure a new trustee of these presents being a Trust Corporation to be appointed as soon as reasonably practicable thereafter. The retirement or removal of any such trustee shall not become effective until a successor trustee being a Trust Corporation is appointed.

25 TRUSTEE'S POWERS TO BE ADDITIONAL

The powers conferred upon the Trustee by these presents and the Documents shall be in addition to any powers which may from time to time be vested in the Trustee by the general law or as a holder of any of the Notes or Coupons.

26 NOTICES

Any notice, demand, approval or certificate required to be given under these presents, made or served for any purposes under the Notes or these presents shall be given, made or served by sending the same by pre-paid post (first class if inland, first class airmail if overseas), telegram, cable or facsimile transmission or by delivering it by hand as follows-

to the Issuer: **FIRST FLEXIBLE NO.4 plc**

Sir William Atkins House
Ashley Avenue
Epsom Surrey KT18 5AS

Telephone No: 01372 737 737
Facsimile No: 01372 737 777
Attention: Company Secretary

to the Trustee: **THE CHASE MANHATTAN BANK**

Trinity Tower
9 Thomas More Street
London E1W 1YT

Telephone No: 0207 777 2000
Facsimile No: 0207 777 5460
Attention: ITS STRUCTURED FINANCE

or to such other address or facsimile number as shall have been notified (in accordance with and for the purpose of this Clause) to the other party hereto and any notice or demand sent by post as aforesaid shall be deemed to have been given, made or served two days in the case of inland post or fourteen days in the case of overseas post after despatch and any notice or demand sent by telegram, cable or facsimile transmission as aforesaid shall be deemed to have been given, made or served 24 hours after the time of despatch provided that in the case of a notice or demand given by telegram, cable or facsimile transmission such notice or demand shall forthwith be confirmed by post. The failure of the addressee to receive such confirmation shall not invalidate the relevant notice or demand given by telegram, cable, telex or facsimile transmission.

27 THIRD PARTY RIGHTS

No person, other than a party to this Trust Deed shall have any right by virtue of the Contracts (Rights of Third Parties) Act 1999 to enforce any term (express or implied) of this Agreement but this is without prejudice to any right or remedy of a third party which may exist or be available apart from that Act.

28 GOVERNING LAW

These presents, the Notes and the Coupons shall be governed by and shall be construed in accordance with English law.

29 COUNTERPARTS

This Trust Deed may be executed in any number of counterparts, each of which shall be deemed an original.

IN WITNESS whereof this Trust Deed has been executed and delivered by the Issuer and the Trustee as a deed and entered into the day and year first above written.

SCHEDULE 1

FORM OF TEMPORARY GLOBAL CLASS [A]/[M]/[B]¹ NOTE

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1377(a) OF THE INTERNAL REVENUE CODE.

ISIN: [For Class A Notes: XS[]/[For Class M Notes XS[]/[For Class B Notes: XS[]]¹

First Flexible No.4 plc

(Incorporated with limited liability under the laws of England and Wales)

TEMPORARY GLOBAL CLASS [A]/[M]/[B]¹ NOTE

representing

£[],000,000¹ Class [A]/[M]/[B]¹ Mortgage Backed Floating Rate Notes due 2036

This Note is a Temporary Global Class [A]/[M]/[B]¹ Note without interest coupons in respect of a duly authorised issue of Class [A]/[M]/[B]¹ Notes of First Flexible No.4 plc (the “**Issuer**”), designated as specified in the title hereof (the “**Notes**”), limited to the aggregate principal amount of

[] Pounds Sterling (£[],000,000)¹

and constituted by a Trust Deed dated 26 July 2001 (the “**Trust Deed**”) between the Issuer and The Chase Manhattan Bank as trustee (the trustee for the time being thereof being herein called the “**Trustee**”). References herein to the Conditions (or to any particular numbered Condition) shall be to the Terms and Conditions of the Notes (or that particular one of them) set out in Schedule 4 to the Trust Deed. Terms and expressions defined in the Trust Deed and the Conditions shall bear the same meanings when used herein. The bearer hereof shall be bound by, and deemed to have notice of, all the provisions of the Trust Deed and the Conditions.

If the Issuer becomes obliged to issue Definitive Notes pursuant to Clause 3.7 to 3.11 of the Trust Deed, the Temporary Global Class [A]/[M]/[B]¹ Note will be exchanged upon certification of non-US beneficial ownership on the Exchange Date but not before, in whole or in part upon the request of the bearer hereof for Definitive Class [A]/[M]/[B]¹ Notes substantially in the form set out in Schedule 3 to the Trust Deed only and on and subject to the terms and conditions set out below and in the Trust Deed.

Any payment of interest and/or principal with respect to this Temporary Global Class [A]/[M]/[B]¹ Note shall be made to or to the order of the bearer hereof and to the extent required by The Chase Manhattan Bank (the “**Principal Paying Agent**”), upon presentation at the Principal Paying Agent’s office at Trinity Tower, 9 Thomas More Street, London E1W 1YT of a certificate in the form set out in Exhibit A hereto from Euroclear and/or Clearstream,

Luxembourg, as the case may be, to the effect that it has received from or in respect of each of the persons appearing in its records as having Notes credited to them a certificate in the form of Exhibit B hereto.

Upon any payment of principal and/or interest on the Notes due to be made hereunder, details of such payment shall be endorsed by or on behalf of the Issuer on the First Schedule hereto in accordance with the provisions of the Agency Agreement and, in the case of payments of principal of any of the Notes, the Principal Amount Outstanding hereof shall be reduced for all purposes by the amounts so paid and endorsed.

Subject as provided herein, the Issuer hereby promises to pay to the bearer hereof the principal sum of

[] Pounds Sterling (£[] 000,000)¹

or such lesser amount as may from time to time be represented by this Temporary Global Class [A]/[M]/[B]¹ Note (or such part thereof as may be payable in accordance with the Conditions) on such date(s) as the same may become payable in accordance with the Conditions and the Trust Deed and to pay interest on the said principal sum, as reduced by any payments as aforesaid, at rates determined in accordance with the Conditions, such interest to be payable on the Interest Payment Dates therein specified together with such other amounts (if any) as may be payable, all subject to and in accordance with the Conditions and the certification requirements described in this Temporary Global Class [A]/[M]/[B]¹ Note.

On or after the Exchange Date, this Temporary Global Class [A]/[M]/[B]¹ Note may be exchanged in whole or in part for a Permanent Global Class [A]/[M]/[B]¹ Note in the form set out in Schedule 2 to the Trust Deed upon presentation of this Temporary Global Class [A]/[M]/[B]¹ Note by the bearer hereof to the Principal Paying Agent at its office at Trinity Tower, 9 Thomas More Street, London E1W 1YT. The Permanent Global Class [A]/[M]/[B]¹ Note shall be so issued and delivered in exchange for only that portion of this Temporary Global Class [A]/[M]/[B]¹ Note in respect of which there shall have been presented to the Principal Paying Agent by Euroclear or Clearstream, Luxembourg, to the extent requested by the Principal Paying Agent, a certificate, in the form set out in Exhibit A hereto, to the effect that it has received from or in respect of a person or persons entitled to a Class [A]/[M]/[B]¹ Note comprising or comprised in such portion (as shown by its records) a certificate from such person or persons in or substantially in the form of Exhibit B hereto. On an exchange of part only of this Temporary Global Class [A]/[M]/[B]¹ Note, details of such exchange shall be entered by or on behalf of the Issuer in the Second Schedule hereto and the relevant space in the Second Schedule hereto recording such exchange shall be signed by or on behalf of the Issuer.

On an exchange of the whole of this Temporary Global Class [A]/[M]/[B]¹ Note, this Temporary Global Class [A]/[M]/[B]¹ Note shall be surrendered to the Principal Paying Agent.

All payments of any amounts payable and paid to the bearer of this Temporary Global Class [A]/[M]/[B]¹ Note shall be valid and, to the extent of the sums so paid, effectual to satisfy and discharge the liability for the moneys payable hereon and on the relevant Definitive Notes and Coupons.

The Temporary Global Class [A]/[M]/[B] Note is transferable by delivery.

¹ Complete as appropriate

Any certificate referred to in this Temporary Global Class [A]/[M]/[B]¹ Note which is required to be delivered by Euroclear or Clearstream, Luxembourg may be relied upon by the Issuer, the Trustee and the Paying Agents as conclusive evidence that the corresponding certification or certifications have been delivered to Euroclear or Clearstream, Luxembourg, as the case may be, as contemplated by the terms of this Temporary Global Class [A]/[M]/[B]¹ Note.

Claims in respect of the principal and interest in respect of this Temporary Global Class [A]/[M]/[B]¹ Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate relevant date.

The holder hereof shall (unless this Temporary Global Class [A]/[M]/[B]¹ Note represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each £10,000 in principal amount of the original Principal Amount Outstanding of the relevant Definitive Notes for which this Temporary Global Class [A]/[M]/[B]¹ Note may be exchanged.

Notices in respect of the Notes represented by this Temporary Global Class [A]/[M]/[B]¹ Note need not be published in accordance with the Conditions but may be given (and shall be deemed given) by delivery of copies of such notices (where this Temporary Global Class [A]/[M]/[B]¹ Note is held by a common depository for Euroclear and Clearstream, Luxembourg) to Euroclear and Clearstream, Luxembourg for communication by them to entitled accountholders. In respect of any notice which can be given in accordance with the Conditions by way of a Relevant Screen, such notice may be given on the Relevant Screen notwithstanding that the Notes are represented by this Temporary Global Class [A]/[M]/[B]¹ Note.

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Temporary Global Class [A]/[M]/[B]¹ Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

This Temporary Global Class [A]/[M]/[B]¹ Note shall not become valid for any purpose unless and until the Certificate of Authentication hereon has been signed by an authorised signatory of the Principal Paying Agent.

This Temporary Global Class [A]/[M]/[B]¹ Note is governed by, and shall be construed in accordance with, the laws of England.

¹ Complete as appropriate

Exhibit A

Certificate of Clearing System

First Flexible No.4 plc

£[] ,000,000¹

Class [A]/[M]/[B]¹ Mortgage Backed Floating Rate Notes due 2036 (the “Notes”)

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organisations appearing in our records as persons being entitled to a portion of the principal amount set forth below (our “*Member Organisations*”) substantially to the effect set forth in the Trust Deed, as of the date hereof, £[] principal amount of the above-captioned Notes (i) is owned by persons that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source (“*United States persons*”), (ii) is owned by United States persons that (a) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(v) (“*financial institutions*”)) purchasing for their own account or for resale, or (b) are acquiring the Notes through foreign branches of United States financial institutions and who hold the Notes through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution has agreed, on its own behalf or through its agent, that we may advise the Issuer or the Issuer’s agent that it will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) is owned by United States or foreign financial institutions for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and to the further effect that United States or foreign financial institutions described in clause (iii) above (whether or not also described in clause (i) or (ii)) have certified that they have not acquired the Notes for purposes of resale directly or indirectly to a United States person within the United States or its possessions.

If the Notes are of the category contemplated in Section 230.903(c)(3) of Regulation S under the Securities Act 1933, as amended (the “*Act*”) then this is also to certify with respect to such principal amount of Notes set forth above that we have received in writing, by tested telex or by electronic transmission, from our Member Organisations entitled to a portion of such principal amount, certifications with respect to such portion, substantially to the effect set forth in the Trust Deed.

We further certify (i) that we are not making available herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) any portion of the Global Note except as set forth herein and (ii) that as of the date hereof we have not received any notification from any of our Member Organisations to the effect that the statements made by such Member Organisations with respect to any portion of the part submitted herewith for exchange (or, if relevant, exercise of any rights or collection of any interest) are no longer true and cannot be relied upon as of the date hereof.

As used herein, “*United States*” means the United States of America (including the States of the District of Columbia); and its “*possessions*” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

¹ Complete as appropriate

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorise you to produce this certification to any interested party in such proceedings.

Dated: [], 20[]¹

Yours faithfully

Euroclear S.A./N.V.
as Operator of the Euroclear System

or

Clearstream Banking, société anonyme

By:

¹ To be dated no earlier than the Exchange Date

Exhibit B

Certificate Incorporated by Reference to Certificate of Clearing System

First Flexible No.4 plc

£[],000,000¹

Class [A]/[M]/[B]¹ Mortgage Backed Floating Rate Notes due 2036 (the “Notes”)

This is to certify that as of the date hereof, and except as set forth below, the above-captioned Notes held by you for our account (i) are owned by person(s) that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States Federal income taxation regardless of its source (“*United States person(s)*”), (ii) are owned by United States person(s), that (a) are foreign branches of United States financial institutions (as defined in U.S. Treasury Regulations Section 1.165-12(c)(1)(v)) (“*financial institutions*”) purchasing for their own account or for resale, or (b) are acquiring the Notes through foreign branches of United States financial institutions and who hold the Notes through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees, on its own behalf or through its agent, that you may advise the Issuer or the Issuer’s agent that it will comply with the requirements of Section 1.165(j)(3)(A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder), or (iii) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and in addition if the owner of the Notes is a United States or foreign financial institution described in Clause (iii) above (whether or not also described in Clause (i) or (ii)) this is to further certify that such financial institution has not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

If the Notes are of the category contemplated in Section 230.903(c)(3) of Regulation S under the Securities Act of 1933, as amended (the “*Act*”) then this is also to certify that, except as set forth below, (i) in the case of debt securities, the Notes are beneficially owned by (a) non-U.S. person(s) or (b) U.S. person(s) who purchased the Notes in transactions which did not require registration under the Act; or (ii) in the case of equity securities, the Notes are owned by (x) non-U.S. person(s) (and such person(s) are not acquiring the Notes for the account or benefit of U.S. person(s)) or (y) U.S. person(s) who purchased the Notes in a transaction which did not require registration under the Act. If this certification is being delivered in connection with the exercise of warrants pursuant to Section 230.902(m) of Regulation S under the Act, then this is further to certify that, except as set forth below, the Notes are being exercised by and on behalf of non-U.S. person(s). As used in this paragraph the term “*U.S. person*” has the meaning given to it by Regulation S under the Act.

As used herein, “*United States*” means the United States of America (including the States of the District of Columbia); and its “*possessions*” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

¹ Complete as appropriate

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Notes held by you for our account in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification applies as of such date.

This certification excepts and does not relate to £[] of such interest in the above Notes in respect of which we are not able to certify and as to which we understand exchange and delivery of Definitive Notes (or, if relevant, exercise of any rights of collection of any interest) cannot be made until we do so certify.

We understand that this certification is required in connection with certain tax laws and, if applicable, certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorise you to produce this certification to any interested party in such proceedings.

Date:20[]¹

Name of Person Making Certification

by:

As, or as agent for, the
beneficial owner(s) of the
Notes to which the
certificate relates.

¹ To be dated no earlier than 15 days prior to the Exchange Date

IN WITNESS whereof the Issuer has caused this Temporary Global Class [A]/[M]/[B]¹ Note to be signed manually by a person duly authorised on its behalf.

First Flexible No.4 plc

By:
(Duly authorised)

CERTIFICATE OF AUTHENTICATION

This is the Temporary Global Class [A]/[M]/[B]¹ Note referred to in, and entitled to the benefits of, the above-mentioned Trust Deed.

THE CHASE MANHATTAN BANK
as Principal Paying Agent (without recourse, warranty or liability)

By:
Authorised Signatory

Issued in London, England on 26 July 2001

¹ Complete as appropriate

THE FIRST SCHEDULE

TO THE FORM OF TEMPORARY GLOBAL CLASS [A]/[M]/[B]¹ NOTE

**PAYMENTS OF PRINCIPAL AND/OR INTEREST ON THE
CLASS [A]/[M]/[B]¹ NOTES**

The following payments of principal and/or interest in respect of the Class [A]/[M]/[B]¹ Notes represented by this Temporary Global Class [A]/[M]/[B]¹ Note have been made:-

Date made	Amount of principal due and payable	Amount of interest due and payable	Amount of principal paid	Amount of interest paid	Principal Amount Outstanding following a payment of principal	Notation made by or on behalf of the Paying Agent
	£	£	£	£	£	
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

¹ Complete as appropriate

THE SECOND SCHEDULE

TO THE FORM OF TEMPORARY GLOBAL CLASS [A]/[M]/[B]¹ NOTE

EXCHANGE FOR PERMANENT GLOBAL CLASS [A]/[M]/[B]¹ NOTES

The following exchanges of a part of this Temporary Global Class [A]/[M]/[B]¹ Note for a Permanent Global Class [A]/[M]/[B]¹ Note have been made:-

Date made	Amount of decrease in Principal Amount Outstanding of this Temporary Global Class [A]/[M]/[B] ¹ Note	Principal Amount Outstanding of this Temporary Global Class [A]/[M]/[B] ¹ Note following such decrease	Notation made by or on behalf of the Paying Agent
	£	£	£
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

¹ Complete as appropriate

SCHEDULE 2

FORM OF PERMANENT GLOBAL CLASS [A]/[M]/[B]¹ NOTE

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1377(a) OF THE INTERNAL REVENUE CODE.

ISIN: [For Class A Notes: XS[]/For Class B Notes: XS[]/For Class M Notes: XS[]]¹

First Flexible No.4 plc

(Incorporated with limited liability under the laws of England and Wales)

PERMANENT GLOBAL CLASS [A]/[M]/[B]¹ NOTE

representing

£[],000,000¹ Class [A]/[M]/[B]¹ Mortgage Backed
Floating Rate Notes due 2036

This Note is a Permanent Global Class [A]/[M]/[B]¹ Note without interest coupons in respect of a duly authorised issue of Class [A]/[M]/[B]¹ Notes of First Flexible No.4 plc (the “**Issuer**”), designated as specified in the title hereof (the “**Notes**”), limited to the aggregate principal amount of

[] Pounds Sterling (£[],000,000)¹

and constituted by a Trust Deed dated 26 July 2001 (the “**Trust Deed**”) between the Issuer and The Chase Manhattan Bank as trustee (the trustee for the time being thereof being herein called the “**Trustee**”). References herein to the Conditions (or to any particular numbered Condition) shall be to the Terms and Conditions of the Notes (or that particular one of them) set out in Schedule 4 to the Trust Deed but with the deletion therefrom of those provisions which are applicable only to Notes in definitive form. Terms and expressions defined in the Trust Deed and the Conditions shall bear the same meanings when used herein. The bearer hereof shall be bound by, and deemed to have notice of, all the provisions of the Trust Deed and the Conditions.

The Notes represented by this Permanent Global Class [A]/[M]/[B]¹ Note were originally represented by a Temporary Global Class [A]/[M]/[B]¹ Note. Unless such Temporary Global Class [A]/[M]/[B]¹ Note was exchanged in whole on the issue hereof, such Temporary Global Class [A]/[M]/[B]¹ Note may be further exchanged, on the terms and conditions set out therein, for this Permanent Global Class [A]/[M]/[B]¹ Note. If any such exchange occurs following the issue hereof, the Principal Paying Agent shall endorse the Second Schedule hereto to reflect the increase in the aggregate Principal Amount Outstanding of this Permanent Global Class

¹ Complete as appropriate

[A]/[M]/[B]¹ Note due to each such exchange, whereupon the Principal Amount Outstanding hereof shall be increased for all purposes by the amount so exchanged and endorsed.

Upon any cancellation of the Notes represented by this Permanent Global Class [A]/[M]/[B]¹ Note, the Principal Paying Agent shall, on behalf of the Issuer, enter on the First Schedule hereto, a notation of the principal amount of such cancelled Notes and the principal amount hereof shall be reduced for all purposes by the principal amount of the Notes so cancelled.

If the Issuer becomes obliged to issue Definitive Notes pursuant to Clause 3.7 to 3.11 of the Trust Deed, this Permanent Global Class [A]/[M]/[B]¹ Note will be exchangeable in whole but not in part at the offices of the Principal Paying Agent at Trinity Tower, 9 Thomas More Street, London E1W 1YT (or such other place outside the United States of America, its territories, its possessions and other areas subject to its jurisdiction as the Trustee may agree) upon the request of the bearer hereof for Definitive Notes only on and subject to the terms and conditions set out in the Trust Deed. The Issuer shall procure that the Principal Paying Agent shall issue and deliver, in full exchange for this Permanent Global Class [A]/[M]/[B]¹ Note, Definitive Notes in bearer form each with a denomination of £10,000 with interest coupons and Talons exchangeable for further interest Coupons and, if necessary, further talons attached as will ensure that neither loss nor gain of interest shall accrue to the bearer thereof. If the Issuer fails to meet its obligations to issue Definitive Notes, this shall be without prejudice to the Issuer's obligations with respect to the Notes under the Trust Deed and this Permanent Global Class [A]/[M]/[B]¹ Note.

The Issuer hereby promises to pay to the bearer hereof the principal amount shown as outstanding in the fourth column of the Second Schedule hereto (or such part thereof as may become repayable pursuant to the Conditions) on such date(s) as the said principal amount (or part thereof) may become repayable in accordance with the Conditions and the Trust Deed and to pay interest in arrear on each Interest Payment Date (as defined in Condition 4) on the Principal Amount Outstanding of the Notes represented by this Permanent Global Class [A]/[M]/[B]¹ Note at rates determined in accordance with Condition 4 all subject to and in accordance with the Conditions and the Trust Deed.

Upon any payment of principal and/or interest on the Notes due to be made hereunder or any payment made in connection with the cancellation of any of the Notes details of such payment shall be endorsed by or on behalf of the Issuer on the First Schedule hereto in accordance with the provisions of the Agency Agreement (as defined in the Trust Deed) and, in the case of payments of principal and payments made in connection with cancellation of any of the Notes, the Principal Amount Outstanding hereof shall be reduced for all purposes by the amounts so paid and endorsed.

Upon any exchange of this Permanent Global Class [A]/[M]/[B]¹ Note for a Definitive Note or Notes, the Principal Amount Outstanding hereof so exchanged shall be endorsed by or on behalf of the Issuer on the Second Schedule hereto, whereupon the Principal Amount Outstanding hereof shall be reduced to nil for all purposes. On an exchange of the whole of this Permanent Global Class [A]/[M]/[B]¹ Note, this Permanent Global Class [A]/[M]/[B]¹ Note shall be surrendered to the Principal Paying Agent.

Claims in respect of principal and interest in respect of this Permanent Global Class [A]/[M]/[B]¹ Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate relevant date.

¹ Complete as appropriate

The holder shall (unless this Permanent Global Class [A]/[M]/[B]¹ Note represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each £10,000 in principal amount of the original Principal Amount Outstanding of the relevant Definitive Notes of which this Permanent Global Class [A]/[M]/[B]¹ Note may be exchanged.

Notices in respect of the Notes represented by this Permanent Global Class [A]/[M]/[B]¹ Note need not be published in accordance with the Conditions but may be given (and shall be deemed given) by delivery of copies of such notices (where this Permanent Global Class [A]/[M]/[B]¹ Note is held by common depository for Euroclear and Clearstream, Luxembourg) to Euroclear and Clearstream, Luxembourg for communication by them to entitled accountholders. In respect of any notice which can be given in accordance with the Conditions by way of a Relevant Screen, such notice may be given on the Relevant Screen notwithstanding that the Notes are represented by this Permanent Global Class [A]/[M]/[B]¹ Note.

This Permanent Global Class [A]/[M]/[B]¹ Note is transferable by delivery.

All payments of amounts payable and paid to the bearer of this Permanent Global Class [A]/[M]/[B]¹ Note shall be valid and, to the extent of the sums so paid, sufficient to satisfy and discharge the liability for the monies payable hereon and on the relevant Definitive Notes and Coupons.

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Permanent Global Class [A]/[M]/[B]¹ Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

This Permanent Global Class [A]/[M]/[B]¹ Note is governed by, and shall be construed in accordance with, the laws of England.

IN WITNESS whereof the Issuer has caused this Permanent Global Class [A]/[M]/[B]¹ Note to be signed manually by a person duly authorised on its behalf.

FIRST FLEXIBLE NO.4 plc

By:
(Duly authorised)

¹ Complete as appropriate

CERTIFICATE OF AUTHENTICATION

This is the Permanent Global Class [A]/[M]/[B]¹ Note referred to in, and entitled to the benefits of, the above-mentioned Trust Deed.

THE CHASE MANHATTAN BANK

as Principal Paying Agent (without recourse, warranty or liability)

By:

Authorised Signatory

Issued in London, England on 26 July 2001

¹ Complete as appropriate

THE FIRST SCHEDULE

TO THE FORM OF THE PERMANENT GLOBAL CLASS [A]/[M]/[B]¹ NOTE

**PAYMENTS OF PRINCIPAL AND/OR INTEREST ON THE
CLASS [A]/[M]/[B]¹ NOTES**

The following payments of principal and/or interest in respect of the Class [A]/[M]/[B]¹ Notes represented by this Permanent Global Class [A]/[M]/[B]¹ Note have been made:

Date Made	Amount of principal due and payable	Amount of interest due and payable	Amount of principal paid	Amount of interest Paid	Principal Amount Outstanding following payment of principal and cancellation	Notation by or on behalf of the Paying Agent
	£	£	£	£	£	£
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

¹ Complete as appropriate

Date Made	Amount of principal due and payable	Amount of interest due and payable	Amount of principal paid	Amount of interest Paid	Principal Amount Outstanding following payment of principal and cancellation	Notation by or on behalf of the Paying Agent
	£	£	£	£	£	£
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

THE SECOND SCHEDULE

TO THE FORM OF THE PERMANENT GLOBAL CLASS [A]/[M]/[B]¹ NOTE

INCREASE IN VALUE, DECREASE IN VALUE AND EXCHANGES FOR DEFINITIVE CLASS [A]/[M]/[B]¹ NOTES

The aggregate Principal Amount Outstanding of this Permanent Global Class [A]/[M]/[B]¹ Note, subject to any notation in the First Schedule, is shown by the latest entry made by or on behalf of the Principal Paying Agent in the fourth column below.

The following increases in value consequent upon exchanges of the Temporary Global Class [A]/[M]/[B]¹ Note and a decrease in value consequent upon exchange of this Permanent Global Class [A]/[M]/[B]¹ Note for Definitive Class [A]/[M]/[B]¹ Notes have been made.

Date made	Amount of increase in Principal Amount Outstanding of this Permanent Global Class [A]/[M]/[B]¹ Note due to exchanges of the Temporary Global Class [A]/[M]/[B]¹ Note² for this Permanent Global Class [A]/[M]/[B]¹ Note	Amount of decrease in Principal Amount Outstanding of this Permanent Global Class [A]/[M]/[B]¹ Note²	Principal Amount Outstanding of this Permanent Global Class [A]/[M]/[B]¹ Note following such exchange	Notation made by or on behalf of the Paying Agent
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

¹ Complete as appropriate

² State whether (i) reduction following redemption of Notes; or (ii) exchange for Definitive Notes

² State whether (i) reduction following redemption of Notes; or (ii) exchange for Definitive Notes

Date made	Amount of increase in Principal Amount Outstanding of this Permanent Global Class [A]/[M]/[B] ¹ Note due to exchanges of the Temporary Global Class [A]/[M]/[B] ¹ Note ² for this Permanent Global Class [A]/[M]/[B] ¹ Note	Amount of decrease in Principal Amount Outstanding of this Global Class [A]/[M]/[B] ¹ Note ²	Principal Amount Outstanding of this Permanent Global Class [A]/[M]/[B] ¹ Note following such exchange	Notation made by or on behalf of the Paying Agent
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

¹ Complete as appropriate
² State whether (i) reduction following redemption of Notes; or (ii) exchange for Definitive Notes

SCHEDULE 3

PART A

FORM OF DEFINITIVE CLASS A NOTE

ON THE FRONT

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) and 1377(a) OF THE INTERNAL REVENUE CODE.

[0,000/00,000] ISIN XS [] [SERIES] [Serial No.]

First Flexible No.4 plc
(Incorporated with limited liability under
the laws of England and Wales)

£[]¹ Class A Mortgage Backed Floating Rate Notes due 2036

The issue of the Class A Notes was authorised by a resolution of the Board of Directors of First Flexible No.4 plc (the “**Issuer**”) passed on 18 July 2001.

This Note forms one of a series of Notes constituted by a Trust Deed (the “**Trust Deed**”) dated 26 July 2001 made between the Issuer and The Chase Manhattan Bank as trustee for, *inter alia*, the holders of the Notes and issued to bearer with a denomination of £10,000 each with interest coupons and talons exchangeable for further interest coupons and further talons attached.

The Issuer for value received and subject to and in accordance with the Class A Conditions endorsed hereon hereby promises to pay to the bearer on the Interest Payment Date (as defined in Class A Condition 4(b) endorsed hereon) falling in July 2036 (or on such earlier date as the principal sum hereunder mentioned (or part thereof) (subject to such adjustment downwards (with the deletion of such interest coupons evidencing such adjustment) as may be necessary to such principal sum so as to ensure that the Issuer repays no greater principal sum hereunder than the actual principal amount received by the Issuer in respect thereof on the Issue Date) may become repayable in accordance with the said Class A Conditions) the principal sum of:-

£[]¹

together with interest on the Principal Amount Outstanding (as defined in Condition 5 endorsed hereon) of this Note at rates determined in accordance with the said Class A Conditions payable at the end of each calendar month in arrear on each Interest Payment Date and together with such

¹ Complete as appropriate

other amounts (if any) as may be payable, all subject to and in accordance with the said Conditions and the provisions of the Trust Deed.

This Note is transferable by delivery.

Neither this Note nor any of the coupons or talons appertaining hereto shall become valid for any purpose unless and until the Certificate of Authentication herein has been signed by an authorised signatory of The Chase Manhattan Bank as Principal Paying Agent.

IN WITNESS whereof this Note has been executed on behalf of the Issuer.

FIRST FLEXIBLE NO.4 plc

By:
Director

By:
Director

Date as of []
Issued in London, England.

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes referred to in the within-mentioned Trust Deed.

THE CHASE MANHATTAN BANK
as Principal Paying Agent (without recourse, warranty or liability)

By:
Authorised Signatory

[On the back]

Terms and Conditions of the Class A Notes

[Take in Schedule 4 to the Trust Deed and insert a grid for the marking down of all payments of principal]

PART B

FORM OF DEFINITIVE CLASS M NOTE

ON THE FRONT

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) and 1377(a) OF THE INTERNAL REVENUE CODE.

[0,000/00,000] ISIN XS[] [SERIES] [Serial No.]

First Flexible No.4 plc
(Incorporated with limited liability under
the laws of England and Wales)

£[] **Class M Mortgage Backed Floating Rate Notes due 2036**

The issue of the Class M Notes was authorised by a resolution of the Board of Directors of First Flexible No.4 plc (the "Issuer") passed on 18 July 2001.

This Note forms one of a series of Notes constituted by a Trust Deed (the "Trust Deed") dated 26 July 2001 between the Issuer and The Chase Manhattan Bank as trustee for, *inter alia*, the holders of the Notes and issued to bearer with a denomination of £10,000 each with interest coupons and talons exchangeable for further interest coupons and further talons attached.

The Issuer for value received and subject to and in accordance with the Class M Conditions endorsed hereon hereby promises to pay to the bearer on the Interest Payment Date (as defined in Class M Condition 4(b) endorsed hereon) falling in July 2036 (or on such earlier date as the principal sum hereunder mentioned (or part thereof) (subject to such adjustment downwards (with the deletion of such interest coupons evidencing such adjustment) as may be necessary to such principal sum so as to ensure that the Issuer repays no greater principal sum hereunder than the actual principal amount received by the Issuer in respect thereof on the Issue Date) may become repayable in accordance with the said Class M Conditions) the principal sum of:-

£[]¹

together with interest on the Principal Amount Outstanding (as defined in Condition 5 endorsed hereon) of this Note at rates determined in accordance with the said Class M Conditions payable at the end of each calendar month in arrear on each Interest Payment Date and together with such other amounts (if any) as may be payable, all subject to and in accordance with the said Conditions and the provisions of the Trust Deed.

This Note is transferable by delivery.

¹ Complete as appropriate

Neither this Note nor any of the coupons or talons appertaining hereto shall become valid for any purpose unless and until the Certificate of Authentication herein has been signed by an authorised signatory of The Chase Manhattan Bank as Principal Paying Agent.

IN WITNESS whereof this Note has been executed on behalf of the Issuer.

FIRST FLEXIBLE NO.4 plc

By:
Director

By:
Director

Date as of []
Issued in London, England.

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes referred to in the within-mentioned Trust Deed.

THE CHASE MANHATTAN BANK
as Principal Paying Agent (without recourse, warranty or liability)

By:
Authorised Signatory

[On the back]

Terms and Conditions of the Class M Notes

[Take in Schedule 4 to the Trust Deed and insert a grid for the marking down of all payments of principal]

SCHEDULE 3

PART C

FORM OF DEFINITIVE CLASS B NOTE

ON THE FRONT

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) and 1377(a) OF THE INTERNAL REVENUE CODE.

[0,000/00,000] ISIN XS[] [SERIES] [Serial No.]

First Flexible No.4 plc
(Incorporated with limited liability under
the laws of England and Wales)

£[] ¹Class B Mortgage Backed Floating Rate Notes due 2036

The issue of the Class B Notes was authorised by a resolution of the Board of Directors of First Flexible No.4 plc (the "Issuer") passed on 18 July 2001.

This Note forms one of a series of Notes constituted by a Trust Deed (the "Trust Deed") dated 26 July 2001 made between the Issuer and The Chase Manhattan Bank as trustee for, *inter alia*, the holders of the Notes and issued to bearer with a denomination of £10,000 each with interest coupons and talons exchangeable for further interest coupons and further talons attached.

The Issuer for value received and subject to and in accordance with the Class B Conditions endorsed hereon hereby promises to pay to the bearer on the Interest Payment Date (as defined in Class B Condition 4(b) endorsed hereon) falling in July 2036 (or on such earlier date as the principal sum hereunder mentioned (or part thereof) (subject to such adjustment downwards (with the deletion of such interest coupons evidencing such adjustment) as may be necessary to such principal sum so as to ensure that the Issuer repays no greater principal sum hereunder than the actual principal amount received by the Issuer in respect thereof on the Issue Date) may become repayable in accordance with the said Class B Conditions) the principal sum of:-

£[]¹

together with interest on the Principal Amount Outstanding (as defined in Condition 5 endorsed hereon) of this Note at rates determined in accordance with the said Class B Conditions payable at the end of each calendar month in arrear on each Interest Payment Date and together with such

¹ Complete as appropriate

¹ Complete as appropriate

other amounts (if any) as may be payable, all subject to and in accordance with the said Conditions and the provisions of the Trust Deed.

This Note is transferable by delivery.

Neither this Note nor any of the coupons or talons appertaining hereto shall become valid for any purpose unless and until the Certificate of Authentication herein has been signed by an authorised signatory of The Chase Manhattan Bank as Principal Paying Agent.

IN WITNESS whereof this Note has been executed on behalf of the Issuer.

FIRST FLEXIBLE NO.4 plc

By:
Director

By:
Director

Date as of []
Issued in London, England.

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes referred to in the within-mentioned Trust Deed.

THE CHASE MANHATTAN BANK
as Principal Paying Agent (without recourse, warranty or liability)

By:
Authorised Signatory

[On the back]

Terms and Conditions of the Class B Notes

[Take in Schedule 4 to the Trust Deed and insert a grid for the marking down of all payments of principal]

SCHEDULE 3

PART D

FORM OF [CLASS [A]/[M]/[B]¹ INTEREST COUPON

ON THE FRONT:

ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1377(a) OF THE INTERNAL REVENUE CODE

FIRST FLEXIBLE NO.4 plc

Coupon No.

£[] Class [A]/[M]/[B]¹ Mortgage Backed
Floating Rate Notes due 2036

FRN - interest payment

This Coupon is payable to bearer (subject to the Conditions endorsed on the Note to which this Coupon relates, which shall be binding upon the holder of this Coupon whether or not it is for the time being attached to such Note) at the specified office of the Principal Paying Agent set out on the reverse hereof (or any further or other Paying Agents or specified offices duly appointed or nominated and notified to the Noteholders).

If the Note to which this Coupon relates shall have become due and payable before the maturity date of this Coupon, this Coupon shall become void and no payment shall be made in respect of it. This Coupon may, in certain circumstances, only be payable on surrender of this Note to which this Coupon appertains.

No.	0000000	ISIN NUMBER	Series	Serial No.
		[Class A Notes XS[] ¹	
		[Class M Notes XS[]]	
		[Class B Notes XS[]]	

¹ Complete as appropriate

¹ Complete as appropriate

On the back of the Coupons:

PRINCIPAL PAYING AGENT

THE CHASE MANHATTAN BANK

Trinity Tower

9 Thomas More Street

London

E1W 1YT

SCHEDULE 3

PART E

**FORM OF [CLASS A]/[CLASS M]/[CLASS B]¹ TALON FOR FURTHER INTEREST
COUPONS**

On the front:

FIRST FLEXIBLE NO.4 plc

£[] Class [A]/[M]/[B]¹ Mortgage Backed Floating Rate Notes due 2036

After the Interest Payment Date (as defined in the Conditions endorsed on the Note to which this Talon appertains) falling in [], [] further Interest Coupons and a further Talon for Interest Coupons appertaining to such Note will, subject to the said Class [A]/[M]/[B]¹ Conditions, be issued at the specified office of any of the Paying Agents set out on the reverse hereof (and/or such other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders) upon production and surrender of this Talon.

If the Note to which this Talon relates shall have become due and payable before the production and surrender of this Talon, this Talon shall become void and no issue of further Interest Coupons and a further Talon shall be made in respect of it.

No:

FRN – interest payment

¹ Complete as appropriate

On the back of the Talons:

PRINCIPAL PAYING AGENT

**THE CHASE MANHATTAN BANK
Trinity Tower
9 Thomas More Street
London
E1W 1YT**

SCHEDULE 4

**TERMS AND CONDITIONS OF THE CLASS A NOTES, THE CLASS M NOTES AND
THE CLASS B NOTES**

THE TERMS AND CONDITIONS OF THE CLASS A NOTES, THE CLASS M NOTES AND
THE CLASS B NOTES APPEAR OVERLEAF.

DESCRIPTION OF THE CLASS A NOTES

GENERAL

£460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036 (the "**Class A Notes**") of First Flexible No. 4 plc (the "**Issuer**") are the subject of a trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified including the Master Definitions Schedule (as defined under Class A Condition 2(c) incorporated in the Trust Deed) to be entered into on 26 July 2001 (the "**Issue Date**") and made between the Issuer and The Chase Manhattan Bank (the "**Trustee**", which expression includes any further or other trustee of the Trust Deed) as trustee for, *inter alia*, the holders for the time being of the Class A Notes (the "**Class A Noteholders**") and the holders for the time being of the interest coupons relating thereto (the "**Class A Coupons**" which expression includes the talons (the "**Class A Talons**") attached to the Class A Notes except where the context otherwise requires) (the "**Class A Couponholders**"). £35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 (the "**Class M Notes**") and £5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036 (the "**Class B Notes**" and together with the Class A Notes and the Class M Notes, the "**Notes**") will be issued pursuant to the Trust Deed contemporaneously with the issue of the Class A Notes. The security for the Class A Notes, the Class M Notes and the Class B Notes is created pursuant to, and on the terms set out in, a deed of sub-charge and assignment (the "**Deed of Charge**", which expression includes such deed of sub-charge and assignment as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time modified) to be dated the Issue Date and made between, *inter alia*, the Issuer, Arianty No.1 plc ("**Arianty**"), Britannic Money plc ("**Britannic Money**") and the Trustee. By an agency agreement (the "**Agency Agreement**", which expression includes such Agency Agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) to be dated the Issue Date and made between the Issuer, the Trustee, The Chase Manhattan Bank as agent bank (the "**Agent Bank**" which expression includes any other agent bank appointed in respect of the Class A Notes) and The Chase Manhattan Bank, as principal paying agent (the "**Principal Paying Agent**" and together with any further or other paying agents for the time being appointed in respect of the Class A Notes, the "**Paying Agents**") provision is made for the payment of principal and interest in respect of the Class A Notes. The statements in these Class A Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Deed of Charge.

Copies of the Trust Deed, the Agency Agreement, the Deed of Charge and the other Documents (as defined below) are available for inspection at the principal office for the time being of the Trustee, being at the date hereof at Trinity Tower, 9 Thomas More Street, London E1 9YT and at the specified offices of the Paying Agents. The Class A Noteholders and the Class A Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge and are deemed to have notice of all the provisions of the Agency Agreement.

The issue of the Class A Notes was authorised by resolution of the Board of Directors of the Issuer passed on 18 July 2001.

THE GLOBAL CLASS A NOTES

Temporary Global Class A Notes and Permanent Global Class A Notes

The Class A Notes will be initially represented by a temporary bearer global note in the principal amount of £460,000,000 (the "**Temporary Global Class A Note**") without Class A Coupons or Class A Talons. The Temporary Global Class A Note will be deposited on behalf of the subscribers of the Class A Notes with a common depository (the "**Common Depository**") for Euroclear S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on the Issue Date. Upon deposit of the Temporary Global Class A Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Class A Notes represented by such Temporary Global Class A Note with the principal amount of the Class A Notes for which it has subscribed and paid. Interests in the Temporary Global Class A Note will be exchangeable not earlier than 4 September 2001 (the "**Exchange Date**"), provided certification of non-US beneficial ownership by the Class A Noteholders has been received, for interests in a permanent bearer global note (the "**Permanent Global Class A Note**" and, together with the Temporary Global Class A Note, the "**Global Class A Notes**"), without Class A Coupons or Class A Talons.

On the exchange of the Temporary Global Class A Note for the Permanent Global Class A Note, the Permanent Global Class A Note will remain deposited with the Common Depository.

Transfers

Title to the Global Class A Notes will pass by delivery. The Permanent Global Class A Note will only be exchangeable for definitive Class A Notes in the limited circumstances described below. Each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Class A Note will be entitled to receive any payment so made in respect of that Class A Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate. For so long as any Class A Notes are represented by a Global Class A Note, such Class A Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as the Class A Notes are represented by a Global Class A Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Class A Notes will be entitled to be treated by the Issuer and the Trustee as the holder of such principal amount of Class A Notes. The expressions "**Class A Noteholders**" may be construed accordingly, but without prejudice to the entitlement of the bearer of a Global Class A Note.

Payments

No payment will be made on the Temporary Global Class A Note unless exchange for interest in the Permanent Global Class A Note of the Class A Notes in definitive form is improperly withheld or refused. Principal and interest on a Global Class A Note will be payable against presentation of that Global Class A Note at the specified office of any Paying Agent provided certification of non-US beneficial ownership by the Class A Noteholders has been received by Euroclear or Clearstream, Luxembourg. A record of each payment made on a Global Class A Note, distinguishing between any payment of principal and payment of interest, will be endorsed on that Global Class A Note by the Paying Agents (or the Paying Agent shall procure that such endorsement be made) and such record shall be *prima facie* evidence that the payment in question has been made.

Issue of Class A Notes in Definitive Form

If (i) the Class A Notes become due and repayable pursuant to Class A Condition 9(a) or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer is, or any of the Paying Agents are or will be, required to make any deduction or withholding from any payment in respect of the Class A Notes which would not be required were the Class A Notes in definitive form, then the Issuer will, at its sole cost and expense, issue Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Class A Notes within 30 days of the occurrence of the relevant event.

Any notice to Class A Noteholders in respect of Class A Notes represented by a Global Class A Note shall be deemed to have been duly given if sent to Euroclear and/or Clearstream, Luxembourg (as applicable) and shall be deemed to have been given on the date on which such notice was so sent.

TERMS AND CONDITIONS OF THE CLASS A NOTES

1. FORM, DENOMINATION AND TITLE

- (a) The £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036 (the "Class A Notes") issued by First Flexible No. 4 plc (the "Issuer") are serially numbered and are issued in bearer form in the denomination of £10,000 each with coupons ("Class A Coupons") and talons ("Class A Talons") attached and a grid endorsed thereon for the recording of all payments of principal in accordance with the provisions of Class A Condition 5.
- (b) Title to the Class A Notes, Class A Coupons and Class A Talons shall pass by delivery. The holder of any Class A Note (each a "Class A Noteholder") and the holder of any Class A Coupon (each a "Class A Couponholder") may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Class A Note or Class A Coupon, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.
- (c) The holder of each Class A Coupon (whether or not the Class A Coupon is attached to the relevant Class A Note) and each Class A Talon in his capacity as such shall be subject to all the provisions contained in the relevant Class A Note.

2. STATUS, SECURITY AND PRIORITY

Status

- (a) The Class A Notes and the Class A Coupons constitute direct, secured and unconditional obligations of the Issuer and rank (subject to the provisions of Class A Condition 5) *pari passu* without preference or priority amongst themselves.
- (b) The £35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 (the "Class M Notes") and the £5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036 (the "Class B Notes" and together with the Class A Notes and the Class M Notes, the "Notes") issued by the Issuer on or about 26 July 2001 (the "Issue Date") are subject to a trust deed dated on or about 26 July 2001 between the Issuer and The Chase Manhattan Bank (the "Trustee") (the "Trust Deed") and are secured by the same security which secures the Class A Notes. The Class A Notes rank *pari passu*, without preference or priority amongst themselves, the Class M Notes rank *pari passu* without preference or priority amongst themselves and the Class B Notes rank *pari passu* without preference or priority amongst themselves, but (i) the Class A Notes will rank in priority to the Class M Notes and the Class B Notes and (ii) the Class M Notes will rank in priority to the Class B Notes in the event of the Security (as defined below in Class A Condition 2(d)) being enforced.
- (c) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Class A Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to (i) (for so long as there are any Class A Notes outstanding) the interests of the holders of Class A Notes if, in the Trustee's opinion, there is a conflict between the interests of (A) the holders of Class A Notes and (B) the holders of Class M Notes and/or (C) the holders of Class B Notes and/or any other Secured Creditors (as defined below) or (ii) (if there are no Class A Notes outstanding) the interests of the holders of Class M Notes if, in the Trustee's opinion, there is a conflict between the interests of (A) the holders of Class M Notes, (B) the holders of Class B Notes and/or any other Secured Creditors (as defined below) or (iii) (if there are no Class M Notes outstanding) the interests of the holders of Class B Notes, if in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders or any other Secured Creditors (as defined below).

Security

- (d) As security for the payment of all moneys payable in respect of the Class A Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver (as defined below) appointed under the Deed of Charge) and in respect of certain amounts payable to Britannic Money or its successor acting as Servicer of the mortgages to be purchased by the Issuer on the Issue Date (the "Initial Mortgages") and such Further Mortgages (as defined below) and such mortgages transferred to the Issuer pursuant to the Transaction Documents after the Issue Date (each a "Substitute Mortgage" and together with the Initial Mortgages and further mortgage

loans purchased by the Issuer from Arianty (the "**Pre-Funded Mortgages**") at any time on or after the Issue Date but no later than the third Interest Payment Date and Further Mortgages, the "**Mortgages**", and to certain other beneficiaries from time to time, the Issuer will enter into the Deed of Charge creating the following security (the "**Security**") in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) a first fixed equitable charge or mortgage or (in relation to Mortgages secured on properties in Scotland ("**Scottish Mortgages**")) assignation in security in favour of the Trustee over the Issuer's right, title, interest and benefit present and future in the Mortgages and other collateral security relating to the Mortgages;
- (ii) an equitable assignment by way of first fixed security in favour of the Trustee of the Issuer's interest in certain buildings policies, life policies, contingency policies and mortgage indemnity policies (the "**Insurance Contracts**") to the extent that they relate to the Mortgages;
- (iii) an assignment by way of first fixed security in favour of the Trustee of the benefit of the servicing agreement to be entered into between the Servicer, the Issuer, and the Trustee (the "**Servicing Agreement**"), the mortgage sale agreement to be entered into between, *inter alios*, Arianty, the Issuer and the Trustee (the "**Mortgage Sale Agreement**"), the declaration of trust by Britannic Money in favour of the Issuer in relation to Scottish Mortgages (the "**Scottish Trust**"), the guaranteed investment contract to be entered into between the Issuer, the Trustee and Barclays Bank PLC (the "**Guaranteed Investment Contract**"), the redraw facility agreement to be entered into between the Issuer, the Trustee and Barclays Bank PLC (in such capacity, the "**Redraw Facility Provider**") (the "**Redraw Facility Agreement**"), the declaration of trust to be entered into and made by Britannic Money in relation to the Trust Accounts (as defined below) (the "**Declaration of Trust**"), the agency agreement to be entered into and made between the Issuer, the Principal Paying Agent, the Trustee and the Agent Bank (the "**Agency Agreement**"), the loan agreement to be entered into and made between the Issuer and Britannic Money (the "**Start-Up Loan**"), the bank agreement to be entered into between, *inter alia*, the Issuer, The Royal Bank of Scotland plc and Barclays Bank PLC (the "**Bank Agreement**"), each interest rate swap agreement (each an "**Interest Rate Swap**" and together the "**Interest Rate Swaps**") to be entered into and made between the Issuer and Morgan Guaranty Trust Company of New York, London branch, Barclays Bank PLC or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Swap Counterparty**" and together, the "**Swap Counterparties**"), each interest rate cap (each an "**Interest Rate Cap**" and together the "**Interest Rate Caps**") provided by Morgan Guaranty Trust Company of New York, London branch, Barclays Bank PLC or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Cap Provider**" and together, the "**Cap Providers**"), each LIBOR-linked interest rate swap agreement (each a "**LIBOR Swap**" and together the "**LIBOR Swaps**") to be entered into and made between the Issuer and Morgan Guaranty Trust Company of New York, London branch or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**LIBOR Swap Provider**" and together, the "**LIBOR Swap Providers**"), each base rate swap (each a "**Base Rate Swap**" and together the "**Base Rate Swaps**") provided by The Royal Bank of Scotland plc or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Base Rate Swap Provider**" and together, the "**Base Rate Swap Providers**") purchased by the Issuer on or around the Issue Date, the Master Definitions Schedule, and such other documents as are expressed to be subject to the charges under the Deed of Charge (all such documents together the "**Transaction Documents**");
- (iv) a first fixed equitable charge in favour of the Trustee over the Issuer's beneficial interest in the Trust Accounts, the Transaction Account and the Reserve Account (each as defined below), any other bank account of the Issuer from time to time and over the Permitted Investments (as defined below); and
- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer.

Priority of Payments Prior to Enforcement

- (e) On each Interest Payment Date, the monies standing to the credit of the Transaction Account (save for any monies standing to the credit of the Pre-Funded Ledger applied or to be applied in purchasing Pre-Funded Mortgages), the monies representing a credit balance in the Reserve Ledger (save that such monies may only be applied to meet items (i) to (vii) below), all monies advanced under the Redraw Facility (save that such monies may only be applied to purchase the right to repayment of Redraws under item (ix) below or to rollover existing advances under the Redraw Facility), any Threshold Amount Deposit (as defined below) made on the immediately preceding Determination Date, all amounts received from the Swap Counterparties and/or the Cap Providers and/or the LIBOR Swap Providers under an Interest Rate Swap and/or Interest Rate Cap and/or LIBOR Swap, all amounts received from the Base Rate Swap Providers under a Base Rate Swap, all amounts representing a credit balance in the Hedge Reserve transferred from the Reserve Account to the Transaction Account, all amounts representing a credit balance in the Base Rate Reserve transferred from the Reserve Account to the Transaction Account and all amounts representing a credit balance in the Discount Reserve transferred from the Reserve Account to the Transaction Account will, after making payment of or providing for Excluded Items (as defined below), until enforcement of the Security for the Notes, be applied (save as the payee may otherwise agree) in making the following payments or provisions in the following order of priority (the “**Priority of Payments**”):
- (i) to pay or provide for the remuneration payable to the Trustee and any fees, costs, charges, liabilities and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
 - (ii) to pay or provide for amounts due and/or which will become due prior to the next Interest Payment Date to the Paying Agents and Agent Bank under the Agency Agreement;
 - (iii) to pay or provide for *pari passu* and *pro rata* (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable or expected to become due and payable by the Issuer on or after such Interest Payment Date by the Issuer to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere and (b) the Issuer’s liability or possible liability for corporation tax;
 - (iv) to pay or provide for the servicing fee payable to the Servicer on such Interest Payment Date (inclusive of value added tax, if any) together with costs and expenses which are payable or expected to become payable by the Servicer under the Servicing Agreement prior to the next Interest Payment Date;
 - (v) to pay *pro rata* and *pari passu*:
 - (a) all amounts payable by the Issuer to the Swap Counterparties and/or the Base Rate Swap Providers and/or the LIBOR Swap Providers pursuant to the Interest Rate Swaps and/or the Base Rate Swaps and/or the LIBOR Swaps (other than in respect of termination payments following an event of default in respect of an Interest Rate Swap or a Base Rate Swap or a LIBOR Swap where the relevant Swap Counterparty or the relevant Base Rate Swap Provider or the relevant LIBOR Swap Provider is the defaulting party under the relevant Interest Rate Swap or, as the case may be, the relevant Base Rate Swap or, as the case may be, the relevant LIBOR Swap);
 - (b) all amounts payable under the Redraw Facility other than in respect of principal; and
 - (c) all amounts payable in respect of the Class A Notes other than in respect of principal on the Class A Notes;
 - (vi) subject to an M Note Trigger Event not occurring on that Interest Payment Date, to pay all amounts payable in respect of the Class M Notes other than in respect of principal on the Class M Notes;

- (vii) subject to a B Note Trigger Event not occurring on that Interest Payment Date, to pay all amounts payable in respect of the Class B Notes other than in respect of principal on the Class B Notes;
- (viii) to credit the Reserve Fund up to the Reserve Fund Required Amount;
- (ix) to pay for the purchase by the Issuer of the right to repayment of Redraws;
- (x) to repay all principal amounts outstanding under the Redraw Facility;
- (xi) to fund the purchase by the Issuer of Further Advances up to the lower of (a) the Potential Redemption Amount less amounts applied in accordance with item (x) above and (b) the aggregate amount of Redemptions received during the immediately preceding Collection Period less amounts applied in accordance with item (x) above;
- (xii) during the Substitution Period only, to fund the purchase by the Issuer of Further Mortgages up to the lower of (a) the Potential Redemption Amount less amounts applied in accordance with items (x) and (xi) above; and (b) the aggregate amount of Redemptions received during the immediately preceding Collection Period less amounts applied in accordance with items (x) and (xi) above;
- (xiii) to allocate an amount to be applied in redeeming the Notes equal to the greater of zero and the difference between (a) the Potential Redemption Amount (as defined in Class A Condition 5(b)) and (b) the sum of the amounts applied under items (x), (xi) and (xii);
- (xiv) if an M Note Trigger Event occurs on such Interest Payment Date to pay all amounts payable in respect of the Class M Notes other than in respect of principal on the Class M Notes;
- (xv) if a B Note Trigger Event occurs on such Interest Payment Date to pay all amounts payable in respect of the Class B Notes other than in respect of principal on the Class B Notes;
- (xvi) to credit *pari passu* and *pro rata* (a) the Base Rate Reserve up to the Base Rate Reserve Required Amount and (b) the Hedge Reserve up to the Hedge Reserve Required Amount;
- (xvii) to fund the purchase by the Issuer of hedges that may be required in order to preserve a rate at least equal to the Threshold Rate in respect of Further Mortgages, Substitute Mortgages or Further Advances purchased on such Interest Payment Date;
- (xviii) to credit the Discount Reserve in an amount equal to the aggregate Loan Expected Differentials arising from Discounts on Further Mortgages, Substitute Mortgages or Further Advances purchased on such Interest Payment Date;
- (xix) to make any termination payments payable to the Swap Counterparties or the Base Rate Swap Providers or the LIBOR Swap Providers pursuant to the Interest Rate Swaps or, as the case may be, the Base Rate Swaps or, as the case may be, the LIBOR Swaps following an event of default in respect of an Interest Rate Swap or, as the case may be, a Base Rate Swap or, as the case may be, a LIBOR Swap where the relevant Swap Counterparty or, as the case may be, the relevant Base Rate Swap Provider or, as the case may be, the relevant LIBOR Swap Provider is the defaulting party under the relevant Interest Rate Swap or, as the case may be, the

relevant Base Rate Swap or, as the case may be, the relevant LIBOR Swap;

and provided that there is no Principal Deficiency on such Interest Payment Date and that no Event of Default has occurred;

- (xx) to pay amounts repayable to the Servicer in respect of any Threshold Amount Deposit which the Servicer elects to release;
- (xxi) to pay amounts payable in respect of the Start-Up Loan other than in respect of principal on the Start-Up Loan;
- (xxii) to pay amounts payable in respect of principal under the Start-Up Loan;
- (xxiii) to pay *pari passu* and *pro rata* (a) sums due to Arianty as Arianty Deferred Purchase Consideration, (b) sums due to Britannic Money as Britannic Money Deferred Purchase Consideration and (c) sums due to First Active as First Active Deferred Purchase Consideration; and
- (xxiv) to make dividend payments to shareholders of the Issuer.

For the purposes of these Class A Conditions:

“Arianty Deferred Purchase Consideration” means such sums as are paid to Arianty on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of the Initial Mortgages and Further Mortgages.

“Available Facility” means, in relation to the Redraw Facility, on each Interest Payment Date, an amount calculated as the difference between the Redraw Facility Limit and the aggregate amount of advances outstanding under the Redraw Facility which will not be repaid on such Interest Payment Date.

“B Note Trigger Event” means the determination by the Servicer as at any Interest Payment Date on which Class A Notes or Class M Notes are outstanding that, on the assumption that a B Note Trigger Event does not occur, the application of funds in accordance with the Priority of Payments will give rise to a Principal Deficiency (as defined in Class A Condition 5(b)) which exceeds the aggregate Principal Amount Outstanding of the Class B Notes on such Interest Payment Date.

“Bank of England Base Rate” means the Bank of England repo rate set from time to time by the Monetary Policy Committee of the Bank of England.

“Base Rate Linked Mortgages” means Mortgages which are subject to a variable rate of interest set by Britannic Money from time to time, which is linked to the Bank of England Base Rate.

“Base Rate Reserve” means the amount recorded in a ledger (the **“Base Rate Reserve Ledger”**) and held in the Reserve Account.

“Base Rate Reserve Required Amount” means on the Issue Date and each Interest Payment Date thereafter an amount equal to 0.30% of the aggregate outstanding principal balances (including drawn and undrawn balances) of all Unhedged Base Rate Linked Mortgages.

“Base Rate Swap” means any interest rate swap entered into with the Base Rate Swap Provider for the purpose of hedging some or all of the Base Rate Linked Mortgages in the Mortgage Pool.

“Base Rate Swap Provider” means The Royal Bank of Scotland plc or such other person who from time to time enters into a Base Rate Swap with the Issuer.

“Borrower Loan Limit” means the principal amount of a Borrower’s loan which would have been outstanding at any time if the Borrower had only made the minimum monthly payment agreed with Britannic Money or First Active, as applicable, (the **“Minimum Monthly Payment”**) and had not made any Overpayments.

“Borrower Mortgage Account” means each mortgage account held, from time to time, by a Borrower with Britannic Money or First Active, as applicable.

“Britannic Money Deferred Purchase Consideration” means such sums as are paid to Britannic Money on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of Further Advances.

"Discount" means the discount below the Reference Rate applicable to a Discounted Mortgage at the relevant time.

"Discounted Mortgage" means Mortgages which are at the relevant time subject to a discounted rate of interest for a specified period.

"Discount Reserve" means the amount recorded in a ledger (the **"Discount Reserve Ledger"**) and held in the Reserve Account.

"Effective Interest Margin" means, in relation to Discounted Mortgages in the Mortgage Pool an amount determined as follows:

- (a) for each Standard Variable Rate Mortgage, the Threshold Margin less the Discount;
- (b) for each Base Rate Linked Mortgage, the margin of that Mortgage over Bank of England Base Rate less 0.15% (where such mortgage is not subject to a Base Rate Swap) less the Discount;
- (c) for each LIBOR Linked Mortgage, the margin of that Mortgage over LIBOR less the Discount.
- (d) for each Capped Mortgage which has been hedged relative to the Threshold Rate, the Threshold Margin less the Discount.
- (e) for each Fixed Rate Mortgage which has been swapped to the Threshold Rate, the Threshold Margin less the Discount.

"Expected Differential" means an amount calculated in respect of each Discounted Mortgage and each Interest Period as the difference between the Threshold Margin and the Effective Interest Margin on such Discounted Mortgage, to the extent such difference is positive, multiplied by the outstanding principal balance in respect of such Discounted Mortgage as of the Interest Payment Date multiplied by the fraction of the actual number of days elapsed in the succeeding Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year).

"First Active Deferred Purchase Consideration" means such sums as are paid to First Active on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of Further Advances.

"Further Advances" means the additional funds advanced to a Borrower by Britannic Money or First Active, as applicable, on the security of his/her Mortgage subject to the satisfaction of certain conditions.

"Hedge Reserve" means the amount recorded in a ledger (the **"Hedge Reserve Ledger"**) and held in the Reserve Account.

"Hedge Reserve Required Amount" means (a) as at the Issue Date, the initial amount of Tranche C of the Start-Up Loan and (b) as at each Interest Payment Date, an amount equal to such amounts as are required to ensure that the Threshold Margin is maintained in respect of Capped Mortgages.

"Investment Home Loans" means loans made to a Borrower to be used to remortgage or acquire properties to let to tenants or hold as an investment.

"M Note Trigger Event" means the determination by the Servicer as at any Interest Payment Date on which Class A Notes are outstanding that, on the assumption that an M Note Trigger Event does not occur, the application of funds in accordance with the Priority of Payments will give rise to a Principal Deficiency (as defined in Class A Condition 5(b)) which exceeds the aggregate Principal Amount Outstanding of the Class M Notes and the Class B Notes on such Interest Payment Date.

"Non-Verified Mortgage Ledger" means the ledger so entitled and held in the Transaction Account.

"Owner Occupied Loans" means loans made to a Borrower to acquire property to be used as their primary place of residence.

"Overpayment" means the amount by which a payment made by a Borrower into his/her Borrower Mortgage Account exceeds the Minimum Monthly Payment.

"Payment Holiday" means a Borrower's monthly payments being met by applying Overpayments not previously redrawn by way of capitalisation of such monthly payments.

"Permitted Investments" means investments in which the Servicer is entitled to invest from time to time under the terms of the Servicing Agreement.

"Potential Redraw Amount" means the amount which is capable of being redrawn by a Borrower under a Mortgage.

"Pre-Funded Ledger" means the ledger so entitled and held in the Transaction Account.

"Prepayments" means part principal repayments under a Mortgage where the Borrower Loan Limit does not change following repayment ahead of the repayment plan used by Britannic Money or First Active, as applicable, to provide a baseline for the repayment of the Mortgage. For the avoidance of doubt, Prepayments do not include scheduled principal repayments.

"Receiver" means a receiver appointed by the Trustee under Clause 10 of the Deed of Charge.

"Redraw" means in respect of a Mortgage, a Payment Holiday or a redraw by the relevant Borrower of a portion of the principal of his/her Mortgage if and to the extent that such Borrower has previously made Prepayments on his/her Mortgage in excess of the scheduled principal repayments and has not previously redrawn the whole of such excess payments and provided that the amounts of such Redraw is limited to ensure that the outstanding balance of the Mortgage after such Redraw is no greater than the Borrower Loan Limit;

"Redraw Facility" means the sterling revolving credit facility made between the Issuer and the Redraw Facility Provider.

"Redraw Facility Limit" means the maximum aggregate amount that can be drawn at any time under the Redraw Facility and which on the Issue Date shall be £58 million and thereafter may be varied on any Interest Payment Date by agreement between the Issuer, the Trustee, the Redraw Facility Provider, the Servicer and the Rating Agencies.

"Reference Rate" means:

- (a) for each Standard Variable Rate Mortgage, Britannic Money's standard variable rate;
- (b) for each LIBOR Linked Mortgage, LIBOR plus the margin applicable to the relevant Mortgage as set out in the mortgage documentation entered into with the relevant Borrower;
- (c) for each Base Rate Linked Mortgage, Bank of England Base Rate, plus the margin applicable to the relevant Mortgage as set out in the mortgage documentation entered into with the relevant Borrower;
- (d) for each Capped Mortgage, the rate set out in the mortgage documentation entered into with the relevant Borrower;
- (e) for each Fixed Rate Mortgage, the rate set out in the mortgage documentation entered into with the relevant Borrower.

"Required Redraw Facility Provider Rating" means a short term unsecured, unguaranteed and unsubordinated debt rating of A-1+ from S&P and F-1+ from Fitch.

"Reserve Account" means an account in the name of the Issuer at Barclays Bank PLC (the **"Account Bank"**) in which the Reserve Fund is established.

"Reserve Fund" means the amount recorded in a ledger (the **"Reserve Ledger"**) and held in the Reserve Account provided that (A) whilst there are Class A Notes outstanding, the Reserve Fund shall only be applied to pay interest on the Class M Notes to the extent that such drawing does not result in the amount standing to the credit of the Reserve Fund being less than (1) £3,000,000 or (2) the outstanding principal amount of the Class A Notes and (B) whilst there are Class M Notes outstanding, the Reserve Fund shall only be applied to pay interest on the Class B Notes to the extent that such drawing does not result in the amount standing to the credit of the Reserve Fund being less than (1) £3,000,000 or (2) the aggregate outstanding principal amount of the Class A Notes and the Class M Notes.

"Reserve Fund Required Amount" means an amount equal to the amount deposited under Tranche B of the Start-Up Loan;

"Secured Creditors" means each of the Trustee, the Noteholders, the Couponholders, the Servicer, the Redraw Facility Provider, the Start-Up Loan Provider, the GIC Provider, the Account Bank, the Cap Providers, the Swap Counterparties, the Base Rate Swap Providers, the LIBOR Swap Providers and the Principal Paying Agent.

"Substitution Period" means the period commencing on (and including) the Issue Date and ending on the earlier of (i) the Interest Payment Date falling in July 2004 (ii) enforcement of the Security in accordance with Condition 10 (iii) removal of Britannic Money as Servicer in accordance with the Servicing Agreement (unless a substitute servicer has been appointed in accordance with the Servicing Agreement) (iv) the date

on which the Notes are redeemed in full and (v) the date on which the Redraw Facility becomes fully drawn unless the Issuer elects to shorten the Substitution Period by giving five Business Days' notice to the Trustee and the Servicer.

"Threshold Amount Deposit" means a deposit which may be paid into the Transaction Account on an Interest Payment Date which is equal to the amount by which the amount produced by multiplying the Threshold Rate with the aggregate outstanding balances of the Mortgages in the Mortgage Pool on such Interest Payment Date and the fraction of the actual number of days elapsed in the relevant Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year) exceeds the sum of:

- (a) the aggregate of the annual rate of interest applicable on such Interest Payment Date to each Mortgage in the Mortgage Pool multiplied by the principal balance outstanding of such Mortgage on such Interest Payment Date multiplied by the fraction of the actual number of days elapsed in the relevant Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year), plus
- (b) any amount expected to be transferred from the Hedge Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (c) any amount expected to be transferred from the Base Rate Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (d) any amount expected to be transferred from the Discount Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (e) any amounts received in respect of Interest Rate Swaps, LIBOR Swaps, Base Rate Swaps and Interest Rate Caps,

(such amount not to be less than zero).

"Threshold Margin" means the figure expressed as a percentage resulting from the addition of (i) the average total principal balance of Owner Occupied Loans during the relevant Interest Period multiplied by 1% plus (ii) the average total principal balance of Investment Home Loans during the relevant Interest Period multiplied by 1.2%, all divided by the average total principal balance outstanding of all Mortgages during that Interest Period. The average total principal balance outstanding in any category of Loan for the purposes of the above calculation shall be calculated by reference to the total principal balance outstanding of such category of Loan on each day during the relevant Interest Period.

"Threshold Rate" means in respect of an Interest Period an annual rate of LIBOR as determined in relation to the Notes for such Interest Period plus the Threshold Margin.

"Transaction Account" means account number 40927481 in the name of the Issuer at Barclays Bank PLC.

"Trust Accounts" means the accounts in the name of Britannic Money held at Barclays Bank PLC and The Royal Bank of Scotland plc in to which payments are made in respect of amounts due and amounts received under the Mortgages.

"Unhedged Base Rate Linked Mortgages" means the aggregate outstanding principal balances of Base Rate Linked Mortgages less the total notional balances of all Base Rate Swaps.

Priority of Payments Post-Enforcement

- (f) On enforcement of the Security, the Trustee is required, after making payment of or providing for Excluded Items, to apply moneys available for distribution in or towards the satisfaction of the following amounts in the following order of priority:
 - (i) first, to pay the remuneration then due and payable to the Trustee and any fees, costs, charges, liabilities and expenses incurred by the Trustee or any receiver appointed by the Trustee under the provisions of the Trust Deed, the Deed of Charge and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
 - (ii) second, to pay the remuneration then due and payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities and expenses incurred by them or by the Account Bank under the Bank Agreement and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;

- (iii) third, to pay or provide for *pari passu* and *pro rata* (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable or expected to become due and payable by the Issuer to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere and (b) the Issuer's liability or possible liability for corporation tax;
- (iv) fourth, in or towards satisfaction of any fees due and payable to the Servicer and any costs, charges, expenses and liabilities incurred by the Servicer;
- (v) fifth, to pay *pari passu* and *pro rata* (a) all amounts due under the Interest Rate Swaps, (b) all amounts due under the Base Rate Swaps, (c) all amounts due under the LIBOR Swaps, (d) all amounts due under the Redraw Facility and (e) interest and principal and all other amounts due and payable in respect of the Class A Notes;
- (vi) sixth, to pay interest and principal and all other amounts due and payable in respect of the Class M Notes;
- (vii) seventh, to pay interest and principal and all other amounts due and payable in respect of the Class B Notes;
- (viii) eighth, to pay any interest and principal amounts due and payable under the Start-Up Loan;
- (ix) ninth, to pay *pro rata* and *pari passu* (a) sums due to Arianty as Arianty Deferred Purchase Consideration, (b) sums due to Britannic Money as Britannic Money Deferred Purchase Consideration and (c) sums due to First Active as First Active Deferred Purchase Consideration; and
- (x) tenth, to pay the surplus (if any) to the shareholders of the Issuer by way of dividends.

The Trustee cannot, while any of the Class A Notes are outstanding and there is no subsisting Event of Default under Class A Condition 9, enforce the Security on behalf of the Class M Noteholders, the Class B Noteholders or any other Secured Creditor (whether or not requested to do so by the Class M Noteholders, the Class B Noteholders or such other Secured Creditor) under the Deed of Charge.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Class A Condition 9(a)) provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Class A Notes or Class A Coupons, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders and the Class A Couponholders or the Trustee is of the opinion, which shall be binding on the Class A Noteholders, the Class A Couponholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and the Class A Couponholders.

3. COVENANTS

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, or any of the Transaction Documents (together the "**Documents**"), the Issuer shall not, so long as any Class A Note, Class M Note or Class B Note remains outstanding (as defined in the Trust Deed):

(a) Negative Pledge

create or permit to subsist any mortgage, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) Restrictions on Activities

- (i) engage in any activity which is not incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in; or
- (ii) have any subsidiaries or employees or premises;

- (c) **Disposal of Assets**
transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein or thereto;
- (d) **Equitable Interest**
permit any person other than the Issuer, the Trustee and Britannic Money or First Active in relation to any Redraws or Further Advances funded by either of them to have any equitable interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Bank Accounts**
have an interest in any bank account, other than the Trust Accounts and the bank accounts maintained pursuant to the Bank Agreement or the Guaranteed Investment Contract;
- (f) **Dividends or Distributions**
pay any dividend or make any other distribution to its shareholders or issue any further shares other than pursuant to the Priority of Payments;
- (g) **Borrowings**
incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any obligation of any person;
- (h) **Merger**
consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (i) **Surrender of Group Relief**
offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988 unless the Issuer first receives by way of consideration for such surrender the payment of an amount calculated by applying to the amount surrendered the rate of corporation tax applicable to the Issuer at the time of surrender;
- (j) **Other**
permit the validity or effectiveness of any of the Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, terminated or discharged, or consent to any variation of, or exercise of, any powers of consent or waiver pursuant to the terms of the Trust Deed, these Class A Conditions or any of the Documents, or permit any party to any of the Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Class A Noteholders, the Class M Noteholders and the Class B Noteholders.

The Issuer shall apply to HM Customs & Excise, and use reasonable endeavours to pursue such application, for its exclusion from the earliest possible date from any group for the purposes of Section 43 of the Value Added Tax Act 1994 (or for the purposes of any act, regulation, order, statutory instrument or directive which, from time to time, may re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994) of which it is a member:

- (i) upon any failure by the representative member of such group to fulfil its obligations to HM Customs & Excise;
- (ii) if there is a material increase in the liabilities under such Act of the representative member of such group as a result of a change in circumstances and a failure to implement a suitable alternative structure which would not result in the downgrading of the then current ratings of the Class A Notes, the Class M Notes or the Class B Notes or which is consented to by the Trustee; or

- (iii) if proceedings are initiated against the representative member of such group under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an administration order being granted or administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the representative member of such group or the representative member of such group initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws.

4. INTEREST

(a) Period of Accrual

The Class A Note bears interest from (and including) the Issue Date. Each Class A Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Class A Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Class A Note up to that day are received by or on behalf of the relevant Class A Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Class A Condition 14) that it has received all sums due in respect of such Class A Note (except to the extent that there is any subsequent default in payment).

Whenever it is necessary to compute an amount of interest in respect of any Class A Note for any period (including any Interest Period (as defined below)), such interest shall be calculated on the basis of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year.

(b) Interest Payment Dates and Interest Periods

Interest on the Class A Notes is payable monthly in arrear on the first day of each calendar month in each year (or, if such day is not a Business Day, the immediately succeeding Business Day) (each such day an "Interest Payment Date") save for the first payment of interest which will be made in respect of the period commencing on (and including) the Issue Date and ending on (but excluding) the Interest Payment Date falling in September, 2001. The period from (and including) an Interest Payment Date (or the Issue Date in respect of the first Interest Payment Date) to (but excluding) the next following (or first) Interest Payment Date is called an "Interest Period" in these Class A Conditions and "Business Day" shall in these Class A Conditions mean a day (other than a Saturday or Sunday) on which banks are open for business in the City of London.

(c) Rate of Interest

The rate of interest payable from time to time in respect of the Class A Notes (the "Rate of Interest") and the relevant Interest Amount (as defined in paragraph (d) below) will be determined on the basis of the provisions set out below:

- (i) on each Interest Payment Date or, in the case of the first Interest Period, on the Issue Date (each an "Interest Determination Date") the Agent Bank will determine the offered quotation to leading banks in the London interbank market for one month sterling deposits (or, in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for one month and two month sterling deposits) by reference to the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Dow Jones/Telerate Monitor Telerate Screen No. 3750 (or (aa) such other page as may replace Telerate Screen No. 3750 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Dow Jones/Telerate Monitor) as at or about 11:00 a.m. (London time) on that date (the "Screen Rate"). If the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in paragraph (h) below) to provide the Agent Bank with its offered quotation as at or about 11:00 a.m. (London time) on that date to leading banks for one month sterling deposits (or, in relation to the first Interest Period, one month and two month sterling deposits and a linear interpolation between such rates). The Rate of Interest for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the Screen Rate or, as the case may be, above the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the quotations of three out of five quoting Reference Banks (excluding, if all five quotations are not the same, the Reference

Bank with the highest and the Reference Bank with the lowest such quotations) but, if more than one of either or both, only one of the Reference Banks with the highest and/or, as the case may be, only one of the Reference Banks with the lowest such quotations;

- (ii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only four of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of two out of the four quoting Reference Banks (excluding two on the basis set out in (i) above);
- (iii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two or three of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the quotations of all the quoting Reference Banks (without any exclusion as referred to in (i) above);
- (iv) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the Rate of Interest for the relevant Interest Period shall be the Reserve Interest Rate. The "**Reserve Interest Rate**" shall be the rate per annum which the Agent Bank determines to be either (aa) the Relevant Margin above the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11:00 a.m. (London time) on the relevant Interest Determination Date, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made or (bb) if the Agent Bank certifies that it cannot determine such arithmetic mean, the Relevant Margin above the lowest of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date, to the leading banks which have their head offices in London for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (b) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date.

For the purpose of the Class A Conditions the "**Relevant Margin**" shall be 0.27% per annum for each Interest Period up to and including the Interest Payment Date falling in July 2008 (the "**Coupon Step Up Date**") and thereafter 0.54% per annum.

(d) Determination of Rates of Interest and Calculation of Interest Amounts

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Servicer, the Trustee and the Paying Agents of (i) the Rate of Interest applicable to the Interest Period beginning on and including such Interest Determination Date in respect of the Class A Notes and (ii) the sterling amount (the "**Interest Amount**") payable in respect of such Interest Period in respect of the Principal Amount Outstanding (as defined in Class A Condition 5(c)).

(e) Publication of Rate of Interest, Interest Amount and other Notices

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount applicable to the Class A Notes for each Interest Period and the Interest Payment Date falling at the end of such Interest Period to be notified to each stock exchange (if any) (including, for as long as the Notes are admitted to the Official List, the UK Listing Authority) on which the Class A Notes are then listed and will cause notice thereof to be given to the relevant Class A Noteholders in accordance with Class A Condition 14. The Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) Determination or Calculation by Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for any Class A Notes in accordance with the foregoing paragraphs, the Trustee shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount for the Class A Notes in the manner specified in paragraph (c) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) **Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Class A Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Servicer, the Reference Banks, the Agent Bank, the Trustee and all Class A Noteholders and Class A Couponholders and (in which absence as aforesaid) no liability to the Servicer, the Class A Noteholders or Class A Couponholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) **Reference Banks and Agent Bank**

The Issuer shall ensure that, so long as any of the Class A Notes remains outstanding, there shall at all times be five reference banks (the "**Reference Banks**") and an Agent Bank. The initial Agent Bank shall be The Chase Manhattan Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of The Chase Manhattan Bank being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed.

5. **REDEMPTION AND CANCELLATION**

(a) **Final Redemption**

Unless previously redeemed as provided in this Class A Condition, the Issuer shall redeem the Class A Notes at their Principal Amount Outstanding (as defined below) on the Interest Payment Date falling in July 2036 (the "**Final Redemption Date**").

The Issuer may not redeem Class A Notes in whole or in part prior to that date except as provided in paragraphs (b), (d), (e) or (f) of this Class A Condition but without prejudice to Class A Condition 9.

(b) **Mandatory Redemption in Part**

Subject as provided below, the principal amount redeemable in respect of each Class A Note on an Interest Payment Date (the "**Actual Redemption Amount**") shall be the Class A Redemption Amount on such Interest Payment Date divided by the number of Class A Notes outstanding on the relevant Interest Payment Date (rounded down to the nearest penny); provided always that no such Actual Redemption Amount may exceed the Principal Amount Outstanding of the relevant Class A Note.

For the purposes of these Class A Conditions:

"**Borrower Loan Limit**" means the principal amount of a Borrower's loan which would have been outstanding at any time if the Borrower had only made its minimum monthly payments due under the relevant loan and had not made any additional payments or overpayments.

"**Collection Period**" means the period beginning on (and including) a Determination Date (save for the first Collection Period which shall begin on (and include) the Issue Date) and ending on the day immediately preceding the next following Determination Date.

"**Determination Date**" means the day which is eight Business Days prior to an Interest Payment Date.

"**Excluded Items**" means

- (a) certain moneys which properly belong to third parties (such as monies owing to any party in respect of reimbursement for direct debit recalls);
- (b) on the Interest Payment Date following the Issue Date, amounts payable to Arianty under the Mortgage Sale Agreement in respect of reconciliations of the amounts paid in respect of the purchase of the Mortgages on the Issue Date; and
- (c) where the Issuer is unable to purchase the right to repayment of Redraws made with respect to one or more Mortgages on any Interest Payment Date (such Redraws continuing to be funded by Britannic Money or First Active, as applicable, on the basis that the Issuer holds each relevant Mortgage on trust for itself and Britannic Money or First Active, as applicable, each party's interest being proportionate to the funding provided by it), the aggregate of Britannic Money's or First Active's, as applicable, *pro rata* share of amounts received in respect of each such Mortgage during the immediately preceding Collection Period.

"Potential Redemption Amount" will be determined on each Determination Date as follows:

- (a) the aggregate amount of Redemptions, Prepayments, enforcement proceeds, recoveries and insurance proceeds (to the extent they relate to principal) received during the immediately preceding Collection Period in respect of the Mortgages ("**Principal Collections**"); plus
- (b) principal losses realised upon completion of the enforcement and recovery process in relation to the Mortgages during the immediately preceding Collection Period; less
- (c) the aggregate principal amount of Redraws the right to repayment of which are to be purchased by the Issuer on the immediately succeeding Interest Payment Date; plus
- (d) the amount by which the aggregate principal amount outstanding under the Redraw Facility is expected to increase on the immediately succeeding Interest Payment Date as a result of the purchase of the right to repayment of Redraws; plus
- (e) an amount equal to the Principal Deficiency recorded on the previous Determination Date,

provided that the Potential Redemption Amount shall never be less than zero.

"Redemptions" means scheduled principal payments plus full and part principal repayments (including enforcement and insurance proceeds) under a Mortgage where the Borrower Loan Limit (as defined above) irrevocably reduces as a result of repayment ahead of the repayment plan used by Britannic Money or First Active, as applicable, to provide a baseline for the repayment of the Mortgage.

"Prepayments" means part principal repayments under a Mortgage where the Borrower Loan Limit does not change following prepayment ahead of the repayment plan used by Britannic Money or First Active, as applicable, to provide a baseline for the repayment of the Mortgage.

The amount allocated for redemption of the Notes under item (xiii) of the Priority of Payments (the **"Redemption Amount"**) will be divided into a **"Class A Redemption Amount"**, a **"Class M Redemption Amount"** and a **"Class B Redemption Amount"**. During a Class M Principal Lock Out, the Class A Redemption Amount will equal the Redemption Amount and the Class M Redemption Amount and the Class B Redemption Amount will be zero. During a Class B Principal Lock Out, the Redemption Amount will be divided between the Class A Redemption Amount and the Class M Redemption Amount (on a pro rata basis and subject to a Class M Principal Lock Out not having occurred) and the Class B Redemption Amount will be zero.

A **"Class M Principal Lock Out"** shall occur on any Interest Payment Date (i) during the period up to (and including) the earlier of the Interest Payment Date on which all Class A Notes are redeemed in full and the Interest Payment Date falling five years after the end of the Substitution Period (the **"Class M Principal Lock Out Period"**), (ii) where on such Interest Payment Date the sum of the Reserve Fund, the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class M Conditions) of the Class M Notes and the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class B Conditions) of the Class B Notes as a percentage of the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class B Notes is not at least twice that same percentage as at the Issue Date, (iii) where a Principal Deficiency exists on such Interest Payment Date (iv) where the aggregate principal balance of Mortgages in respect of which there are arrears of an amount greater than £100 is greater than 2.5% of the then aggregate principal balance of the Mortgages comprised in the Mortgage Pool, in each case as at the immediately preceding Determination Date and (v) where the sum of the Principal Amount Outstanding of the Class M Notes and the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date is less than two times the principal balance of the largest Mortgage or group of Mortgages in the name of a single Borrower as at the immediately preceding Determination Date.

A **"Class B Principal Lock Out"** shall occur on any Interest Payment Date (i) during the period up to (and including) the earlier of the Interest Payment Date on which all Class A Notes and Class M Notes are redeemed in full and the Interest Payment Date falling five years after the end of the Substitution Period (the **"Class B Principal Lock Out Period"**), (ii) where on such Interest Payment Date the sum of the Reserve Fund and the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class B Conditions) of the Class B Notes as a percentage of the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class B Notes is not at least twice that same percentage as at the Issue Date, (iii) where a Principal Deficiency exists on such Interest Payment Date, (iv) where the aggregate principal balance of Mortgages in respect of which there are arrears of an amount greater than £100 is greater than 2.5% of the then aggregate principal balance of the Mortgages comprised in the Mortgage Pool, in each case as at the immediately preceding Determination Date and (v) where the Principal

Amount Outstanding of the Class B Notes on such Interest Payment Date is less than two times the principal balance of the largest Mortgage or group of Mortgages in the name of a single Borrower as at the immediately preceding Determination Date.

If no Class M Principal Lock Out and no Class B Principal Lock Out applies on an Interest Payment Date and there are Class A Notes outstanding, the Redemption Amount will be divided between the Class A Redemption Amount, the Class M Redemption Amount and the Class B Redemption Amount in such amounts as would maintain the then current ratio of Class A Notes to Class M Notes to Class B Notes. If on any Interest Payment Date there are no Class A Notes outstanding, the Redemption Amount will be divided between the Class M Redemption Amount (subject to a Class M Principal Lock Out not having occurred) and the Class B Redemption Amount (subject to a Class B Principal Lock Out not having occurred) in such amounts as would maintain the then current ratio of the Class M Notes to the Class B Notes. If on any Interest Payment Date there are no Class A Notes or Class M Notes outstanding, the Class B Redemption Amount shall equal the whole of the Redemption Amount.

"Principal Deficiency" means the amount calculated on each Determination Date by deducting from the **"Liabilities"** expected to exist as at close of business on the immediately succeeding Interest Payment Date the **"Assets"** expected to exist as at close of business on the immediately succeeding Interest Payment Date (after having made all payments in accordance with the Priority of Payments),

where **"Liabilities"** means:

- (a) the aggregate Principal Amount Outstanding of the Notes on the last date of the immediately preceding Collection Period; less
- (b) the amount allocated in the Priority of Payments to redemption of the Notes under item (xiii) on the immediately succeeding Interest Payment Date; plus
- (c) the aggregate principal amount outstanding under the Redraw Facility on the last day of the immediately preceding Collection Period; plus
- (d) the amount by which the aggregate principal amount outstanding under the Redraw Facility is expected to increase on the immediately succeeding Interest Payment Date as a result of the purchase of the right to repayment of Redraws; less
- (e) the amount allocated in the Priority of Payments to repayment of principal amounts outstanding under the Redraw Facility under item (x) on the immediately succeeding Interest Payment Date; and

"Assets" means:

- (a) the aggregate outstanding principal balances of the Mortgages (including amounts receivable in respect of claims under property related insurance policies) on the last day of the immediately preceding Collection Period; plus
- (b) the aggregate principal amount of the Redraws, the right to repayment of which are to be purchased on the immediately succeeding Interest Payment Date; plus
- (c) the amount allocated in the Priority of Payments to purchase Further Advances under item (xi) on the immediately succeeding Interest Payment Date; plus
- (d) the amount allocated in the Priority of Payments to purchase Further Mortgages under item (xii) on the immediately succeeding Interest Payment Date; plus
- (e) the amount standing to the credit of the Pre-Funded Ledger and the Non-Verified Mortgage Ledger, provided that the Principal Deficiency shall never be less than zero.

In connection with such redemption, the Servicer will on each Determination Date, pursuant to the Servicing Agreement, determine the Potential Redemption Amount, the Class A Redemption Amount, the Class M Redemption Amount and the Class B Redemption Amount.

(c) Class A Note Principal Payments, Principal Amount Outstanding and Pool Factor

On (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Servicer to determine) (i) the amount of any Actual Redemption Amount due in respect of each Class A Note on the Interest Payment Date next following such Determination Date, (ii) the principal amount outstanding of each Class A Note on the Interest Payment Date next following such Determination Date (after deducting any Actual Redemption Amount due to be made in respect of

that Class A Note on that Interest Payment Date) (the "**Principal Amount Outstanding**") and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Class A Note (as referred to in (ii) above) and the denominator is £10,000. Each determination by or on behalf of the Issuer of any Actual Redemption Amount of a Class A Note, the Principal Amount Outstanding of a Class A Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The Principal Amount Outstanding of a Class A Note on any date shall be £10,000 less the aggregate amount of all Actual Redemption Amounts in respect of such Class A Note that have become due and payable since the Issue Date on or prior to such date (whether or not paid).

With respect to the Class A Notes, the Issuer will cause each determination of an Actual Redemption Amount, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Class A Notes are admitted to trading on the London Stock Exchange's market for listed securities) the London Stock Exchange, and will immediately cause notice of each determination of an Actual Redemption Amount, Principal Amount Outstanding and Pool Factor to be given in accordance with Class A Condition 14 by not later than two Business Days prior to the relevant Interest Payment Date. If no Actual Redemption Amount is due to be made on the Class A Notes on any Interest Payment Date a notice to this effect will be given by or on behalf of the Issuer to the Class A Noteholders in accordance with Class A Condition 14.

If the Issuer does not at any time for any reason determine (or cause the Servicer to determine) with respect to the Class A Notes an Actual Redemption Amount, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Actual Redemption Amount, Principal Amount Outstanding and Pool Factor may be determined by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer. Any such determination shall be binding on the Issuer, the Servicer, the Class A Noteholders and the Class A Couponholders.

(d) Optional Redemption

On the Interest Payment Date falling in July 2008 or on any Interest Payment Date falling thereafter and upon giving not more than 30 nor less than 20 days' notice to the Trustee and the Class A Noteholders in accordance with Class A Condition 14, the Issuer may redeem all (but not some only of) the Class A Notes at their Principal Amount Outstanding together with interest accrued thereon provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Class A Notes as aforesaid.

On any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10% of the aggregate principal amount of such Notes at the time such Notes were issued, and upon giving not more than 30 nor less than 20 days notice to the Trustee, the Class A Noteholders, the Class M Noteholders and the Class B Noteholders, the Issuer may redeem all (but not some only of) the Class A Notes and all (but not some only of) the Class M Notes and all (but not some only of) the Class B Notes at their Principal Amount Outstanding together with accrued interest provided that prior to giving any such notice, the Issuer shall have provided the Trustee with a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem Class A Notes, the Class M Notes and the Class B Notes as aforesaid.

(e) Optional Redemption for Tax Reasons

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that either (i) on the next Interest Payment Date the Issuer or any Paying Agent would be required to deduct or withhold from any payment of principal or interest on the Class A Notes any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest in relation to any of the Mortgages during an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period or (iii) the Issuer would, by virtue of a change in the law (or the application or officially published interpretation thereof) not be entitled to relief for United Kingdom tax purposes for any material amount which is currently relievable and which it is obliged to pay under the Transaction Documents, then the Issuer may,

having given not more than 30 nor less than 20 days' notice to the Trustee and the Class A Noteholders in accordance with Class A Condition 14, redeem all (but not some only) of the Class A Notes on any Interest Payment Date at their Principal Amount Outstanding together with interest accrued thereon provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee: (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Class A Notes as aforesaid and (b) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant event. Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Trustee and shall be conclusive and binding on the Class A Noteholders and Class A Couponholders.

(f) Other Reasons

The Issuer may, at its option, upon giving not more than 30 nor less than 20 days notice to the Trustee and the Class A Noteholders redeem all of the Class A Notes at their Principal Amount Outstanding together with interest accrued thereon on the second Interest Payment Date after any Determination Date on which it is determined that the aggregate amount of Redraws made by Borrowers during the Collection Period then ending exceeds the sum of (a) the Principal Collections available for the purpose of purchasing the right to repayment of Redraws in accordance with the Priority of Payments and (b) the lower of (i) the Available Facility under the Redraw Facility and (ii) the aggregate Principal Amount Outstanding of the Class A Notes (in the case of a redemption of the Class M Notes) or the aggregate Principal Amount Outstanding of the Class A Notes and the Class M Notes (in the case of a redemption of the Class B Notes).

(g) Notice of Redemption

Any such notice as is referred to in paragraph (d), (e) or (f) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Class A Notes at their Principal Amount Outstanding together with interest accrued thereon.

(h) Purchase

The Issuer shall not purchase any Class A Notes or Class A Coupons.

(i) Cancellation

All Class A Notes redeemed pursuant to paragraphs (d), (e) or (f) above will be cancelled upon redemption, together with any unmatured Class A Coupons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

6. PAYMENTS

- (a)** Payments of principal in respect of the Class A Notes will be made against presentation of the Class A Notes at the specified office of any Paying Agent. Payments of interest in respect of the Class A Notes will (subject as provided in paragraphs (c) and (d) below) be made only against presentation and surrender of the Class A Coupons at the specified office of any Paying Agent. Payments will be made in sterling at the specified office of any Paying Agent by sterling cheque drawn on, or, at the option of the holder, by transfer to a sterling account maintained by the payee with, a branch of a bank in London.
- (b)** Payments of principal and interest in respect of the Class A Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- (c)** Upon the date on which any Class A Note becomes due and payable in full, unmatured Class A Coupons appertaining thereto (whether or not attached to such Class A Note) shall become void and no payment or, as the case may be, exchange shall be made in respect thereof. If the due date for redemption of any Class A Note is not an Interest Payment Date, accrued interest will be paid only against presentation and surrender of such Class A Note.
- (d)** If payment of principal is improperly withheld or refused on or in respect of any Class A Note or part thereof, the interest which continues to accrue in respect of such Class A Note in accordance with Class A Condition 4(a) will be paid against presentation of such Class A Note at the specified office of any Paying Agent.

- (e) The initial Principal Paying Agent and its initial specified office is listed at the end of these Class A Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a paying agent with a specified office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Class A Condition 14.
- (f) If any Class A Coupon or Class A Note is presented for payment on a day which is not a Business Day, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Class A Coupon or, as the case may be, such Class A Note.
- (g) On or after the Interest Payment Date the final Coupon forming part of any Coupon sheet, the Class A Talon forming part of such Coupon sheet may be surrendered at any specified office of the Paying Agent in exchange for a further Coupon sheet (including a further talon but excluding any Coupons which shall have become void).
- (h) If a Paying Agent makes a partial payment in respect of any Class A Note presented to it for payment, such Paying Agent will endorse on the grid endorsed on such Class A Note (in respect of payments of principal) a statement indicating the amount and date of such payment.

7. PRESCRIPTION

Class A Notes shall become void unless presented for payment within a period of 10 years from the relevant date in respect thereof. Class A Coupons (which expression shall not in this Class A Condition include Class A Talons) shall become void unless presented for payment within a period of 5 years from the relevant date in respect thereof. After the date on which a Class A Note or a Class A Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Class A Condition, the "relevant date", in respect of a Class A Note or Class A Coupon, is the date on which a payment in respect thereof first becomes due or (if the full amount of the moneys payable in respect of all the Class A Notes and/or Class A Coupons due on or before that date has not been duly received by the Paying Agents or the Trustee on or prior to such date) the date on which the full amount of such moneys having been so received, notice to that effect is duly given to the Class A Noteholders in accordance with Class A Condition 14.

8. TAXATION

All payments in respect of the Class A Notes and Class A Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the relevant Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Class A Notes or Class A Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer or the relevant Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agents nor the Issuer will be obliged to make any additional payments to holders of Class A Notes or Class A Coupons in respect of such withholding or deduction.

9. EVENTS OF DEFAULT

- (a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class A Notes or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the Class A Noteholders (subject, in each case, to being indemnified to its satisfaction) shall give notice to the Issuer declaring the Class A Notes to be due and repayable at any time after the happening of any of the following events (each an "Event of Default"):
 - (i) default being made for a period of 10 Business Days in the payment of the principal of or any interest on any Class A Note when and as the same ought to be paid in accordance with these Class A Conditions; or
 - (ii) any Interest Rate Swap or Base Rate Swap being terminated by reason of default in payment on the part of the Issuer for a period of 10 Business Days; or
 - (iii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Class A Notes, the Trust Deed, the Servicing Agreement, the Deed of Charge, or any of the other Transaction Documents and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is

continuing for a period of 30 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

- (iv) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (v) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due or otherwise becomes insolvent; or
- (v) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Class A Noteholders; or
- (vi) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) or an administration order being granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 14 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally;

Provided that, in the case of each of the events described in sub-paragraph (iii) of this paragraph (a), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Class A Notes are due and repayable, the Class A Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

10. ENFORCEMENT OF CLASS A NOTES

- (a) At any time after the Class A Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Class A Notes at their Principal Amount Outstanding together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or so requested in writing by the holders of at least 25% in aggregate of the Principal Amount Outstanding of the Class A Notes; and (b) it shall have been indemnified to its satisfaction. No Class A Noteholder or Class A Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Trustee cannot, while any of the Class A Notes are outstanding, be required to enforce the Security at the request of the holders of Class M Notes, Class B Notes or any other Secured Creditor under the Deed of Charge.
- (b) Notwithstanding the foregoing and so long as any of the Class A Notes remain outstanding, if the Class A Notes have become due and repayable pursuant to Class A Condition 9 otherwise than by reason of a default in payment of any amount due on the Class A Notes, the Trustee will not be entitled to dispose of the Security unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders, the Class A Couponholders and the other creditors of the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders, the Class A Couponholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith.

11. MEETINGS OF CLASS A NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION OF PRINCIPAL DEBTOR

- (a) The Trust Deed contains provisions for convening meetings of Class A Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of such Class A Noteholders of a modification of these Class A Conditions as they relate to the Class A Notes or the provisions of any of the Documents or any other documents the rights and benefits in respect of which are comprised in the Security ("**Other Relevant Documents**"). The quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution shall be two or more persons holding or representing in aggregate not less than 75% in Principal Amount Outstanding of the Class A Notes then outstanding or, at any adjourned meeting, two or more persons being or representing Class A Noteholders as they relate to the Class A Notes whatever the Principal Amount Outstanding of the Class A Notes so held or represented except that, at any meeting the business of which includes the sanctioning of a modification which would, *inter alia*, have the effect of altering the date of maturity of the Class A Notes or the day for payment of interest or principal thereon, or the amount of principal or the rate of interest payable in respect of the Class A Notes or the currency of payment (other than pursuant to a redenomination approved by the Trustee pursuant to Class A Condition 15) of the Class A Notes or related Class A Coupons or the priority of payments or the quorum or majority required in relation to this exception (a "**Basic Terms Modification**"), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing in aggregate not less than 75%, or, at any adjourned such meeting, 25% of the Principal Amount Outstanding of the Class A Notes then outstanding. An Extraordinary Resolution passed at any meeting of Class A Noteholders shall be binding on all Class A Noteholders whether or not they are present at the meeting, and on all Class A Couponholders. The majority required for an Extraordinary Resolution shall be 75% of the votes cast on that resolution.

The Trust Deed contains provisions limiting the powers of the holders of Class M Notes and Class B Notes, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. Except in the circumstances set out in (b) below, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding on the holders of Class M Notes and Class B Notes, irrespective of the effect on their interests.

- (b) No Extraordinary Resolution to sanction a Basic Terms Modification which would have the effect of altering the date of maturity of the Notes or the date for payment of interest in respect of the Notes, increasing the amount of principal or the rate of interest payable in respect of the Notes, or altering the currency of payment of the Notes, or altering the provisions of the Trust Deed, the Deed of Charge or any other Document or any Other Relevant Document shall take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders, the Class M Noteholders and the Class B Noteholders.
- (c) The Trustee may agree, without the consent of the Class A Noteholders or Class A Couponholders (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, these Class A Conditions or any of the Documents or any Other Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Class A Noteholders or Class A Couponholders (ii) to any modification of these Class A Conditions or any of the Documents or any Other Relevant Documents, which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Class A Noteholders or the Class A Couponholders, determine that any Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Class A Noteholders and the Class A Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Class A Noteholders in accordance with Class A Condition 14 as soon as practicable thereafter.
- (d) The Trustee may agree, subject to the consent of the Issuer and to such amendment of these Class A Conditions and of any of the Documents and to such other conditions as the Trustee may require and subject to the relevant provisions of the Trust Deed, but without the consent of the Class A Noteholders or the Class A Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Class A Notes, subject to the Class A Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a

single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in Class A Condition 3. In the case of a substitution pursuant to this paragraph (d), the Trustee may in its absolute discretion agree, without the consent of the Class A Noteholders or the Class A Couponholders, to a change of the law governing the Class A Notes and/or any of the Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Class A Noteholders.

- (e) Where the Trustee is required in connection with the exercise of its powers, trusts, authorities, duties and discretions to have regard to the interests of the Class A Noteholders, it shall have regard to the interests of the Class A Noteholders as one class and, in particular but without prejudice to the generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Class A Noteholders or Class A Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the Trustee shall not be entitled to require, and no Class A Noteholder or Class A Couponholder shall be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Class A Noteholders or Class A Couponholders.

12. INDEMNIFICATION AND EXONERATION OF THE TRUSTEE

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with the Issuer, Arianty, Britannic Money, First Active, and/or the related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer or any agent or related company of the Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, Arianty or Britannic Money, First Active and/or the related companies of any of them with their respective obligations or to make any searches, enquiries or independent investigations of title in relation to any of the properties secured by the Mortgages save as provided under the Transaction Documents.

13. REPLACEMENT OF DEFINITIVE CLASS A NOTES, CLASS A COUPONS AND CLASS A TALONS

If any Class A Note, Class A Coupon or Class A Talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class A Note, Class A Coupon or Class A Talon will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Class A Notes, Class A Coupons or Class A Talons must be surrendered before new ones will be issued.

14. NOTICE TO CLASS A NOTEHOLDERS

Any notice to the Class A Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe; Provided that if, at any time, the Issuer procures that information concerned in such notice specifying an Interest Payment Date, Principal Amount Outstanding or Rate of Interest shall appear on a page of the Reuters screen or Bloomberg or any other medium for electronic display of data as may be previously approved in writing by the Trustee (in each case a "Relevant Screen"), publication in the *Financial Times* shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the Class A Noteholders or any category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Class A Noteholders in such manner as the

Trustee shall require. The Class A Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Class A Noteholders in accordance with this Class A Condition.

15. REDENOMINATION

Pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union (as amended, the "**Treaty**"), the third stage of European economic and monetary union commenced on 1 January 1999 and the value of the euro as against the currencies of the member states participating in the third stage of European economic and monetary union was irrevocably fixed and the euro became a currency in its own right. The United Kingdom may at some future date participate in the third stage of European economic and monetary union or otherwise participate in European economic and monetary union in a manner with similar effect to such third stage. On an Interest Payment Date falling on or after such date, the Issuer may, on giving notice to the holders of the Class A Notes, and with the prior written consent of the Trustee, redenominate all of the Class A Notes into euros.

16. GOVERNING LAW

The Documents, the Class A Notes and the Class A Coupons are governed by, and shall be construed in accordance with, English law.

17. THIRD PARTY RIGHTS

No person shall have any right to enforce any term or condition of the Class A Notes under the Contracts (Rights of Third Parties) Act 1999.

DESCRIPTION OF THE CLASS M NOTES

GENERAL

£35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 (the "**Class M Notes**") of First Flexible No. 4 plc (the "**Issuer**") are the subject of a trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified including the Master Definitions Schedule (as defined under Class M Condition 2(c)) incorporated in the Trust Deed) to be entered into on 26 July 2001 (the "**Issue Date**") and made between the Issuer and The Chase Manhattan Bank (the "**Trustee**", which expression includes any further or other trustee of the Trust Deed) as trustee for, *inter alia*, the holders for the time being of the Class M Notes (the "**Class M Noteholders**") and the holders for the time being of the interest coupons relating thereto (the "**Class M Coupons**" which expression includes the talons ("**Class M Talons**") attached to the Class M Notes except where the context otherwise requires) (the "**Class M Couponholders**"). £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036 (the "**Class A Notes**") and £5,000,000 Class B Mortgage Backed Floating rate Notes due 2036 (the "**Class B Notes**" and together with the Class A Notes and the Class M Notes, the "**Notes**") will be issued pursuant to the Trust Deed contemporaneously with the issue of the Class M Notes. The security for the Class A Notes, the Class M Notes and the Class B Notes is created pursuant to, and on the terms set out in, a deed of sub-charge and assignment (the "**Deed of Charge**", which expression includes such deed of sub-charge and assignment as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time modified) to be dated the Issue Date and made between, *inter alia*, Arianty No.1 plc ("**Arianty**"), the Issuer, Britannic Money plc ("**Britannic Money**") and the Trustee. By an agency agreement (the "**Agency Agreement**", which expression includes such Agency Agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) to be dated the Issue Date and made between the Issuer, the Trustee, The Chase Manhattan Bank as agent bank (the "**Agent Bank**" which expression includes any other agent bank appointed in respect of the Class M Notes) and The Chase Manhattan Bank as principal paying agent (the "**Principal Paying Agent**" and together with any further or other paying agents for the time being appointed in respect of the Class M Notes, the "**Paying Agents**") provision is made for the payment of principal and interest in respect of the Class M Notes. The statements in these Class M Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Deed of Charge.

Copies of the Trust Deed, the Agency Agreement, the Deed of Charge and the other Documents (as defined below) are available for inspection at the principal office for the time being of the Trustee, being at the date hereof at Trinity Tower, 9 Thomas More Street, London E1 9YT and at the specified offices of the Paying

Agents. The Class M Noteholders and the Class M Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge and are deemed to have notice of all the provisions of the Agency Agreement.

The issue of the Class M Notes was authorised by resolution of the Board of Directors of the Issuer passed on 18 July 2001.

THE GLOBAL CLASS M NOTES

Temporary Global Class M Notes and Permanent Global Class M Notes

The Class M Notes will be initially represented by a temporary bearer global note in the principal amount of £35,000,000 (the "**Temporary Global Class M Note**") without Class M Coupons or Class M Talons. The Temporary Global Class M Note will be deposited on behalf of the subscribers of the Class M Notes with a common depository (the "**Common Depository**") for Euroclear S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on the Issue Date. Upon deposit of the Temporary Global Class M Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Class M Notes represented by such Temporary Global Class M Note with the principal amount of the Class M Notes for which it has subscribed and paid. Interests in the Temporary Global Class M Note will be exchangeable not earlier than 4 September 2001 (the "**Exchange Date**"), provided certification of non-US beneficial ownership by the Class M Noteholders has been received, for interests in a permanent bearer global note (the "**Permanent Global Class M Note**" and, together with the Temporary Global Class M Note, the "**Global Class M Notes**"), without Class M Coupons or Class M Talons. On the exchange of the Temporary Global Class M Note for the Permanent Global Class M Note, the Permanent Global Class M Note will remain deposited with the Common Depository.

Transfers

Title to the Global Class M Notes will pass by delivery. The Permanent Global Class M Note will only be exchangeable for definitive Class M Notes in the limited circumstances described below. Each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Class M Note will be entitled to receive any payment so made in respect of that Class M Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate. For so long as any Class M Notes are represented by a Global Class M Note, such Class M Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as the Class M Notes are represented by a Global Class M Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Class M Notes will be entitled to be treated by the Issuer and the Trustee as the holder of such principal amount of Class M Notes. The expressions "**Class M Noteholders**" may be construed accordingly, but without prejudice to the entitlement of the bearer of a Global Class M Note.

Payments

No payment will be made on the Temporary Global Class M Note unless exchange for an interest in the Permanent Global Class M Note or for Class M Notes in definitive form is improperly withheld or refused. Principal and interest on a Global Class M Note will be payable against presentation of that Global Class M Note at the specified office of any Paying Agent provided certification of non-US beneficial ownership by the Class M Noteholders has been received by Euroclear or Clearstream, Luxembourg. A record of each payment made on a Global Class M Note, distinguishing between any payment of principal and payment of interest, will be endorsed on that Global Class M Note by the Paying Agents (or the Paying Agent shall procure that such endorsement be made) and such record shall be prima facie evidence that the payment in question has been made.

Issue of Class M Notes in Definitive Form

If (i) the Class M Notes become due and repayable pursuant to Class M Condition 9(a) or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer is, or any of the Paying Agents are or will be, required to make any deduction or

withholding from any payment in respect of the Class M Notes which would not be required were the Class M Notes in definitive form, then the Issuer will, at its sole cost and expense, issue Class M Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Class M Notes within 30 days of the occurrence of the relevant event.

Any notice to Class M Noteholders in respect of Class M Notes represented by a Global Class M Note shall be deemed to have been duly given if sent to Euroclear and/or Clearstream, Luxembourg (as applicable) and shall be deemed to have been given on the date on which such notice was so sent.

TERMS AND CONDITIONS OF THE CLASS M NOTES

1. FORM, DENOMINATION AND TITLE

- (a) The £35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 (the "Class M Notes") issued by First Flexible No. 4 plc (the "Issuer") are serially numbered and are issued in bearer form in the denomination of £10,000 each with coupons ("Class M Coupons") and talons ("Class M Talons") attached and a grid endorsed thereon for the recording of all payments of principal in accordance with the provisions of Class M Condition 5.
- (b) Title to the Class M Notes, Class M Coupons and Class M Talons shall pass by delivery. The holder of any Class M Note (each a "Class M Noteholder") and the holder of any Class M Coupon (each a "Class M Couponholder") may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Class M Note or Class M Coupon, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.
- (c) The holder of each Class M Coupon (whether or not the Class M Coupon is attached to the relevant Class M Note) and each Class M Talon in his capacity as such shall be subject to all the provisions contained in the relevant Class M Note.

2. STATUS, SECURITY AND PRIORITY

Status

- (a) The Class M Notes and the Class M Coupons constitute direct, secured and unconditional obligations of the Issuer and rank (subject to the provisions of Class M Condition 5) *pari passu* without preference or priority amongst themselves.
- (b) The £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036 (the "Class A Notes") and the £5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036 (the "Class B Notes" and together with the Class A Notes and Class M Notes, the "Notes") issued by the Issuer on or about 26 July 2001 (the "Issue Date") are subject to a trust deed dated on or about 26 July 2001 between the Issuer and The Chase Manhattan Bank (the "Trustee") (the "Trust Deed") and are secured by the same security which secures the Class M Notes. The Class A Notes rank *pari passu*, without preference or priority amongst themselves, the Class M Notes rank *pari passu* without preference or priority amongst themselves and the Class B Notes rank *pari passu* without preference or priority amongst themselves, but (i) the Class A Notes will rank in priority to the Class M Notes and Class B Notes and (ii) the Class M Notes will rank in priority to the Class B Notes in the event of the Security (as defined below in Class M Condition 2(d)) being enforced.
- (c) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Class M Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to (i) (for so long as there are any Class A Notes outstanding) the interests of the holders of Class A Notes if, in the Trustee's opinion, there is a conflict between the interests of (A) the holders of Class A Notes and (B) the holders of Class M Notes and/or (C) the holders of the Class B Notes and/or any other Secured Creditors (as defined below) or (ii) (if there are no Class A Notes outstanding) the interests of the holders of Class M Notes if, in the Trustee's opinion, there is a conflict between the interests of (A) the holders of Class M Notes and (B) the holders of Class B Notes and/or any other Secured Creditors (as defined below) or (iii) (if there are no Class M Notes outstanding) the interests of the holders of Class B Notes if in the Trustee's opinion there is a conflict between the interests of the Class M Noteholders and/or any other Secured Creditors (as defined below).

Security

- (d) As security for the payment of all moneys payable in respect of the Class M Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver (as defined below) appointed under the Deed of Charge) and in respect of certain amounts payable to Britannic Money or its successor acting as Servicer of the mortgages to be purchased by the Issuer on the Issue Date (the "Initial Mortgages") and such Further Mortgages (as defined below) and such mortgages transferred to the Issuer pursuant to the Transaction Documents (as defined below) after the Issue Date (each a "Substitute Mortgage" and together with the Initial

Mortgages, further mortgage loans purchased by the Issuer from Arianty (the "**Pre-Funded Mortgages**") at any time on or after the Issue Date but no later than the third Interest Payment Date and Further Mortgages, the "**Mortgages**") and to certain other beneficiaries from time to time, the Issuer will enter into the Deed of Charge creating the following security (the "**Security**") in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) a first fixed equitable charge or mortgage or (in relation to Mortgages secured on properties in Scotland ("**Scottish Mortgages**")) assignation in security in favour of the Trustee over the Issuer's right, title, interest and benefit present and future in the Mortgages and other collateral security relating to the Mortgages;
- (ii) an equitable assignment by way of first fixed security in favour of the Trustee of the Issuer's interest in certain buildings policies, life policies, contingency policies and mortgage indemnity policies (the "**Insurance Contracts**") to the extent that they relate to the Mortgages;
- (iii) an assignment by way of first fixed security in favour of the Trustee of the benefit of the Servicing Agreement to be entered into between the Servicer, the Issuer, and the Trustee (the "**Servicing Agreement**"), the mortgage sale agreement to be entered into between, *inter alios*, Arianty, the Issuer and the Trustee (the "**Mortgage Sale Agreement**"), the declaration of trust by Britannic Money in favour of the Issuer in relation to Scottish Mortgages (the "**Scottish Trust**"), the guaranteed investment contract to be entered into between the Issuer, the Trustee and Barclays Bank PLC (the "**Guaranteed Investment Contract**"), the redraw facility agreement to be entered into between the Issuer, the Trustee and Barclays Bank PLC (in such capacity, the "**Redraw Facility Provider**") and the Servicer (the "**Redraw Facility Agreement**"), the declaration of trust to be entered into and made by Britannic Money in relation to the Trust Accounts (as defined below) (the "**Declaration of Trust**"), the agency agreement to be entered into and made between the Issuer, the Principal Paying Agent, the Trustee and the Agent Bank (the "**Agency Agreement**"), the loan agreement to be entered into between the Issuer and Britannic Money (the "**Start-Up Loan**"), the bank agreement to be entered into between, *inter alia*, the Issuer, The Royal Bank of Scotland plc and Barclays Bank PLC (the "**Bank Agreement**"), each interest rate swap agreement (each an "**Interest Rate Swap**" and together the "**Interest Rate Swaps**") to be entered into between the Issuer and Morgan Guaranty Trust Company of New York, London branch, Barclays Bank PLC or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Swap Counterparty**" and together, the "**Swap Counterparties**"), each interest rate cap (each an "**Interest Rate Cap**" and together the "**Interest Rate Caps**") provided by Morgan Guaranty Trust Company of New York, London branch, Barclays Bank PLC or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Cap Provider**" and together the "**Cap Providers**"), each LIBOR-linked interest rate swap agreement (each a "**LIBOR Swap**" and together the "**LIBOR Swaps**" to be entered into and made between the Issuer and Morgan Guaranty Trust Company of New York, London branch or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**LIBOR Swap Provider**" and together, the "**LIBOR Swap Providers**"), each base rate swap (each a "**Base Rate Swap**" and together the "**Base Rate Swaps**") provided by The Royal Bank of Scotland plc or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Base Rate Swap Provider**" and together, the "**Base Rate Swap Providers**") purchased by the Issuer on or around the Issue Date, the Master Definitions Schedule, and such other documents as are expressed to be subject to the charges under the Deed of Charge (all such documents together the "**Transaction Documents**");
- (iv) a first fixed equitable charge in favour of the Trustee over the Issuer's beneficial interest in the Trust Accounts, the Transaction Account and the Reserve Account (each as defined below), any other bank account of the Issuer from time to time and over the Permitted Investments (as defined below); and
- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer.

Priority of Payments Prior to Enforcement

- (e) On each Interest Payment Date, the monies standing to the credit of the Transaction Account (save for any monies standing to the credit of the Pre-Funded Ledger applied or to be applied in purchasing Pre-Funded Mortgages), the monies representing a credit balance in the Reserve Ledger (save that such monies may only be applied to meet items (i) to (vii) below) all monies advanced under the Redraw Facility (save that such monies may only be applied to purchase the right to repayment of Redraws under item (ix) below or to rollover existing advances under the Redraw Facility), any Threshold Amount Deposit (as defined below) made on the immediately preceding Determination Date, all amounts received from the Swap Counterparties and/or the Cap Providers and/or the LIBOR Swap Providers under an Interest Rate Swap and/or Interest Rate Cap and/or LIBOR Swap, all amounts received from the Base Rate Swap Providers under a Base Rate Swap, all amounts representing a credit balance in the Hedge Reserve transferred from the Reserve Account to the Transaction Account, all amounts representing a credit balance in the Base Rate Reserve transferred from the Reserve Account to the Transaction Account and all amounts representing a credit balance in the Discount Reserve transferred from the Reserve Account to the Transaction Account will, after making payment of or providing for Excluded Items (as defined below), until enforcement of the Security for the Notes, be applied (save as the payee may otherwise agree) in making the following payments or provisions in the following order of priority (the "Priority of Payments"):
- (i) to pay or provide for the remuneration payable to the Trustee and any fees, costs, charges, liabilities and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
 - (ii) to pay or provide for amounts due and/or which will become due prior to the next Interest Payment Date to the Paying Agents and Agent Bank under the Agency Agreement;
 - (iii) to pay or provide for *pari passu* and *pro rata* (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable or expected to become due and payable by the Issuer on or after such Interest Payment Date by the Issuer to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere and (b) the Issuer's liability or possible liability for corporation tax;
 - (iv) to pay or provide for the servicing fee payable to the Servicer on such Interest Payment Date (inclusive of value added tax, if any) together with costs and expenses which are payable or expected to become payable by the Servicer under the Servicing Agreement prior to the next Interest Payment Date;
 - (v) to pay *pro rata* and *pari passu*:
 - (a) all amounts payable by the Issuer to the Swap Counterparties and/or the Base Rate Swap Providers and/or the LIBOR Swap Providers pursuant to the Interest Rate Swaps and/or the Base Rate Swaps and/or the LIBOR Swaps (other than in respect of termination payments following an event of default in respect of an Interest Rate Swap or a Base Rate Swap or a LIBOR Swap where the relevant Swap Counterparty or the relevant Base Rate Swap Provider or the relevant LIBOR Swap Provider is the defaulting party under the relevant Interest Rate Swap or, as the case may be, the relevant Base Rate Swap or, as the case may be, the relevant LIBOR Swap);
 - (b) all amounts payable under the Redraw Facility other than in respect of principal; and
 - (c) all amounts payable in respect of the Class A Notes other than in respect of principal on the Class A Notes;
 - (vi) subject to an M Note Trigger Event not having occurred on that Interest Payment Date, to pay all amounts payable in respect of the Class M Notes other than in respect of principal on the Class M Notes;
 - (vii) subject to a B Note Trigger Event not having occurred on that Interest Payment Date, to pay all amounts payable in respect of the Class B Notes other than in respect of principal on the Class B Notes;
 - (viii) to credit the Reserve Fund up to the Reserve Fund Required Amount;

- (ix) to pay for the purchase by the Issuer of the right to repayment of Redraws;
- (x) to repay all principal amounts outstanding under the Redraw Facility;
- (xi) to fund the purchase by the Issuer of Further Advances up to the lower of (a) the Potential Redemption Amount less amounts in accordance with item (x) above and (b) the aggregate amount of Redemptions received during the immediately preceding Collection Period less amounts in accordance with item (x) above;
- (xii) during the Substitution Period only, to fund the purchase by the Issuer of Further Mortgages up to the lower of (a) the Potential Redemption Amount less amounts applied in accordance with items (x) and (xi) above, and (b) the aggregate amount of Redemptions received during the immediately preceding Collection Period less amounts applied in accordance with items (x) and (xi) above;
- (xiii) to allocate an amount to be applied in redeeming the Notes equal to the greater of zero and the difference between (a) the Potential Redemption Amount (as defined in Class M Condition 5(b)) and (b) the sum of the amounts applied under items (x), (xi) and (xii);
- (xiv) if an M Note Trigger Event occurs on such Interest Payment Date, to pay all amounts payable in respect of the Class M Notes other than in respect of principal on the Class M Notes;
- (xv) if a B Note Trigger Event occurs on such Interest Payment Date, to pay all amounts payable in respect of the Class B Notes other than in respect of principal on the Class B Notes;
- (xvi) to credit *pari passu* and *pro rata* (a) the Base Rate Reserve up to the Base Rate Reserve Required Amount and (b) the Hedge Reserve up to the Hedge Reserve Required Amount;
- (xvii) to fund the purchase by the Issuer of hedges that may be required in order to preserve a rate at least equal to the Threshold Rate in respect of Further Mortgages, Substitute Mortgages or Further Advances purchased on such Interest Payment Date;
- (xviii) to credit the Discount Reserve in an amount equal to the aggregate Loan Expected Differentials arising from Discounts on Further Mortgages, Substitute Mortgages or Further Advances purchased on such Interest Payment Date;
- (xix) to make any termination payments payable to the Swap Counterparties or the Base Rate Swap Providers or the LIBOR Swap Providers pursuant to the Interest Rate Swaps or, as the case may be, the Base Rate Swaps or, as the case may be, the LIBOR Swaps following an event of default in respect of an Interest Rate Swap or, as the case may be, a Base Rate Swap or, as the case may be, a LIBOR Swap where the relevant Swap Counterparty or, as the case may be, the relevant Base Rate Swap Provider or, as the case may be, the relevant LIBOR Swap Provider is the defaulting party under the relevant Interest Rate Swap or, as the case may be, the Base Rate Swap or, as the case may be, the relevant LIBOR Swap;

and provided that there is no Principal Deficiency on such Interest Payment Date and that no Event of Default has occurred;

- (xx) to pay amounts repayable to the Servicer in respect of any Threshold Amount Deposit which the Servicer elects to release;
- (xxi) to pay amounts payable in respect of the Start-Up Loan other than in respect of principal on the Start-Up Loan;
- (xxii) to pay amounts payable in respect of principal under the Start-Up Loan;
- (xxiii) to pay *pari passu* and *pro rata* (a) sums due to Arianty as Arianty Deferred Purchase Consideration, (b) sums due to Britannic Money as Britannic Money Deferred Purchase Consideration and (c) sums due to First Active as First Active Deferred Purchase Consideration; and
- (xxiv) to make dividend payments to shareholders of the Issuer.

For the purposes of these Class M Conditions:

“**Arianty Deferred Purchase Consideration**” means such sums as are paid to Arianty on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of the Initial Mortgages and Further Mortgages.

"Available Facility" means, in relation to the Redraw Facility, on each Interest Payment Date, an amount calculated as the difference between the Redraw Facility Limit and the aggregate amount of advances outstanding under the Redraw Facility which will not be repaid on such Interest Payment Date.

"B Note Trigger Event" means the determination by the Servicer as at any Interest Payment Date on which Class A Notes or Class M Notes are outstanding that, on the assumption that a B Note Trigger Event does not occur, the application of funds in accordance with the Priority of Payments will give rise to a Principal Deficiency (as defined in Class B Condition 5(b) which exceeds the aggregate Principal Amount Outstanding of the Class B Notes on such Interest Payment Date.

"Bank of England Base Rate" means the Bank of England repo rate set from time to time by the Monetary Policy Committee of the Bank of England.

"Base Rate Linked Mortgages" means Mortgages which are subject to a variable rate of interest set by Britannic Money from time to time, which is linked to the Bank of England Base Rate.

"Base Rate Reserve" means the amount recorded in a ledger (the **"Base Rate Reserve Ledger"**) and held in the Reserve Account.

"Base Rate Reserve Required Amount" means on the Issue Date and each Interest Payment Date thereafter an amount equal to 0.30% of the aggregate outstanding principal balances (including drawn and undrawn balances) of all Unhedged Base Rate Linked Mortgages.

"Base Rate Swap" means any interest rate swap entered into with the Base Rate Swap Provider for the purpose of hedging some or all of the Base Rate Linked Mortgages in the Mortgage Pool.

"Base Rate Swap Provider" means The Royal Bank of Scotland plc or such other person who from time to time enters into a Base Rate Swap with the Issuer.

"Borrower Loan Limit" means the principal amount of a Borrower's loan which would have been outstanding at any time if the Borrower had only made the minimum monthly payment agreed with Britannic Money or First Active, as applicable (the **"Minimum Monthly Payment"**) and had not made any Overpayments.

"Borrower Mortgage Account" means each mortgage account held, from time to time, by a Borrower with Britannic Money or First Active, as applicable.

"Britannic Money Deferred Purchase Consideration" means such sums as are paid to Britannic Money on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of Further Advances.

"Discount" means the discount below the Reference Rate applicable to a Discounted Mortgage at the relevant time.

"Discounted Mortgage" means Mortgages which are at the relevant time subject to a discounted rate of interest for a specified period.

"Discount Reserve" means the amount recorded in a ledger (the **"Discount Reserve Ledger"**) and held in the Reserve Account.

"Effective Interest Margin" means, in relation to Discounted Mortgages in the Mortgage Pool an amount determined as follows:

- (a) for each Standard Variable Rate Mortgage, the Threshold Margin less the Discount;
- (b) for each Base Rate Linked Mortgage, the margin of that Mortgage over Bank of England Base Rate less 0.15% (where such mortgage is not subject to a Base Rate Swap) less the Discount;
- (c) for each LIBOR Linked Mortgage, the margin of that Mortgage over LIBOR less the Discount.
- (d) for each Capped Mortgage which has been hedged relative to the Threshold Rate, the Threshold Margin less the Discount.
- (e) for each Fixed Rate Mortgage which has been swapped to the Threshold Rate, the Threshold Margin less the Discount.

"Expected Differential" means an amount calculated in respect of each Discounted Mortgage and each Interest Period as the difference between the Threshold Margin and the Effective Interest Margin on such Discounted Mortgage, to the extent such difference is positive, multiplied by the outstanding principal balance in respect of such Discounted Mortgage as of the Interest Payment Date multiplied by the fraction

of the actual number of days elapsed in the succeeding Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year).

"First Active Deferred Purchase Consideration" means such sums as are paid to First Active on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of Further Advances.

"Further Advances" means the additional funds advanced to a Borrower by Britannic Money or First Active, as applicable on the security of his/her Mortgage subject to the satisfaction of certain conditions.

"Hedge Reserve" means the amount recorded in a ledger (the **"Hedge Reserve Ledger"**) and held in the Reserve Account.

"Hedge Reserve Required Amount" means (a) as at the Issue Date, the initial amount of Tranche C of the Start-Up Loan and (b) as at each Interest Payment Date, an amount equal to such amounts as are required to ensure that the Threshold Margin is maintained in respect of Capped Mortgages.

"Investment Home Loans" means loans made to a Borrower to be used to remortgage or acquire properties to let to tenants or hold as an investment.

"M Note Trigger Event" means the determination by the Servicer as at any Interest Payment Date on which Class A Notes are outstanding that, on the assumption that an M Note Trigger Event does not occur, the application of funds in accordance with the Priority of Payments will give rise to a Principal Deficiency (as defined in Class M Condition 5(b) which exceeds the aggregate Principal Amount Outstanding of the Class M Notes and the Class B Notes on such Interest Payment Date.

"Non-Verified Mortgage Ledger" means the ledger so entitled and held in the Transaction Account.

"Owner Occupied Loans" means loans made to a Borrower to acquire property to be used as their primary place of residence.

"Overpayment" means the amount by which a payment made by a Borrower into his/her Borrower Mortgage Account exceeds the Minimum Monthly Payment.

"Payment Holiday" means a Borrower's monthly payments being met by applying Overpayments not previously redrawn by way of capitalisation of such monthly payments.

"Permitted Investments" means investments in which the Servicer is entitled to invest from time to time under the terms of the Servicing Agreement.

"Potential Redraw Amount" means the amount which is capable of being redrawn by a Borrower under a Mortgage.

"Pre-Funded Ledger" means the ledger so entitled and held in the Transaction Account.

"Prepayments" means part principal repayments under a Mortgage where the Borrower Loan Limit does not change following repayment ahead of the repayment plan used by Britannic Money or First Active, as applicable to provide a baseline for the repayment of the Mortgage. For the avoidance of doubt, Prepayments do not include scheduled principal repayments.

"Receiver" means a receiver appointed by the Trustee under Clause 10 of the Deed of Charge.

"Redraw" means in respect of a Mortgage, a Payment Holiday or a redraw by the relevant Borrower of a portion of the principal of his/her Mortgage if and to the extent that such Borrower has previously made Prepayments on his/her Mortgage in excess of the scheduled principal repayments and has not previously redrawn the whole of such excess payments and provided that the amounts of such Redraw is limited to ensure that the outstanding balance of the Mortgage after such Redraw is no greater than the Borrower Loan Limit;

"Redraw Facility" means the sterling revolving credit facility made between the Issuer and the Redraw Facility Provider.

"Redraw Facility Limit" means the maximum aggregate amount that can be drawn at any time under the Redraw Facility and which on the Issue Date shall be £58 million and thereafter may be varied on any Interest Payment Date by agreement between the Issuer, the Trustee, the Redraw Facility Provider, the Servicer and the Rating Agencies.

"Reference Rate" means:

(a) for each Standard Variable Rate Mortgage, Britannic Money's standard variable rate;

- (b) for each LIBOR Linked Mortgage, LIBOR plus the margin applicable to the relevant Mortgage as set out in the mortgage documentation entered into with the relevant Borrower;
- (c) for each Base Rate Linked Mortgage, Bank of England Base Rate, plus the margin applicable to the relevant Mortgage as set out in the mortgage documentation entered into with the relevant Borrower;
- (d) for each Capped Mortgage, the rate set out in the mortgage documentation entered into with the relevant Borrower;
- (e) for each Fixed Rate Mortgage, the rate set out in the mortgage documentation entered into with the relevant Borrower.

“Required Redraw Facility Provider Rating” means a short term unsecured unguaranteed and unsubordinated debt rating of A-1+ from S&P and F-1+ from Fitch.

“Reserve Account” means an account in the name of the Issuer at Barclays Bank PLC (the **“Account Bank”**) in which the Reserve Fund is established.

“Reserve Fund” means the amount recorded in a ledger (the **“Reserve Account”**) and held in the Reserve Account provided that (A) whilst there are Class A Notes outstanding, the Reserve Fund shall only be applied to pay interest on the Class M Notes to the extent that such drawing does not result in the amount standing to the credit of the Reserve Fund being less than (1) £3,000,000 or (2) the outstanding principal amount of the Class A Notes and (B) whilst there are Class M Notes outstanding, the Reserve Fund shall only be applied to pay interest on the Class B Notes to the extent that such drawing does not result in the amount standing to the credit of the Reserve Fund being less than (1) £3,000,000 or (2) the aggregate outstanding principal amount of the Class A Notes and the Class M Notes.

“Reserve Fund Required Amount” means an amount equal to the amount deposited under Tranche B of the Start-Up Loan;

“Secured Creditors” means each of the Trustee, the Noteholders, the Couponholders, the Servicer, the Redraw Facility Provider, the Start-Up Loan Provider, the GIC Provider, the Account Bank, the Cap Providers, the Swap Counterparties, the Base Rate Swap Providers, the LIBOR Swap Providers and the Principal Paying Agent.

“Substitution Period” means, the period commencing on (and including) the Issue Date and ending on the earlier of (i) the Interest Payment Date falling in July 2004 (ii) enforcement of the Security in accordance with Condition 10 (iii) removal of Britannic Money as Servicer in accordance with the Servicing Agreement (unless a substitute servicer has been appointed in accordance with the Servicing Agreement) (iv) the date on which the Notes are redeemed in full (v) the date on which the Redraw Facility becomes fully drawn unless the Issuer elects to shorten the Substitution Period by giving 5 Business Days notice to the Trustee and the Servicer.

“Threshold Amount Deposit” means a deposit which may be paid into the Transaction Account on an Interest Payment Date which is equal to the amount by which the amount produced by multiplying the Threshold Rate with the aggregate outstanding balances of the Mortgages in the Mortgage Pool on such Interest Payment Date and the fraction of the actual number of days elapsed in the relevant Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year) exceeds the sum of:

- (a) the aggregate of the annual rate of interest applicable on such Interest Payment Date to each Mortgage in the Mortgage Pool multiplied by the principal balance outstanding of such Mortgage on such Interest Payment Date multiplied by the fraction of the actual number of days elapsed in the relevant Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year), plus
- (b) any amount expected to be transferred from the Hedge Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (c) any amount expected to be transferred from the Base Rate Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (d) any amount expected to be transferred from the Discount Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (e) any amounts received in respect of Interest Rate Swaps, LIBOR Swaps, Base Rate Swaps and Interest Rate Caps,

(such amount not to be less than zero).

“Threshold Margin” means the figure expressed as a percentage resulting from the addition of (i) the average total principal balance of Owner Occupied Loans during the relevant Interest Period multiplied by 1% plus (ii) the average total principal balance of Investment Home Loans during the relevant Interest Period multiplied by 1.2%, all divided by the average total principal balance outstanding of all Mortgages during that Interest Period. The average total principal balance outstanding in any category of Loan for the purposes of the above calculation shall be calculated by reference to the total principal balance outstanding of such category of Loan on each day during the relevant Interest Period.

“Threshold Rate” means in respect of an Interest Period an annual rated LIBOR as determined in relation to the Notes for such Interest Period plus the Threshold Margin.

“Transaction Account” means account number 40927481 in the name of the Issuer at Barclays Bank PLC.

“Trust Accounts” means the accounts in the name of Britannic Money held at Barclays Bank PLC and The Royal Bank of Scotland plc in to which payments are made in respect of amounts due and amounts received under the Mortgages.

“Unhedged Base Rate Linked Mortgages” means the aggregate outstanding principle balances of any Base Rate Linked Mortgages less the total notional balances of all Base Rate Swaps.

Priority of Payments Post-Enforcement

- (f) On enforcement of the Security, the Trustee is required, after making payment of or providing for Excluded Items, to apply moneys available for distribution in or towards the satisfaction of the following amounts in the following order or priority:
- (i) first, to pay the remuneration then due and payable to the Trustee and any fees, costs, charges, liabilities and expenses incurred by the Trustee or any receiver appointed by the Trustee under the provisions of the Trust Deed, the Deed of Charge and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
 - (ii) second, to pay the remuneration then due and payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities and expenses incurred by them or by the Account Bank under the Bank Agreement and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
 - (iii) third, to pay or provide for *pari passu* and *pro rata* (a) amounts including audit fees and company secretarial expenses (plus value added tax, if any), which are payable or expected to become due and payable by the Issuer to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere and (b) the Issuer's liability or possible liability for corporation tax;
 - (iv) fourth, in or towards satisfaction of any fees due and payable to the Servicer and any costs, charges, expenses and liabilities incurred by the Servicer;
 - (v) fifth, to pay *pari passu* and *pro rata* (a) all amounts due under the Interest Rate Swaps, (b) all amounts due under the Base Rate Swaps, (c) all amounts due under the LIBOR Swaps, (d) all amounts due under the Redraw Facility and (e) interest and principal and all other amounts due and payable in respect of the Class A Notes;
 - (vi) sixth, to pay interest and principal and all other amounts due and payable in respect of the Class M Notes;
 - (vii) seventh, to pay interest and principal and all other amounts due and payable in respect of the Class B Notes;
 - (viii) eighth, to pay any interest and principal amounts due and payable under the Start-Up Loan ;
 - (ix) ninth, to pay *pro rata* and *pari passu* (a) sums due to Arianty as Arianty Deferred Purchase Consideration, (b) sums due to Britannic Money as Britannic Money Deferred Purchase Consideration and (c) sums due to First Active as First Active Deferred Purchase Consideration; and
 - (x) tenth, to pay the surplus (if any) to the shareholders of the Issuer by way of dividends.

The Trustee cannot, while any of the Class M Notes are outstanding and there is no subsisting Event of Default under Class M Condition 9, enforce the Security on behalf of the Class M Noteholders or any other Secured Creditor (whether or not requested to do so by the Class M Noteholders or such other Secured Creditor) under the Deed of Charge.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Class M Condition 9(a)) provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Class M Notes or Class M Coupons, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class M Noteholders and the Class M Couponholders or the Trustee is of the opinion, which shall be binding on the Class M Noteholders, the Class M Couponholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class M Noteholders and the Class M Couponholders.

3. COVENANTS

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, or any of the Transaction Documents (together the "**Documents**"), the Issuer shall not, so long as any Class A Note, Class M Note or Class B Note remains outstanding (as defined in the Trust Deed):

(a) **Negative Pledge**

create or permit to subsist any mortgage, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) **Restrictions on Activities**

- (i) engage in any activity which is not incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in; or
- (ii) have any subsidiaries or employees or premises;

(c) **Disposal of Assets**

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) **Equitable Interest**

permit any person other than the Issuer, the Trustee and Britannic Money or First Active in relation to any Redraws and Further Advances funded by either of them to have any equitable interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Bank Accounts**

have an interest in any bank account, other than the Trust Accounts and the bank accounts maintained pursuant to the Bank Agreement or the Guaranteed Investment Contract;

(f) **Dividends or Distributions**

pay any dividend or make any other distribution to its shareholders or issue any further shares other than pursuant to the Priority of Payments;

(g) **Borrowings**

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any obligation of any person;

(h) Merger

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(i) Surrender of Group Relief

offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988 unless the Issuer first receives by way of consideration for such surrender the payment of an amount calculated by applying to the amount surrendered the rate of corporation tax applicable to the Issuer at the time of surrender;

(j) Other

permit the validity or effectiveness of any of the Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, terminated or discharged, or consent to any variation of, or exercise of, any powers of consent or waiver pursuant to the terms of the Trust Deed, these Class M Conditions or any of the Documents, or permit any party to any of the Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Class A Noteholders, the Class M Noteholders and the Class B Noteholders.

The Issuer shall apply to HM Customs & Excise, and use reasonable endeavours to pursue such application, for its exclusion from the earliest possible date from any group for the purposes of Section 43 of the Value Added Tax Act 1994 (or for the purposes of any act, regulation, order, statutory instrument or directive which, from time to time, may re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994) of which it is a member:

- (i) upon any failure by the representative member of such group to fulfil its obligations to HM Customs & Excise;
- (ii) if there is a material increase in the liabilities under such Act of the representative member of such group as a result of a change in circumstances and a failure to implement a suitable alternative structure which would not result in the downgrading of the then current ratings of the Class B Notes, Class M Notes or the Class A Notes or which is consented to by the Trustee; or
- (iii) if proceedings are initiated against the representative member of such group under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an administration order being granted or administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the representative member of such group or the representative member of such group initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws.

4. INTEREST

(a) Period of Accrual

The Class M Note bears interest from (and including) the Issue Date. Each Class M Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Class M Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Class M Note up to that day are received by or on behalf of the relevant Class M Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Class M Condition 14) that it has received all sums due in respect of such Class M Note (except to the extent that there is any subsequent default in payment).

Whenever it is necessary to compute an amount of interest in respect of any Class M Note for any period (including any Interest Period (as defined below)), such interest shall be calculated on the basis

of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year.

(b) Interest Payment Dates and Interest Periods

Interest on the Class M Notes is payable monthly in arrear on the first day of each calendar month in each year (or, if such day is not a Business Day, the immediately succeeding Business Day) (each such day an "Interest Payment Date") save for the first payment of interest which will be made in respect of the period commencing on (and including) the Issue Date and ending on (but excluding) the Interest Payment Date falling in September, 2001. The period from (and including) an Interest Payment Date (or the Issue Date in respect of the first Interest Payment Date) to (but excluding) the next following (or first) Interest Payment Date is called an "Interest Period" in these Class M Conditions and "Business Day" shall in these Class M Conditions mean a day (other than a Saturday or Sunday) on which banks are open for business in the City of London.

(c) Rate of Interest

The rate of interest payable from time to time in respect of the Class M Notes (each a "Rate of Interest") and the relevant Interest Amount (as defined in paragraph (d) below) will be determined on the basis of the provisions set out below:

- (i) on each Interest Payment Date or, in the case of the first Interest Period, on the Issue Date (each an "Interest Determination Date") the Agent Bank will determine the offered quotation to leading banks in the London interbank market for one month sterling deposits (or, in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for one month and two month sterling deposits) by reference to the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Dow Jones/Telerate Monitor Telerate Screen No. 3750 (or (aa) such other page as may replace Telerate Screen No. 3750 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Dow Jones/Telerate Monitor) as at or about 11:00 a.m. (London time) on that date (the "Screen Rate"). If the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in paragraph (h) below) to provide the Agent Bank with its offered quotation as at or about 11:00 a.m. (London time) on that date to leading banks for one month sterling deposits (or, in relation to the first Interest Period, one month and two month sterling deposits and a linear interpolation between such rates). The Rate of Interest for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the Screen Rate or, as the case may be, above the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the quotations of three out of five quoting Reference Banks (excluding, if all five quotations are not the same, the Reference Bank with the highest and the Reference Bank with the lowest such quotations) but, if more than one of either or both, only one of the Reference Banks with the highest and/or, as the case may be, only one of the Reference Banks with the lowest such quotations;
- (ii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only four of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of two out of the four quoting Reference Banks (excluding two on the basis set out in (i) above);
- (iii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two or three of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the quotations of all the quoting Reference Banks (without any exclusion as referred to in (i) above);
- (iv) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the Rate of Interest for the relevant Interest Period shall be the Reserve Interest Rate. The "Reserve Interest Rate" shall be the rate per annum which the Agent Bank determines to be either (aa) the Relevant Margin above the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11:00 a.m. (London time) on the relevant Interest Determination Date, for the relevant Interest Period to the Reference Banks or

those of them (being at least two in number) to which such quotations are in the sole opinion of the Agent Bank being so made or (bb) if the Agent Bank certifies that it cannot determine such arithmetic mean, the Relevant Margin above the lowest of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date, to the leading banks which have their head offices in London for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (b) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date.

For the purpose of the Class M Conditions the "Relevant Margin" shall be 0.85% per annum for each Interest Period up to and including the Interest Payment Date falling in July 2008 (the "Coupon Step Up Date") and thereafter 1.70% per annum.

(d) Determination of Rates of Interest and Calculation of Interest Amounts

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Servicer, the Trustee and the Paying Agents of (i) the Rate of Interest applicable to the Interest Period beginning on and including such Interest Determination Date in respect of the Class M Notes and (ii) the sterling amount (the "Interest Amount") payable in respect of such Interest Period in respect of the Principal Amount Outstanding (as defined in Class M Condition 5(c)).

(e) Publication of Rate of Interest, Interest Amount and other Notices

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount applicable to the Class M Notes for each Interest Period and the Interest Payment Date falling at the end of such Interest Period to be notified to each stock exchange (if any) (including, for as long as the Notes are admitted to the Official List, the UK Listing Authority) on which the Class M Notes are then listed and will cause notice thereof to be given to the relevant Class M Noteholders in accordance with Class M Condition 14. The Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) Determination or Calculation by Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for any Class M Notes in accordance with the foregoing paragraphs, the Trustee shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount for the Class M Notes in the manner specified in paragraph (c) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Class M Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Servicer, the Reference Banks, the Agent Bank, the Trustee and all Class M Noteholders and Class M Couponholders and (in which absence as aforesaid) no liability to the Servicer, the Class M Noteholders or Class M Couponholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) Reference Banks and Agent Bank

The Issuer shall ensure that, so long as any of the Class M Notes remains outstanding, there shall at all times be five reference banks (the "Reference Banks") and an Agent Bank. The initial Agent Bank shall be The Chase Manhattan Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of The Chase Manhattan Bank, being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed.

5. REDEMPTION AND CANCELLATION

(a) Final Redemption

Unless previously redeemed as provided in this Class M Condition, the Issuer shall redeem the Class M Notes at their Principal Amount Outstanding (as defined below) on the Interest Payment Date falling in July 2036 (the "**Final Redemption Date**").

The Issuer may not redeem Class M Notes in whole or in part prior to that date except as provided in paragraphs (b), (d), (e) or (f) of this Class M Condition but without prejudice to Class M Condition 9.

(b) Mandatory Redemption in Part

Subject as provided below, the principal amount redeemable in respect of each Class M Note on an Interest Payment Date (the "**Actual Redemption Amount**") shall be the Class M Redemption Amount on such Interest Payment Date divided by the number of Class M Notes outstanding on the relevant Interest Payment Date (rounded down to the nearest penny); provided always that no such Actual Redemption Amount may exceed the Principal Amount Outstanding of the relevant Class M Note.

For the purposes of these Class M Conditions:

"**Borrower Loan Limit**" means the principal amount of a Borrower's loan which would have been outstanding at any time if the Borrower had only made its minimum monthly payments due under the relevant loan and had not made any additional payments or overpayments.

"**Collection Period**" means the period beginning on (and including) a Determination Date (save for the first Collection Period which shall begin on (and include) the Issue Date) and ending on the day immediately preceding the next following Determination Date.

"**Determination Date**" means the day which is eight Business Days prior to an Interest Payment Date.

"**Excluded Items**" means

- (a) certain moneys which properly belong to third parties (such as monies owing to any party in respect of reimbursement for direct debit recalls);
- (b) on the Interest Payment Date following the Issue Date, amounts payable to Arianty under the Mortgage Sale Agreement in respect of reconciliations of the amounts paid in respect of the purchase of the Mortgages on the Issue Date; and
- (c) where the Issuer is unable to purchase the right to repayment of Redraws made with respect to one or more Mortgages on any Interest Payment Date (such Redraws continuing to be funded by Britannic Money or First Active, as applicable, on the basis that the Issuer holds each relevant Mortgage on trust for itself and Britannic Money or First Active, as applicable, each party's interest being proportionate to the funding provided by it), the aggregate of Britannic Money's or First Active's, as applicable, *pro rata* share of amounts received in respect of each such Mortgage during the immediately preceding Collection Period.

"**Potential Redemption Amount**" will be determined on each Determination Date as follows:

- (a) the aggregate amount of Redemptions, Prepayments, enforcement proceeds, recoveries and insurance proceeds received (to the extent they relate to principal) during the immediately preceding Collection Period ending in respect of the Mortgages ("**Principal Collections**"); plus
- (b) principal losses realised upon completion of the enforcement and recovery process in relation to the Mortgages during the immediately preceding Collection Period; less
- (c) the aggregate principal amount of Redraws the right to repayment of which are to be purchased by the Issuer on the immediately succeeding Interest Payment Date, less
- (d) the amount by which the aggregate principal amount outstanding under the Redraw Facility is expected to increase on the immediately succeeding Interest Payment Date as a result of the purchase of Redraws; plus
- (e) an amount equal to the Principal Deficiency recorded on the previous Determination Date, provided that the Potential Redemption Amount shall never be less than zero.

"**Redemptions**" means scheduled principal payments plus full and part principal payments (including enforcement and insurance proceeds) under a Mortgage where the Borrower Loan Limit (as defined above)

irrevocably reduces as a result of repayment ahead of the repayment plan used by Britannic Money or First Active, as applicable, to provide a baseline for the repayment of the Mortgage.

"Prepayments" means part principal repayments under a Mortgage where the Borrower Loan Limit does not change following prepayment ahead of the repayment plan used by Britannic Money or First Active, as applicable, to provide a baseline for the repayment of the Mortgage.

The amount allocated for redemption of the Notes under item (xiii) of the Priority of Payments (the **"Redemption Amount"**) will be divided into a **"Class A Redemption Amount"**, a **"Class M Redemption Amount"** and a **"Class B Redemption Amount"**. During a Class M Principal Lock Out, the Class A Redemption Amount will equal the Redemption Amount and the Class M Redemption Amount and the Class B Redemption Amount will be zero. During a Class B Principal Lock Out, the Redemption Amount will be divided between the Class A Redemption Amount and the Class M Redemption Amount (on a *pro rata* basis and subject to a Class M Principal Lock Out not having occurred) and the Class B Redemption Amount will be zero.

A **"Class M Principal Lock Out"** shall occur on any Interest Payment Date (i) during the period up to (and including) the earlier of the Interest Payment Date on which all Class A Notes are redeemed in full and the Interest Payment Date falling five years after the end of the Substitution Period (the **"Class M Principal Lock Out Period"**), (ii) where on such Interest Payment Date the sum of the Reserve Fund, the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class M Conditions) of the Class M Notes and the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class B Conditions) of the Class B Notes as a percentage of the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class B Notes is not at least twice that same percentage as at the Issue Date, (iii) where a Principal Deficiency exists on such Interest Payment Date (iv) where the aggregate principal balance of Mortgages in respect of which there are arrears of an amount greater than £100 is greater than 2.5% of the then aggregate principal balance of the Mortgages comprised in the Mortgage Pool, in each case as at the immediately preceding Determination Date, and (v) where the sum of the Principal Amount Outstanding of the Class M Notes and the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date is less than two times the principal balance of the largest Mortgage or group of Mortgages in the name of a single Borrower as at the immediately preceding Determination Date.

A **"Class B Principal Lock Out"** shall occur on any Interest Payment Date (i) during the period up to (and including) the earlier of the Interest Payment Date on which all Class A Notes and Class M Notes are redeemed in full and the Interest Payment Date falling five years after the end of the Substitution Period (the **"Class B Principal Lock Out Period"**), (ii) where on such Interest Payment Date the sum of the Reserve Fund and the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class B Conditions) of the Class B Notes as a percentage of the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class B Notes is not at least twice that same percentage as at the Issue Date, (iii) where a Principal Deficiency exists on such Interest Payment Date, (iv) where the aggregate principal balance of Mortgages in respect of which there are arrears of an amount greater than £100 is greater than 2.5% of the then aggregate principal balance of the Mortgages comprised in the Mortgage Pool, in each case as at the immediately preceding Determination Date, and (v) where the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date is less than two times the principal balance of the largest Mortgage or group of Mortgages in the name of a single Borrower as at the immediately preceding Determination Date.

If no Class M Principal Lock Out and no Class B Principal Lock Out applies on an Interest Payment Date and there are Class A Notes outstanding, the Redemption Amount will be divided between the Class A Redemption Amount, the Class M Redemption Amount and the Class B Redemption Amount in such amounts as would maintain the then current ratio of Class A Notes to Class M Notes to Class B Notes. If on any Interest Payment Date there are no Class A Notes outstanding, the Redemption Amount will be divided between the Class M Redemption Amount (subject to a Class M Principal Lock Out not having occurred) and the Class B Redemption Amount (subject to a Class B Principal Lock Out not having occurred) in such amounts as would maintain the then current ratio of the Class M Notes to the Class B Notes. If on any Interest Payment Date there are no Class A Notes or Class M Notes outstanding, the Class B Redemption Amount shall equal the whole of the Redemption Amount.

"Principal Deficiency" means the amount calculated on each Determination Date by deducting from the **"Liabilities"** expected to exist as at close of business on the immediately succeeding Interest Payment Date the **"Assets"** expected to exist as at close of business on the immediately succeeding Interest Payment Date (after having made all payments in accordance with the Priority of Payments),

where "**Liabilities**" means:

- (a) the aggregate Principal Amount Outstanding of the Notes on the last date of the immediately preceding Collection Period; less
- (b) the amount allocated in the Priority of Payments to redemption of the Notes under item (xiii) on the immediately succeeding Interest Payment Date; plus
- (c) the aggregate principal amount outstanding under the Redraw Facility on the last day of the immediately preceding Collection Period; plus
- (d) the amount by which the aggregate principal amount outstanding under the Redraw Facility is expected to increase on the immediately succeeding Interest Payment Date as a result of the purchase of the right to repayment of Redraws; less
- (e) the amount allocated in the Priority of Payments to repayment of principal amounts outstanding under the Redraw Facility under item (x) on the immediately succeeding Interest Payment Date; and

"**Assets**" means:

- (a) the aggregate outstanding principal balances of the Mortgages (including amounts receivable in respect of claims under property related insurance policies) on the last day of the immediately preceding Collection Period; plus
- (b) the aggregate principal amount of the Redraws the right to repayment of which are to be purchased on the immediately succeeding Interest Payment Date; plus
- (c) the amount allocated in the Priority of Payments to purchase Further Advances under item (xi) on the immediately succeeding Interest Payment Date; plus
- (d) the amount allocated in the Priority of Payments to purchase Further Mortgages under item (xii) on the immediately succeeding Interest Payment Date; plus
- (e) the amount standing to the credit of the Pre-Funded Ledger and the Non-Verified Mortgage Ledger, provided that the Principal Deficiency shall never be less than zero.

In connection with such redemption, the Servicer will on each Determination Date, pursuant to the Servicing Agreement, determine the Potential Redemption Amount, the Class A Redemption Amount, the Class M Redemption Amount and the Class B Redemption Amount.

No Class M Note may be redeemed in whole or in part until the Class A Notes have been redeemed in full.

(c) Class M Note Principal Payments, Principal Amount Outstanding and Pool Factor

On (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Servicer to determine) (i) the amount of any Actual Redemption Amount due in respect of each Class M Note on the Interest Payment Date next following such Determination Date, (ii) the principal amount outstanding of each Class M Note on the Interest Payment Date next following such Determination Date (after deducting any Actual Redemption Amount due to be made in respect of that Class M Note on that Interest Payment Date) (the "**Principal Amount Outstanding**") and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of a Class M Note (as referred to in (ii) above) and the denominator is £10,000. Each determination by or on behalf of the Issuer of any Actual Redemption Amount of a Class M Note, the Principal Amount Outstanding of a Class M Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The Principal Amount Outstanding of a Class M Note on any date shall be £10,000 less the aggregate amount of all Actual Redemption Amounts in respect of such Class M Note that have become due and payable since the Issue Date on or prior to such date (whether or not paid).

With respect to the Class M Notes, the Issuer will cause each determination of an Actual Redemption Amount, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Class M Notes are admitted to trading on the London Stock Exchange's market for listed securities) the London Stock Exchange, and will immediately cause notice of each determination of an Actual Redemption Amount, Principal Amount Outstanding and Pool Factor to be given in accordance with Class M Condition 14 by not later than two business days prior to the relevant Interest Payment Date. If no Actual Redemption Amount is due

to be made on the Class M Notes on any Interest Payment Date a notice to this effect will be given by or on behalf of the Issuer to the Class M Noteholders in accordance with Class M Condition 14.

If the Issuer does not at any time for any reason determine (or cause the Servicer to determine) with respect to the Class M Notes an Actual Redemption Amount, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Actual Redemption Amount, Principal Amount Outstanding and Pool Factor may be determined by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer. Any such determination shall be binding on the Issuer, the Servicer, the Class M Noteholders and the Class M Couponholders.

(d) Optional Redemption

On the Interest Payment Date falling in July 2008 or on any Interest Payment Date falling thereafter and upon giving not more than 30 nor less than 20 days' notice to the Trustee and the Class M Noteholders in accordance with Class M Condition 14, the Issuer may redeem all (but not some only of) the Class M Notes at their Principal Amount Outstanding together with accrued interest thereon provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Class M Notes as aforesaid.

On any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10% of the aggregate principal amount of such Notes at the time such Notes were issued, and upon giving not more than 30 nor less than 20 days notice to the Trustee, the Class B Noteholders, the Class M Noteholders and the Class A Noteholders, the Issuer may redeem all (but not some only of) the Class B Notes, all (but not some only of) the Class M Notes and all (but not some only of) the Class A Notes at their Principal Amount Outstanding together with accrued interest provided that prior to giving any such notice, the Issuer shall have provided the Trustee with a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Class B Notes, the Class M Notes and the Class A Notes as aforesaid.

(e) Optional Redemption for Tax Reasons

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that either (i) on the next Interest Payment Date the Issuer or any Paying Agent would be required to deduct or withhold from any payment of principal or interest on the Class M Notes any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest in relation to any of the Mortgages during an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period or (iii) the Issuer would, by virtue of a change in the law (or the application or official published interpretation thereof) not be entitled to relief for United Kingdom tax purposes for any material amount which is currently relieviable and which it is obliged to pay under the Transaction Documents, then the Issuer may, having given not more than 30 nor less than 20 days' notice to the Trustee and the Class M Noteholders in accordance with Class M Condition 14, redeem all (but not some only) of the Class M Notes on any Interest Payment Date at their Principal Amount Outstanding provided together with interest accrued thereon provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee: (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Class M Notes as aforesaid and (b) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant event. Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Trustee and shall be conclusive and binding on the Class M Noteholders and Class M Couponholders.

(f) Other Reasons

The Issuer may, at its option, upon giving not more than 30 nor less than 20 days notice to the Trustee and the Class M Noteholders redeem all of the Class M Notes (provided that all Class A Notes have been redeemed in full) at their Principal Amount Outstanding together with interest accrued thereon on the second Interest Payment Date after any Determination Date on which it is determined that the aggregate amount of Redraws made by Borrowers during the Collection Period then ending exceeds

the sum of (a) the Principal Collections available for the purpose of purchasing the right to repayment of Redraws in accordance with the Priority of Payments and (b) the lower of (i) the Available Facility under the Redraw Facility and (ii) the aggregate Principal Amount Outstanding of the Class A Notes (in the case of a redemption of the Class M Notes) or the aggregate Principal Amount Outstanding of the Class A Notes and the Class M Notes (in the case of a redemption of the Class B Notes).

(g) Notice of Redemption

Any such notice as is referred to in paragraph (d), (e) or (f) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Class M Notes at their Principal Amount Outstanding together with interest accrued thereon.

(h) Purchase

The Issuer shall not purchase any Class M Notes or Class M Coupons.

(i) Cancellation

All Class M Notes redeemed pursuant to paragraphs (d), (e) or (f) above will be cancelled upon redemption, together with any unmatured Class M Coupons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

(j) Principal Deficiencies

If on the Interest Payment Date falling in July 2036 or on any prior date after the assets of the Issuer have been exhausted there is a debit balance on the Principal Deficiency Ledger (as defined above) (after taking account of any entries required to be made thereon on such Interest Payment Date and any credit balance in the Reserve Account (the "**Adjusted Principal Deficiency**")), then notwithstanding any other provision of these Class M Conditions the principal amount payable on redemption of each Class M Note shall be its Principal Amount Outstanding on that date, less the Principal Deficiency (as defined below) applicable to that Class M Note on that date on payment of which the obligations of the Issuer under the relevant Class M Note shall be discharged in full.

6. PAYMENTS

- (a)** Payments of principal in respect of the Class M Notes will be made against presentation of the Class M Notes at the specified office of any Paying Agent. Payments of interest in respect of the Class M Notes will (subject as provided in paragraphs (c) and (d) below) be made only against presentation and surrender of the Class M Coupons at the specified office of any Paying Agent. Payments will be made in sterling at the specified office of any Paying Agent by sterling cheque drawn on, or, at the option of the holder, by transfer to a sterling account maintained by the payee with, a branch of a bank in London.
- (b)** Payments of principal and interest in respect of the Class M Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- (c)** Upon the date on which any Class M Note becomes due and payable in full, unmatured Class M Coupons appertaining thereto (whether or not attached to such Class M Note) shall become void and no payment or, as the case may be, exchange shall be made in respect thereof. If the due date for redemption of any Class M Note is not an Interest Payment Date, accrued interest will be paid only against presentation and surrender of such Class M Note.
- (d)** If payment of principal is improperly withheld or refused on or in respect of any Class M Note or part thereof, the interest which continues to accrue in respect of such Class M Note in accordance with Class M Condition 4(a) will be paid against presentation of such Class M Note at the specified office of any Paying Agent.
- (e)** The initial Principal Paying Agent and its initial specified office is listed at the end of these Class M Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a paying agent with a specified office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Class M Condition 14.

- (f) If any Class M Coupon or Class M Note is presented for payment on a day which is not a Business Day, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Class M Coupon or, as the case may be, such Class M Note.
- (g) On or after the Interest Payment Date for the final Coupon forming part of any Coupon sheet, the Class M Talon forming part of such Coupon sheet may be surrendered at any specified office of the Paying Agent in exchange for a further Coupon sheet (including a further talon but excluding any Coupons which shall have become void).
- (h) If a Paying Agent makes a partial payment in respect of any Class M Note presented to it for payment, such Paying Agent will endorse on the grid endorsed on such Class M Note (in respect of payments of principal) a statement indicating the amount and date of such payment.
- (i) If on any Interest Payment Date (other than the Final Redemption Date) the aggregate funds (if any) available to the Issuer for application in or towards the payment of interest due on the Class M Notes are not sufficient to satisfy in full the aggregate amount of interest which would, but for this paragraph (i) otherwise be payable on the Class M Notes on such Interest Payment Date, then notwithstanding any other provision of these Conditions, there shall be payable on the Class M Notes on such Interest Payment Date, by way of interest on each Class M Note a *pro rata* share of such aggregate funds calculated by reference to the ratio borne by the then Principal Amount Outstanding of such Class M Note to the then Principal Amount Outstanding of all Class M Notes and the amount of the shortfall will not be regarded as due until the earliest Interest Payment Date thereafter in respect of which funds are available to the Issuer to pay such amounts.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class M Notes on any Interest Payment Date in accordance with this Condition falls short of the aggregate amount of interest which would otherwise be payable on the Class M Notes on the date pursuant to Condition 4. Such shortfall shall accrue interest during each Interest Period during which it remains outstanding at the Rate of Interest for such Interest Period and a *pro rata* share of such shortfall calculated by reference to the ratio borne by the then Principal Amount Outstanding of each Class M Note and accrued interest thereof shall be aggregated within the amount of, and treated for the purpose of this Condition as if it were, interest due on each Class M Note on the next succeeding Interest Payment Date.

To the extent such a shortfall arises, such unpaid amount (including interest accruing on such shortfall) shall be payable in priority to the payment of interest otherwise due on the next following Interest Payment Date.

7. PRESCRIPTION

Class M Notes shall become void unless presented for payment within a period of 10 years from the relevant date in respect thereof. Class M Coupons (which expression shall not in this Class M Condition include Class M Talons) shall become void unless presented for payment within a period of 5 years from the relevant date in respect thereof. After the date on which a Class M Note or a Class M Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Class M Condition, the "**relevant date**", in respect of a Class M Note or Class M Coupon, is the date on which a payment in respect thereof first becomes due or (if the full amount of the moneys payable in respect of all the Class M Notes and/or Class M Coupons due on or before that date has not been duly received by the Paying Agents or the Trustee on or prior to such date) the date on which the full amount of such moneys having been so received, notice to that effect is duly given to the Class M Noteholders in accordance with Class M Condition 14.

8. TAXATION

All payments in respect of the Class M Notes and Class M Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the relevant Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Class M Notes or Class M Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer or the relevant Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agents nor the Issuer will be obliged to make any additional payments to holders of Class M Notes or Class M Coupons in respect of such withholding or deduction.

9. EVENTS OF DEFAULT

- (a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class M Notes or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the Class M Noteholders (subject, in each case, to being indemnified to its satisfaction) shall give notice to the Issuer declaring the Class M Notes to be due and repayable at any time after the happening of any of the following events (each an "Event of Default"):
- (i) default being made for a period of 10 Business Days in the payment of the principal of or any interest on any Class M Note when and as the same ought to be paid in accordance with these Class M Conditions; or
 - (ii) any Interest Rate Swap or Base Rate Swap being terminated by reason of default in payment on the part of the Issuer for a period of 10 Business Days; or
 - (iii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Class M Notes, the Trust Deed, the Servicing Agreement, the Deed of Charge or any of the other Transaction Documents and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
 - (iv) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (v) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due or otherwise becomes insolvent; or
 - (v) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Class M Noteholders; or
 - (vi) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) or an administration order being granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 14 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally;

Provided that, in the case of each of the events described in sub-paragraph (iii) of this paragraph (a), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class M Noteholders.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Class M Notes are due and repayable, the Class M Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

10. ENFORCEMENT OF CLASS M NOTES

- (a) At any time after the Class M Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Class M Notes at their Principal Amount Outstanding together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Class M Noteholders or so requested in writing by the holders of at least 25% in aggregate of the Principal Amount Outstanding of the Class M Notes and (b) it shall have been indemnified to its satisfaction. No Class M Noteholder or Class M Couponholder shall be entitled to proceed directly

against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Trustee cannot, while any of the Class A Notes are outstanding, be required to enforce the Security on behalf of the Class M Noteholders (whether or not requested to do so by such Class M Noteholders), the Class B Noteholders (whether or not requested to do so by such Class B Noteholders) or any other Secured Creditor under the Deed of Charge.

- (b) Notwithstanding the foregoing and so long as any of the Class M Notes remain outstanding, if the Class M Notes have become due and repayable pursuant to Class M Condition 9 otherwise than by reason of a default in payment of any amount due on the Class M Notes, the Trustee will not be entitled to dispose of the Security unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class M Noteholders, the Class M Couponholders and the other creditors of the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class M Noteholders, the Class M Couponholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith.

11. MEETINGS OF CLASS M NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION OF PRINCIPAL DEBTOR

- (a) The Trust Deed contains provisions for convening meetings of Class M Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of such Class M Noteholders of a modification of these Class M Conditions as they relate to the Class M Notes or the provisions of any of the Documents or any other documents the rights and benefits in respect of which are comprised in the Security ("**Other Relevant Documents**"). The quorum at any meeting of Class M Noteholders for passing an Extraordinary Resolution shall be two or more persons holding or representing in aggregate not less than 75% in Principal Amount Outstanding of the Class M Notes then outstanding or, at any adjourned meeting, two or more persons being or representing Class M Noteholders as they relate to the Class M Notes whatever the Principal Amount Outstanding of the Class M Notes so held or represented except that, at any meeting the business of which includes the sanctioning of a modification which would, *inter alia*, have the effect of altering the date of maturity of the Class M Notes or the day for payment of interest or principal thereon, or the amount of principal or the rate of interest payable in respect of the Class M Notes or the currency of payment (other than pursuant to a redenomination approved by the Trustee pursuant to Class M Condition 15) of the Class M Notes or related Class M Coupons or the priority of payments or the quorum or majority required in relation to this exception (a "**Basic Terms Modification**"), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing in aggregate not less than 75%, or, at any adjourned such meeting, 25% of the Principal Amount Outstanding of the Class M Notes then outstanding. An Extraordinary Resolution passed at any meeting of Class M Noteholders shall be binding on all Class M Noteholders whether or not they are present at the meeting, and on all Class M Couponholders. The majority required for an Extraordinary Resolution shall be 75% of the votes cast on that resolution.

The Trust Deed contains provisions limiting the powers of the holders of Class M Notes and Class B Notes, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. Except in the circumstances set out in (b) below, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding on the Class M Noteholders and Class M Couponholders, irrespective of the effect on their interests. An Extraordinary Resolution passed at any meeting of Class M Noteholders shall not be effective for any purposes unless either (i) the Trustee is of the opinion that it would not be materially prejudicial to the Class A Noteholders or (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders but, subject thereto, it shall be binding on all Class M Noteholders, whether or not they are present at the meeting, and on all Class M Couponholders.

- (b) No Extraordinary Resolution to sanction a Basic Terms Modification which would have the effect of altering the date of maturity of the Notes or the date for payment of interest in respect of the Notes, increasing the amount of principal or the rate of interest payable in respect of the Notes, or altering the currency of payment of the Notes, or altering the provisions of the Trust Deed, the Deed of Charge or any other Document or any Other Relevant Document shall take effect unless it shall have been

sanctioned by an Extraordinary Resolution of the Class A Noteholders, the Class M Noteholders and the Class B Noteholders.

- (c) The Trustee may agree, without the consent of the Class M Noteholders or Class M Couponholders (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, these Class M Conditions or any of the Documents or any Other Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Class M Noteholders or Class M Couponholders (ii) to any modification of these Class M Conditions or any of the Documents or any Other Relevant Documents, which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Class M Noteholders or the Class M Couponholders, determine that any Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Class M Noteholders and the Class M Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Class M Noteholders in accordance with Class M Condition 14 as soon as practicable thereafter.
- (d) The Trustee may agree, subject to the consent of the Issuer and to such amendment of these Class M Conditions and of any of the Documents and to such other conditions as the Trustee may require and subject to the relevant provisions of the Trust Deed, but without the consent of the Class M Noteholders or the Class M Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Class M Notes, subject to the Class M Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in Class M Condition 3. In the case of a substitution pursuant to this paragraph (d), the Trustee may in its absolute discretion agree, without the consent of the Class M Noteholders or the Class M Couponholders, to a change of the law governing the Class M Notes and/or any of the Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Class M Noteholders.
- (e) Where the Trustee is required in connection with the exercise of its powers, trusts, authorities, duties and discretions to have regard to the interests of the Class M Noteholders, it shall have regard to the interests of the Class M Noteholders as one class and, in particular but without prejudice to the generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Class M Noteholders or Class M Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the Trustee shall not be entitled to require, and no Class M Noteholder or Class M Couponholder shall be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Class M Noteholders or Class M Couponholders.

12. INDEMNIFICATION AND EXONERATION OF THE TRUSTEE

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with the Issuer, Arianty, Britannic Money, First Active and/or the related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer or any agent or related company of the Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, Arianty or Britannic Money, First Active and/or the related companies of any of them with their respective obligations or to make any searches, enquiries or independent investigations of title in relation to any of the properties secured by the Mortgages save as provided under the Transaction Documents.

13. REPLACEMENT OF DEFINITIVE CLASS M NOTES, CLASS M COUPONS AND CLASS M TALONS

If any Class M Note, Class M Coupon or Class M Talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class M Note, Class M Coupon or Class M Talon will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Class M Notes, Class M Coupons or Class M Talons must be surrendered before new ones will be issued.

14. NOTICE TO CLASS M NOTEHOLDERS

Any notice to the Class M Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe; Provided that if, at any time, the Issuer procures that information concerned in such notice specifying an Interest Payment Date, Principal Amount Outstanding or Rate of Interest shall appear on a page of the Reuters screen or Bloomberg or any other medium for electronic display of data as may be previously approved in writing by the Trustee (in each case a "**Relevant Screen**"), publication in the *Financial Times* shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the Class M Noteholders or any category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Class M Noteholders in such manner as the Trustee shall require. The Class M Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Class M Noteholders in accordance with this Class M Condition.

15. REDENOMINATION

Pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union (as amended, the "**Treaty**"), the third stage of European economic and monetary union commenced on 1 January 1999 and the value of the euro as against the currencies of the member states participating in the third stage of European economic and monetary union was irrevocably fixed and the euro became a currency in its own right. The United Kingdom may at some future date participate in the third stage of European economic and monetary union or otherwise participate in European economic and monetary union in a manner with similar effect to such third stage. On an Interest Payment Date falling on or after such date, the Issuer may on giving notice to the holders of the Class M Notes and with the written consent of the Trustee, redenominate all of the Class M Notes into euros.

16. GOVERNING LAW

The Documents, the Class M Notes and the Class M Coupons are governed by, and shall be construed in accordance with, English law.

17. THIRD PARTY RIGHTS

No person shall have any right to enforce any term or condition of the Class M Notes under the Contracts (Rights of Third Parties) Act 1999.

DESCRIPTION OF THE CLASS B NOTES

GENERAL

£5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036 (the "**Class B Notes**") of First Flexible No. 4 plc (the "**Issuer**") are the subject of a trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified including the Master Definitions Schedule (as defined under Class B Condition 2(c)) incorporated in the Trust Deed) to be entered into on 26 July 2001 (the "**Issue Date**") and made between the Issuer and The Chase Manhattan Bank (the "**Trustee**", which expression includes any further or other trustee of the Trust Deed) as trustee for, *inter alia*, the holders for the time being of the Class B Notes (the "**Class B Noteholders**") and the holders for the time being of the interest coupons relating thereto (the "**Class B Coupons**" which expression includes the talons ("**Class B Talons**") attached to the Class B Notes except where the context otherwise requires) (the "**Class B Couponholders**"). £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036 (the "**Class A Notes**") and £35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 (the "**Class M Notes**" and together with the Class A Notes and the Class B Notes, the "**Notes**") will be issued pursuant to the Trust Deed contemporaneously with the issue of the Class B Notes. The security for the Class A Notes, the Class M Notes and the Class B Notes is created pursuant to, and on the terms set out in, a deed of sub-charge and assignment (the "**Deed of Charge**", which expression includes such deed of sub-charge and assignment as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time modified) to be dated the Issue Date and made between, *inter alia*, Arianty No.1 plc ("**Arianty**"), the Issuer, Britannic Money plc ("**Britannic Money**") and the Trustee. By an agency agreement (the "**Agency Agreement**", which expression includes such Agency Agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) to be dated the Issue Date and made between the Issuer, the Trustee, The Chase Manhattan Bank as agent bank (the "**Agent Bank**" which expression includes any other agent bank appointed in respect of the Class B Notes) and The Chase Manhattan Bank as principal paying agent (the "**Principal Paying Agent**" and together with any further or other paying agents for the time being appointed in respect of the Class B Notes, the "**Paying Agents**") provision is made for the payment of principal and interest in respect of the Class B Notes. The statements in these Class B Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Deed of Charge.

Copies of the Trust Deed, the Agency Agreement, the Deed of Charge and the other Documents (as defined below) are available for inspection at the principal office for the time being of the Trustee, being at the date hereof at Trinity Tower, 9 Thomas More Street, London E1 9YT and at the specified offices of the Paying Agents. The Class B Noteholders and the Class B Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge and are deemed to have notice of all the provisions of the Agency Agreement.

The issue of the Class B Notes was authorised by resolution of the Board of Directors of the Issuer passed on 18 July 2001.

THE GLOBAL CLASS B NOTES

Temporary Global Class B Notes and Permanent Global Class B Notes

The Class B Notes will be initially represented by a temporary bearer global note in the principal amount of £5,000,000 (the "**Temporary Global Class B Note**") without Class B Coupons or Class B Talons. The Temporary Global Class B Note will be deposited on behalf of the subscribers of the Class B Notes with a common depository (the "**Common Depository**") for Euroclear S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on the Issue Date. Upon deposit of the Temporary Global Class B Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Class B Notes represented by such Temporary Global Class B Note with the principal amount of the Class B Notes for which it has subscribed and paid. Interests in the Temporary Global Class B Note will be exchangeable not earlier than 4 September 2001 (the "**Exchange Date**"), provided certification of non-US beneficial ownership by the Class B Noteholders has been received, for interests in a permanent bearer global note (the "**Permanent Global Class B Note**" and, together with the Temporary Global Class B Note, the "**Global Class B Notes**"), without Class B Coupons or Class B Talons.

On the exchange of the Temporary Global Class B Note for the Permanent Global Class B Note, the Permanent Global Class B Note will remain deposited with the Common Depository.

Transfers

Title to the Global Class B Notes will pass by delivery. The Permanent Global Class B Note will only be exchangeable for definitive Class B Notes in the limited circumstances described below. Each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Class B Note will be entitled to receive any payment so made in respect of that Class B Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate. For so long as any Class B Notes are represented by a Global Class B Note, such Class B Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as the Class B Notes are represented by a Global Class B Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Class B Notes will be entitled to be treated by the Issuer and the Trustee as the holder of such principal amount of Class B Notes. The expressions "**Class B Noteholders**" may be construed accordingly, but without prejudice to the entitlement of the bearer of a Global Class B Note.

Payments

No payment will be made on the Temporary Global Class B Note unless exchange for an interest in the Permanent Global Class B Note or for Class B Notes in definitive form is improperly withheld or refused. Principal and interest on a Global Class B Note will be payable against presentation of that Global Class B Note at the specified office of any Paying Agent provided certification of non-US beneficial ownership by the Class B Noteholders has been received by Euroclear or Clearstream, Luxembourg. A record of each payment made on a Global Class B Note, distinguishing between any payment of principal and payment of interest, will be endorsed on that Global Class B Note by the Paying Agents (or the Paying Agent shall procure that such endorsement be made) and such record shall be *prima facie* evidence that the payment in question has been made.

Issue of Class B Notes in Definitive Form

If (i) the Class B Notes become due and repayable pursuant to Class B Condition 9(a) or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which becomes effective on or after the Issue Date, the Issuer is, or any of the Paying Agents are or will be, required to make any deduction or withholding from any payment in respect of the Class B Notes which would not be required were the Class B Notes in definitive form, then the Issuer will, at its sole cost and expense, issue Class B Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Class B Notes within 30 days of the occurrence of the relevant event.

Any notice to Class B Noteholders in respect of Class B Notes represented by a Global Class B Note shall be deemed to have been duly given if sent to Euroclear and/or Clearstream, Luxembourg (as applicable) and shall be deemed to have been given on the date on which such notice was so sent.

TERMS AND CONDITIONS OF THE CLASS B NOTES

1. FORM, DENOMINATION AND TITLE

- (a) The £5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036 (the "**Class B Notes**") issued by First Flexible No. 4 plc (the "**Issuer**") are serially numbered and are issued in bearer form in the denomination of £10,000 each with coupons ("**Class B Coupons**") and talons ("**Class B Talons**") attached and a grid endorsed thereon for the recording of all payments of principal in accordance with the provisions of Class B Condition 5.
- (b) Title to the Class B Notes, Class B Coupons and Class B Talons shall pass by delivery. The holder of any Class B Note (each a "**Class B Noteholder**") and the holder of any Class B Coupon (each a "**Class B Couponholder**") may (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Class B Note or Class B Coupon, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.
- (c) The holder of each Class B Coupon (whether or not the Class B Coupon is attached to the relevant Class B Note) and each Class B Talon in his capacity as such shall be subject to all the provisions contained in the relevant Class B Note.

2. STATUS, SECURITY AND PRIORITY

Status

- (a) The Class B Notes and the Class B Coupons constitute direct, secured and unconditional obligations of the Issuer and rank (subject to the provisions of Class B Condition 5) *pari passu* without preference or priority amongst themselves.
- (b) The £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036 (the "**Class A Notes**") and the £35,000,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 (the "**Class M Notes**") and together with the Class A Notes and the Class B Notes, the "**Notes**") issued by the Issuer on or about 26 July 2001 (the "**Issue Date**") are subject to a trust deed dated on or about 26 July 2001 between the Issuer and The Chase Manhattan Bank (the "**Trustee**") (the "**Trust Deed**") and are secured by the same security which secures the Class B Notes. The Class A Notes rank *pari passu*, without preference or priority amongst themselves, the Class M Notes rank *pari passu* without preference or priority amongst themselves and the Class B Notes rank *pari passu* without preference or priority amongst themselves but (i) the Class A Notes will rank in priority to the Class M Notes and the Class B Notes and (ii) the Class M Notes will rank in priority to the Class B Notes in the event of the Security (as defined below in Class B Condition 2(d)) being enforced.
- (c) The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Class B Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to (i) (for so long as there are any Class A Notes outstanding) the interests of the holders of Class A Notes if, in the Trustee's opinion, there is a conflict between the interests of (A) the holders of Class A Notes and (B) the holders of Class M Notes and/or (C) the holders of Class B Notes and/or any other Secured Creditors (as defined below) or (ii) (if there are no Class A Notes outstanding) the interests of the holders of Class M Notes if, in the Trustee's opinion, there is a conflict between the interests of (A) the holders of Class M Notes and (B) the holders of Class B Notes and/or any other Secured Creditors (as defined below) or (ii) (if there are no Class A Notes and Class M Notes outstanding) the interests of the holders of Class B Notes, if in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders or any other Secured Creditors (as defined below).

Security

- (d) As security for the payment of all moneys payable in respect of the Class B Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Trustee and any Receiver (as defined below) appointed under the Deed of Charge) and in respect of certain amounts payable to Britannic Money or its successor acting as Servicer of the mortgages to be purchased by the Issuer on the Issue Date (the "**Initial Mortgages**") and such Further Mortgages (as defined below) and such mortgages transferred to the Issuer pursuant to the Transaction Documents (as defined below) after the Issue Date (each a "**Substitute Mortgage**" and together with the Initial Mortgages,

further mortgage loans purchased by the Issuer from Arianty (the "**Pre-Funded Mortgages**") at any time on or after the Issue Date but no later than the third Interest Payment Date and Further Mortgages, the "**Mortgages**") and to certain other beneficiaries from time to time, the Issuer will enter into the Deed of Charge creating the following security (the "**Security**") in favour of the Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) a first fixed equitable charge or mortgage or (in relation to Mortgages secured on properties in Scotland ("**Scottish Mortgages**")) assignation in security in favour of the Trustee over the Issuer's right, title, interest and benefit present and future in the Mortgages and other collateral security relating to the Mortgages;
- (ii) an equitable assignment by way of first fixed security in favour of the Trustee of the Issuer's interest in certain buildings policies, life policies, contingency policies and mortgage indemnity policies (the "**Insurance Contracts**") to the extent that they relate to the Mortgages;
- (iii) an assignment by way of first fixed security in favour of the Trustee of the benefit of the Servicing Agreement to be entered into between the Servicer, the Issuer, and the Trustee (the "**Servicing Agreement**"), the mortgage sale agreement to be entered into between, *inter alios*, Arianty, the Issuer and the Trustee (the "**Mortgage Sale Agreement**"), the declaration of trust by Britannic Money in favour of the Issuer in relation to Scottish Mortgages (the "**Scottish Trust**"), the guaranteed investment contract to be entered into between the Issuer, the Trustee and Barclays Bank PLC (the "**Guaranteed Investment Contract**"), the redraw facility agreement to be entered into between the Issuer, the Trustee and Barclays Bank PLC (in such capacity, the "**Redraw Facility Provider**") and the Servicer (the "**Redraw Facility Agreement**"), the declaration of trust to be entered into and made by Britannic Money in relation to the Trust Accounts (as defined below) (the "**Declaration of Trust**"), the agency agreement to be entered into and made between the Issuer, the Principal Paying Agent, the Trustee and the Agent Bank (the "**Agency Agreement**"), the loan agreement to be entered into between the Issuer and Britannic Money (the "**Start-Up Loan**"), the bank agreement to be entered into between, *inter alia*, the Issuer, The Royal Bank of Scotland plc and Barclays Bank PLC (the "**Bank Agreement**"), each interest swap rate agreement (each an "**Interest Rate Swap**" and together the "**Interest Rate Swaps**") to be entered into between the Issuer and Morgan Guaranty Trust Company of New York, London branch, Barclays Bank PLC or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Swap Counterparty**" and together the "**Swap Counterparties**"), each interest rate cap (each an "**Interest Rate Cap**" and together the "**Interest Rate Caps**") provided by Morgan Guaranty Trust Company of New York, London branch, Barclays Bank PLC or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Cap Provider**" and together the "**Cap Providers**"), each LIBOR-linked interest rate swap agreement (each a "**LIBOR Swap**" and together the "**LIBOR Swaps**") to be entered into and made between the Issuer and Morgan Guaranty Trust Company of New York, London branch or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**LIBOR Swap Provider**" and together, the "**LIBOR Swap Providers**"), each base rate swap (each a "**Base Rate Swap**" and together the "**Base Rate Swaps**") provided by The Royal Bank of Scotland plc or any other entity which has a rating of at least A-1+ by S&P and F-1+ by Fitch in respect of its short-term unsecured, unguaranteed and unsubordinated debt obligations (each a "**Base Rate Swap Provider**" and together, the "**Base Rate Swap Providers**"), purchased by the Issuer on or around the Issue Date, the Master Definitions Schedule, and such other documents as are expressed to be subject to the charges under the Deed of Charge (all such documents together the "**Transaction Documents**");
- (iv) a first fixed equitable charge in favour of the Trustee over the Issuer's beneficial interest in the Trust Accounts, the Transaction Account and the Reserve Account (each as defined below), any other bank account of the Issuer from time to time and over the Permitted Investments (as defined below); and
- (v) a first floating charge in favour of the Trustee (ranking after the security referred to in (i) to (iv) above) over the whole of the undertaking, property, assets and rights of the Issuer.

(e) **Priority of Payments Prior to Enforcement**

On each Interest Payment Date, the monies standing to the credit of the Transaction Account (save for any monies standing to the credit of the Pre-Funded Ledger applied or to be applied in purchasing Pre-Funded Mortgages), the monies representing a credit balance in the Reserve Ledger (save that such monies may only be applied to meet items (i) to (vii) below) all monies advanced under the Redraw Facility (save that such monies may only be applied to purchase the right to repayment of Redraws under item (ix) below or to rollover existing advances under the Redraw Facility), any Threshold Amount Deposit (as defined below) made on the immediately preceding Determination Date, all amounts received from the Swap Counterparties and/or the Cap Providers and/or the LIBOR Swap Providers under an Interest Rate Swap and/or Interest Rate Cap and/or LIBOR Swap, all amounts received from the Base Rate Swap Providers under a Base Rate Swap, all amounts representing a credit balance in the Hedge Reserve transferred from the Reserve Account to the Transaction Account, all amounts representing a credit balance in the Base Rate Reserve transferred from the Reserve Account to the Transaction Account and all amounts representing a credit balance in the Discount Reserve transferred from the Reserve Account to the Transaction Account will, after making payment of or providing for Excluded Items (as defined below), until enforcement of the Security for the Notes, be applied (save as the payee may otherwise agree) in making the following payments or provisions in the following order of priority (the "**Priority of Payments**"):

- (i) to pay or provide for the remuneration payable to the Trustee and any fees, costs, charges, liabilities and expenses incurred by it under the provisions of the Trust Deed, the Deed of Charge and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
- (ii) to pay or provide for amounts due and/or which will become due prior to the next Interest Payment Date to the Paying Agents and Agent Bank under the Agency Agreement;
- (iii) to pay or provide for *pari passu* and *pro rata* (a) amounts, including audit fees and company secretarial expenses (plus value added tax, if any), which are payable or expected to become due and payable by the Issuer on or after such Interest Payment Date by the Issuer to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere and (b) the Issuer's liability or possible liability for corporation tax;
- (iv) to pay or provide for the servicing fee payable to the Servicer on such Interest Payment Date (inclusive of value added tax, if any) together with costs and expenses which are payable or expected to become payable by the Servicer under the Servicing Agreement prior to the next Interest Payment Date;
- (v) to pay *pro rata* and *pari passu*:
 - (a) all amounts payable by the Issuer to the Swap Counterparties and/or the Base Rate Swap Providers and/or the LIBOR Swap Providers pursuant to the Interest Rate Swaps and/or the Base Rate Swaps and/or the LIBOR Swaps (other than in respect of termination payments following an event of default in respect of an Interest Rate Swap or a Base Rate Swap or a LIBOR Swap where the relevant Swap Counterparty or the relevant Base Rate Swap Provider or the relevant LIBOR Swap Provider is the defaulting party under the relevant Interest Rate Swap or, as the case may be, the relevant Base Rate Swap or, as the case may be, the relevant LIBOR Swap);
 - (b) all amounts payable under the Redraw Facility other than in respect of principal; and
 - (c) all amounts payable in respect of the Class A Notes other than in respect of principal on the Class A Notes;
- (vi) subject to an M Note Trigger Event not having occurred on that Interest Payment Date, to pay all amounts payable in respect of the Class M Notes other than in respect of principal on the Class M Notes;
- (vii) subject to a B Note Trigger Event not having occurred on that Interest Payment Date, to pay all amounts payable in respect of the Class B Notes other than in respect of principal on the Class B Notes;
- (viii) to credit the Reserve Fund up to the Reserve Fund Required Amount;

- (ix) to pay for the purchase by the Issuer of the right to repayment of Redraws;
- (x) to repay all principal amounts outstanding under the Redraw Facility;
- (xi) to fund the purchase by the Issuer of Further Advances up to the lower of (a) the Potential Redemption Amount less amounts in accordance with item (x) above and (b) the aggregate amount of Redemptions received during the immediately preceding Collection Period less amounts in accordance with item (x) above;
- (xii) during the Substitution Period only, to fund the purchase by the Issuer of Further Mortgages up to the lower of (a) the Potential Redemption Amount less amounts applied in accordance with items (x) and (xi) above, and (b) the aggregate amount of Redemptions received during the immediately preceding Collection Period less amounts applied in accordance with items (x) and (xi) above;
- (xiii) to allocate an amount to be applied in redeeming the Notes equal to the greater of zero and the difference between (a) the Potential Redemption Amount (as defined in Class B Condition 5(b)) and (b) the sum of the amounts applied under items (x), (xi) and (xii);
- (xiv) if an M Note Trigger Event occurs on such Interest Payment Date, to pay all amounts payable in respect of the Class M Notes other than in respect of principal on the Class M Notes;
- (xv) if a B Note Trigger Event occurs on such Interest Payment Date, to pay all amounts payable in respect of the Class B Notes other than in respect of principal on the Class B Notes;
- (xvi) to credit *pari passu* and *pro rata* (a) the Base Rate Reserve up to the Base Rate Reserve Required Amount and (b) the Hedge Reserve up to the Hedge Reserve Required Amount;
- (xvii) to fund the purchase by the Issuer of hedges that may be required in order to preserve a rate at least equal to the Threshold Rate in respect of Further Mortgages, Substitute Mortgages or Further Advances purchased on such Interest Payment Date;
- (xviii) to credit the Discount Reserve in an amount equal to the aggregate Loan Expected Differentials arising from Discounts on Further Mortgages, Substitute Mortgages or Further Advances purchased on such Interest Payment Date;
- (xix) to make any termination payments payable to the Swap Counterparties or the Base Rate Swap Providers or the LIBOR Swap Providers pursuant to the Interest Rate Swaps or, as the case may be, the Base Rate Swaps or, as the case may be, the LIBOR Swaps following an event of default in respect of an Interest Rate Swap or, as the case may be, a Base Rate Swap or, as the case may be, a LIBOR Swap where the relevant Swap Counterparty or, as the case may be, the relevant Base Rate Swap Provider or, as the case may be, the relevant LIBOR Swap Provider is the defaulting party under the relevant Interest Rate Swap or, as the case may be, the Base Rate Swap or, as the case may be, the relevant LIBOR Swap;

and provided that there is no Principal Deficiency on such Interest Payment Date and that no Event of Default has occurred;

- (xx) to pay amounts repayable to the Servicer in respect of any Threshold Amount Deposit which the Servicer elects to release;
- (xxi) to pay amounts payable in respect of the Start-Up Loan other than in respect of principal on the Start-Up Loan;
- (xxii) to pay amounts payable in respect of principal under the Start-Up Loan;
- (xxiii) to pay *pari passu* and *pro rata* (a) sums due to Arianty as Arianty Deferred Purchase Consideration, (b) sums due to Britannic Money as Britannic Money Deferred Purchase Consideration and (c) sums due to First Active as First Active Deferred Purchase Consideration; and
- (xxiv) to make dividend payments to shareholders of the Issuer.

For the purposes of these Class B Conditions:

“Arianty Deferred Purchase Consideration” means such sums as are paid to Arianty on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of the Initial Mortgages and Further Mortgages.

"Available Facility" means, in relation to the Redraw Facility, on each Interest Payment Date, an amount calculated as the difference between the Redraw Facility Limit and the aggregate amount of advances outstanding under the Redraw Facility which will not be repaid on such Interest Payment Date.

"B Note Trigger Event" means the determination by the Servicer as at any Interest Payment Date on which Class A Notes or Class M Notes are outstanding that, on the assumption that a B Note Trigger Event does not occur, the application of funds in accordance with the Priority of Payments will give rise to a Principal Deficiency (as defined in Class B Condition 5(b) which exceeds the aggregate Principal Amount Outstanding of the Class B Notes on such Interest Payment Date.

"Bank of England Base Rate" means the Bank of England repo rate set from time to time by the Monetary Policy Committee of the Bank of England.

"Base Rate Linked Mortgages" means Mortgages which are subject to a variable rate of interest set by Britannic Money from time to time, which is linked to the Bank of England Base Rate.

"Base Rate Reserve" means the amount recorded in a ledger (the **"Base Rate Reserve Ledger"**) and held in the Reserve Account.

"Base Rate Reserve Required Amount" means on the Issue Date and each Interest Payment Date thereafter an amount equal to 0.30% of the aggregate outstanding principal balances (including drawn and undrawn balances) of all Unhedged Base Rate Linked Mortgages.

"Base Rate Swap" means any interest rate swap entered into with the Base Rate Swap Provider for the purpose of hedging some or all of the Base Rate Linked Mortgages in the Mortgage Pool.

"Base Rate Swap Provider" means The Royal Bank of Scotland plc or such other person who from time to time enters into a Base Rate Swap with the Issuer.

"Borrower Loan Limit" means the principal amount of a Borrower's loan which would have been outstanding at any time if the Borrower had only made the minimum monthly payment agreed with Britannic Money or First Active, as applicable (the **"Minimum Monthly Payment"**) and had not made any Overpayments.

"Borrower Mortgage Account" means each mortgage account held, from time to time, by a Borrower with Britannic Money or First Active, as applicable.

"Britannic Money Deferred Purchase Consideration" means such sums as are paid to Britannic Money on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of Further Advances.

"Discount" means the discount below the Reference Rate applicable to a Discounted Mortgage at the relevant time.

"Discounted Mortgage" means Mortgages which are at the relevant time subject to a discounted rate of interest for a specified period.

"Discount Reserve" means the amount recorded in a ledger (the **"Discount Reserve Ledger"**) and held in the Reserve Account.

"Effective Interest Margin" means, in relation to Discounted Mortgages in the Mortgage Pool an amount determined as follows:

- (a) for each Standard Variable Rate Mortgage, the Threshold Margin less the Discount;
- (b) for each Base Rate Linked Mortgage, the margin of that Mortgage over Bank of England Base Rate less 0.15% (where such mortgage is not subject to a Base Rate Swap) less the Discount;
- (c) for each LIBOR Linked Mortgage, the margin of that Mortgage over LIBOR less the Discount.
- (d) for each Capped Mortgage which has been hedged relative to the Threshold Rate, the Threshold Margin less the Discount.
- (e) for each Fixed Rate Mortgage which has been swapped to the Threshold Rate, the Threshold Margin less the Discount.

"Expected Differential" means an amount calculated in respect of each Discounted Mortgage and each Interest Period as the difference between the Threshold Margin and the Effective Interest Margin on such Discounted Mortgage, to the extent such difference is positive, multiplied by the outstanding principal balance in respect of such Discounted Mortgage as of the Interest Payment Date multiplied by the fraction

of the actual number of days elapsed in the succeeding Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year).

"First Active Deferred Purchase Consideration" means such sums as are paid to First Active on each Interest Payment Date by way of deferred purchase consideration by the Issuer under the Mortgage Sale Agreement in respect of Further Advances.

"Further Advances" means the additional funds advanced to a Borrower by Britannic Money or First Active, as applicable on the security of his/her Mortgage subject to the satisfaction of certain conditions.

"Hedge Reserve" means the amount recorded in a ledger (the **"Hedge Reserve Ledger"**) and held in the Reserve Account.

"Hedge Reserve Required Amount" means (a) as at the Issue Date, the initial amount of Tranche C of the Start-Up Loan and (b) as at each Interest Payment Date, an amount equal to such amounts as are required to ensure that the Threshold Margin is maintained in respect of Capped Mortgages.

"Investment Home Loans" means loans made to a Borrower to be used to remortgage or acquire properties to let to tenants or hold as an investment.

"Overpayment" means the amount by which a payment made by a Borrower into his/her Borrower Mortgage Account exceeds the Minimum Monthly Payment.

"M Note Trigger Event" means the determination by the Servicer as at any Interest Payment Date on which Class A Notes are outstanding that, on the assumption that an M Note Trigger Event does not occur, the application of funds in accordance with the Priority of Payments will give rise to a Principal Deficiency (as defined in Class M Condition 5(b) which exceeds the aggregate Principal Amount Outstanding of the Class M Notes and the Class B Notes on such Interest Payment Date.

"Non-Verified Mortgage Ledger" means the ledger so entitled and held in the Transaction Account.

"Owner Occupied Loans" means loans made to a Borrower to acquire property to be used as their primary place of residence.

"Payment Holiday" means a Borrower's monthly payments being met by applying Overpayments not previously redrawn by way of capitalisation of such monthly payments.

"Permitted Investments" means investments in which the Servicer is entitled to invest from time to time under the terms of the Servicing Agreement.

"Potential Redraw Amount" means the amount which is capable of being redrawn by a Borrower under a Mortgage.

"Pre-Funded Ledger" means the ledger so entitled and held in the Transaction Account.

"Prepayments" means part principal repayments under a Mortgage where the Borrower Loan Limit does not change following repayment ahead of the repayment plan used by Britannic Money or First Active, as applicable to provide a baseline for the repayment of the Mortgage. For the avoidance of doubt, Prepayments do not include scheduled principal repayments.

"Receiver" means a receiver appointed by the Trustee under Clause 10 of the Deed of Charge.

"Redraw" means in respect of a Mortgage, a Payment Holiday or a redraw by the relevant Borrower of a portion of the principal of his/her Mortgage if and to the extent that such Borrower has previously made Prepayments on his/her Mortgage in excess of the scheduled principal repayments and has not previously redrawn the whole of such excess payments and provided that the amounts of such Redraw is limited to ensure that the outstanding balance of the Mortgage after such Redraw is no greater than the Borrower Loan Limit;

"Redraw Facility" means the sterling revolving credit facility made between the Issuer and the Redraw Facility Provider.

"Redraw Facility Limit" means the maximum aggregate amount that can be drawn at any time under the Redraw Facility and which on the Issue Date shall be £58 million and thereafter may be varied on any Interest Payment Date by agreement between the Issuer, the Trustee, the Redraw Facility Provider, the Servicer and the Rating Agencies.

"Reference Rate" means:

- (a) for each Standard Variable Rate Mortgage, Britannic Money's standard variable rate;
- (b) for each LIBOR Linked Mortgage, LIBOR plus the margin applicable to the relevant Mortgage as set out in the mortgage documentation entered into with the relevant Borrower;
- (c) for each Base Rate Linked Mortgage, Bank of England Base Rate, plus the margin applicable to the relevant Mortgage as set out in the mortgage documentation entered into with the relevant Borrower;
- (d) for each Capped Mortgage, the rate set out in the mortgage documentation entered into with the relevant Borrower;
- (e) for each Fixed Rate Mortgage, the rate set out in the mortgage documentation entered into with the relevant Borrower.

"Required Redraw Facility Provider Rating" means a short term unsecured unguaranteed and unsubordinated debt rating of A-1+ from S&P and F-1+ from Fitch.

"Reserve Account" means an account in the name of the Issuer at Barclays Bank PLC (the **"Account Bank"**) in which the Reserve Fund is established.

"Reserve Fund" means the amount recorded in a ledger (the **"Reserve Account"**) and held in the Reserve Account provided that (A) whilst there are Class A Notes outstanding, the Reserve Fund shall only be applied to pay interest on the Class M Notes to the extent that such drawing does not result in the amount standing to the credit of the Reserve Fund being less than (1) £3,000,000 or (2) the outstanding principal amount of the Class A Notes and (B) whilst there are Class M Notes outstanding, the Reserve Fund shall only be applied to pay interest on the Class B Notes to the extent that such drawing does not result in the amount standing to the credit of the Reserve Fund being less than (1) £3,000,000 or (2) the aggregate outstanding principal amount of the Class A Notes and the Class M Notes.

"Reserve Fund Required Amount" means an amount equal to the amount deposited under Tranche B of the Start-Up Loan;

"Secured Creditors" means each of the Trustee, the Noteholders, the Couponholders, the Servicer, the Redraw Facility Provider, the Start-Up Loan Provider, the GIC Provider, the Account Bank, the Cap Providers, the Swap Counterparties, the Base Rate Swap Providers, the LIBOR Swap Providers and the Principal Paying Agent.

"Substitution Period" means, the period commencing on (and including) the Issue Date and ending on the earlier of (i) the Interest Payment Date falling in July 2004 (ii) enforcement of the Security in accordance with Condition 10 (iii) removal of Britannic Money as Servicer in accordance with the Servicing Agreement (unless a substitute servicer has been appointed in accordance with the Servicing Agreement) (iv) the date on which the Notes are redeemed in full (v) the date on which the Redraw Facility becomes fully drawn unless the Issuer elects to shorten the Substitution Period by giving 5 Business Days notice to the Trustee and the Servicer.

"Threshold Amount Deposit" means a deposit which may be paid into the Transaction Account on an Interest Payment Date which is equal to the amount by which the amount produced by multiplying the Threshold Rate with the aggregate outstanding balances of the Mortgages in the Mortgage Pool on such Interest Payment Date and the fraction of the actual number of days elapsed in the relevant Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year) exceeds the sum of:

- (a) the aggregate of the annual rate of interest applicable on such Interest Payment Date to each Mortgage in the Mortgage Pool multiplied by the principal balance outstanding of such Mortgage on such Interest Payment Date multiplied by the fraction of the actual number of days elapsed in the relevant Interest Period in respect of a 365 day year (or a 366 day year if the last day of the relevant period falls in a leap year), plus
- (b) any amount expected to be transferred from the Hedge Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (c) any amount expected to be transferred from the Base Rate Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (d) any amount expected to be transferred from the Discount Reserve into the Transaction Account on the next following Interest Payment Date; plus
- (e) any amounts received in respect of Interest Rate Swaps, LIBOR Swaps, Base Rate Swaps and Interest Rate Caps,

(such amount not to be less than zero).

“Threshold Margin” means the figure expressed as a percentage resulting from the addition of (i) the average total principal balance of Owner Occupied Loans during the relevant Interest Period multiplied by 1% plus (ii) the average total principal balance of Investment Home Loans during the relevant Interest Period multiplied by 1.2%, all divided by the average total principal balance outstanding of all Mortgages during that Interest Period. The average total principal balance outstanding in any category of Loan for the purposes of the above calculation shall be calculated by reference to the total principal balance outstanding of such category of Loan on each day during the relevant Interest Period.

“Threshold Rate” means in respect of an Interest Period an annual rated LIBOR as determined in relation to the Notes for such Interest Period plus the Threshold Margin.

“Transaction Account” means account number 40927481 in the name of the Issuer at Barclays Bank PLC.

“Trust Accounts” means the accounts in the name of Britannic Money held at Barclays Bank PLC and The Royal Bank of Scotland plc in to which payments are made in respect of amounts due and amounts received under the Mortgages.

“Unhedged Base Rate Linked Mortgages” means the aggregate outstanding principal balances of Base Rate Linked Mortgages less the total notional balances of all Base Rate Swaps.

Priority of Payments Post-Enforcement

- (f) On enforcement of the Security, the Trustee is required, after making payment of or providing for Excluded Items, to apply moneys available for distribution in or towards the satisfaction of the following amounts in the following order or priority:
- (i) first, to pay the remuneration then due and payable to the Trustee and any fees, costs, charges, liabilities and expenses incurred by the Trustee or any receiver appointed by the Trustee under the provisions of the Trust Deed, the Deed of Charge and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
 - (ii) second, to pay the remuneration then due and payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities and expenses incurred by them or by the Account Bank under the Bank Agreement and/or any of the Transaction Documents together with interest as provided in the Trust Deed, the Deed of Charge and/or any of the Transaction Documents;
 - (iii) third, to pay or provide for *pari passu* and *pro rata* (a) amounts including audit fees and company secretarial expenses (plus value added tax, if any), which are payable or expected to become due and payable by the Issuer to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere and (b) the Issuer's liability or possible liability for corporation tax;
 - (iv) fourth, in or towards satisfaction of any fees due and payable to the Servicer and any costs, charges, expenses and liabilities incurred by the Servicer;
 - (v) fifth, to pay *pari passu* and *pro rata* (a) all amounts due under the Interest Rate Swaps; (b) all amounts due under the Base Rate Swaps, (c) all amounts due under the LIBOR Swaps, (d) all amounts due under the Redraw Facility and (e) interest and principal and all other amounts due and payable in respect of the Class A Notes;
 - (vi) sixth, to pay interest and principal and all other amounts due and payable in respect of the Class M Notes;
 - (vii) seventh, to pay interest and principal and all other amounts due and payable in respect of the Class B Notes;
 - (viii) eighth, to pay any interest and principal amounts due and payable under the Start-Up Loan ;
 - (ix) ninth, to pay *pro rata* and *pari passu* (a) sums due to Arianty as Arianty Deferred Purchase Consideration, (b) sums due to Britannic Money as Britannic Money Deferred Purchase Consideration and (c) sums due to First Active as First Active Deferred Purchase Consideration; and
 - (x) tenth, to pay the surplus (if any) to the shareholders of the Issuer by way of dividends.

The Trustee cannot, while any of the Class B Notes are outstanding and there is no subsisting Event of Default under Class B Condition 9, enforce the Security on behalf of the Class B Noteholders, or any other Secured Creditor (whether or not requested to do so by the Class B Noteholders or such other Secured Creditor) under the Deed of Charge.

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Class B Condition 9(a)) provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Class B Notes or Class B Coupons, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class B Noteholders and the Class B Couponholders or the Trustee is of the opinion, which shall be binding on the Class B Noteholders, the Class B Couponholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class B Noteholders and the Class B Couponholders.

3. COVENANTS

Save with the prior written consent of the Trustee or as provided in or envisaged by any of the Trust Deed, the Deed of Charge, or any of the Transaction Documents (together the "**Documents**"), the Issuer shall not, so long as any Class A Note Class M Note or the Class B Note remains outstanding (as defined in the Trust Deed):

(a) **Negative Pledge**

create or permit to subsist any mortgage, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) **Restrictions on Activities**

- (i) engage in any activity which is not incidental to any of the activities which the Documents provide or envisage that the Issuer will engage in; or
- (ii) have any subsidiaries or employees or premises;

(c) **Disposal of Assets**

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) **Equitable Interest**

permit any person other than the Issuer, the Trustee and Britannic Money or First Active (in relation to any Redraws and Further Advances funded by either of them) to have any equitable interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Bank Accounts**

have an interest in any bank account, other than the Trust Accounts and the bank accounts maintained pursuant to the Bank Agreement or the Guaranteed Investment Contract;

(f) **Dividends or Distributions**

pay any dividend or make any other distribution to its shareholders or issue any further shares other than pursuant to the Priority of Payments;

(g) **Borrowings**

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any obligation of any person;

(h) Merger

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(i) Surrender of Group Relief

offer or consent to surrender to any company any amounts which are available for surrender by way of group relief within Chapter IV of Part X of the Income and Corporation Taxes Act 1988 unless the Issuer first receives by way of consideration for such surrender the payment of an amount calculated by applying to the amount surrendered the rate of corporation tax applicable to the Issuer at the time of surrender;

(j) Other

permit the validity or effectiveness of any of the Documents, the Insurance Contracts relating to the Mortgages owned by the Issuer or the priority of the security interests created thereby to be amended, terminated or discharged, or consent to any variation of, or exercise of, any powers of consent or waiver pursuant to the terms of the Trust Deed, these Class B Conditions or any of the Documents, or permit any party to any of the Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Mortgage save as envisaged in the Documents.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Class A Noteholders, the Class M Noteholders and the Class B Noteholders.

The Issuer shall apply to HM Customs & Excise, and use reasonable endeavours to pursue such application, for its exclusion from the earliest possible date from any group for the purposes of Section 43 of the Value Added Tax Act 1994 (or for the purposes of any act, regulation, order, statutory instrument or directive which, from time to time, may re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994) of which it is a member:

- (i) upon any failure by the representative member of such group to fulfil its obligations to HM Customs & Excise;
- (ii) if there is a material increase in the liabilities under such Act of the representative member of such group as a result of a change in circumstances and a failure to implement a suitable alternative structure which would not result in the downgrading of the then current ratings of the Class B Notes, the Class M Notes or the Class A Notes or which is consented to by the Trustee; or
- (iii) if proceedings are initiated against the representative member of such group under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an administration order being granted or administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the representative member of such group or the representative member of such group initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws.

4. INTEREST

(a) Period of Accrual

The Class B Note bears interest from (and including) the Issue Date. Each Class B Note shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, interest will continue to accrue thereon in accordance with this Class B Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Class B Note up to that day are received by or on behalf of the relevant Class B Noteholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Class B Condition 14) that it has received all sums due in respect of such Class B Note (except to the extent that there is any subsequent default in payment).

Whenever it is necessary to compute an amount of interest in respect of any Class B Note for any period (including any Interest Period (as defined below)), such interest shall be calculated on the basis

of actual days elapsed in a 365 day year or a 366 day year if the last day of such period falls in a leap year.

(b) Interest Payment Dates and Interest Periods

Interest on the Class B Notes is payable monthly in arrear on the first day of each calendar month in each year (or, if such day is not a Business Day, the immediately succeeding Business Day) (each such day an "**Interest Payment Date**") save for the first payment of interest which will be made in respect of the period commencing on (and including) the Issue Date and ending on (but excluding) the Interest Payment Date falling in September, 2001. The period from (and including) an Interest Payment Date (or the Issue Date in respect of the first Interest Payment Date) to (but excluding) the next following (or first) Interest Payment Date is called an "**Interest Period**" in these Class B Conditions and "**Business Day**" shall in these Class B Conditions mean a day (other than a Saturday or Sunday) on which banks are open for business in the City of London.

(c) Rate of Interest

The rate of interest payable from time to time in respect of the Class B Notes (each a "**Rate of Interest**") and the relevant Interest Amount (as defined in paragraph (d) below) will be determined on the basis of the provisions set out below:

- (i) on each Interest Payment Date or, in the case of the first Interest Period, on the Issue Date (each an "**Interest Determination Date**") the Agent Bank will determine the offered quotation to leading banks in the London interbank market for one month sterling deposits (or, in the case of the first Interest Period, such rate shall be obtained by linear interpolation of the rate for one month and two month sterling deposits) by reference to the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Dow Jones/Telerate Monitor Telerate Screen No. 3750 (or (aa) such other page as may replace Telerate Screen No. 3750 on that service for the purpose of displaying such information or (bb) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace the Dow Jones/Telerate Monitor) as at or about 11:00 a.m. (London time) on that date (the "**Screen Rate**"). If the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in paragraph (h) below) to provide the Agent Bank with its offered quotation as at or about 11:00 a.m. (London time) on that date to leading banks for one month sterling deposits (or, in relation to the first Interest Period, one month and two month sterling deposits and a linear interpolation between such rates). The Rate of Interest for such Interest Period shall, subject as provided below, be the Relevant Margin (as defined below) above the Screen Rate or, as the case may be, above the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the quotations of three out of five quoting Reference Banks (excluding, if all five quotations are not the same, the Reference Bank with the highest and the Reference Bank with the lowest such quotations) but, if more than one of either or both, only one of the Reference Banks with the highest and/or, as the case may be, only one of the Reference Banks with the lowest such quotations;
- (ii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only four of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of two out of the four quoting Reference Banks (excluding two on the basis set out in (i) above);
- (iii) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only two or three of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the quotations of all the quoting Reference Banks (without any exclusion as referred to in (i) above);
- (iv) if, on the relevant Interest Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the Rate of Interest for the relevant Interest Period shall be the Reserve Interest Rate. The "**Reserve Interest Rate**" shall be the rate per annum which the Agent Bank determines to be either (aa) the Relevant Margin above the arithmetic mean (rounded if necessary to the nearest 0.0001%, 0.00005% being rounded upwards) of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting, as at or about 11:00 a.m. (London time) on the relevant Interest Determination Date, for the relevant Interest Period to the Reference Banks or those of them (being at least two in number) to which such quotations are in the sole opinion of

the Agent Bank being so made or (bb) if the Agent Bank certifies that it cannot determine such arithmetic mean, the Relevant Margin above the lowest of the sterling lending rates which leading banks in London (selected by the Agent Bank in its absolute discretion) are quoting on the relevant Interest Determination Date, to the leading banks which have their head offices in London for the relevant Interest Period provided that if the Agent Bank certifies as aforesaid and further certifies that none of the banks selected as provided in (b) above is quoting to leading banks as aforesaid, then the Reserve Interest Rate shall be the Rate of Interest in effect for the Interest Period ending on the relevant Interest Determination Date.

For the purpose of the Class B Conditions the "**Relevant Margin**" shall be 1.80% per annum for each Interest Period up to and including the Interest Payment Date falling in July 2008 (the "**Coupon Step Up Date**") and thereafter 2.80% per annum.

(d) Determination of Rates of Interest and Calculation of Interest Amounts

The Agent Bank shall, on each Interest Determination Date, determine and notify the Issuer, the Servicer, the Trustee and the Paying Agents of (i) the Rate of Interest applicable to the Interest Period beginning on and including such Interest Determination Date in respect of the Class B Notes and (ii) the sterling amount (the "**Interest Amount**") payable in respect of such Interest Period in respect of the Principal Amount Outstanding (as defined in Class B Condition 5(c)).

(e) Publication of Rate of Interest, Interest Amount and other Notices

As soon as practicable after receiving notification thereof, the Issuer will cause the Rate of Interest and the Interest Amount applicable to the Class B Notes for each Interest Period and the Interest Payment Date falling at the end of such Interest Period to be notified to each stock exchange (if any) (including, for as long as the Notes are admitted to the Official List, the UK Listing Authority) on which the Class B Notes are then listed and will cause notice thereof to be given to the relevant Class B Noteholders in accordance with Class B Condition 14. The Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) Determination or Calculation by Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for any Class B Notes in accordance with the foregoing paragraphs, the Trustee shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (ii) calculate the Interest Amount for the Class B Notes in the manner specified in paragraph (c) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Class B Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Servicer, the Reference Banks, the Agent Bank, the Trustee and all Class B Noteholders and Class B Couponholders and (in which absence as aforesaid) no liability to the Servicer, the Class B Noteholders or Class B Couponholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) Reference Banks and Agent Bank

The Issuer shall ensure that, so long as any of the Class B Notes remains outstanding, there shall at all times be five reference banks (the "**Reference Banks**") and an Agent Bank. The initial Agent Bank shall be The Chase Manhattan Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of The Chase Manhattan Bank, being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Trustee has been appointed.

5. REDEMPTION AND CANCELLATION

(a) Final Redemption

Unless previously redeemed as provided in this Class B Condition, the Issuer shall redeem the Class B Notes at their Principal Amount Outstanding (as defined below) on the Interest Payment Date falling in July 2036 (the "**Final Redemption Date**").

The Issuer may not redeem Class B Notes in whole or in part prior to that date except as provided in paragraphs (b), (d), (e) or (f) of this Class B Condition but without prejudice to Class B Condition 9.

(b) Mandatory Redemption in Part

Subject as provided below, the principal amount redeemable in respect of each Class B Note on an Interest Payment Date (the "**Actual Redemption Amount**") shall be the Class B Redemption Amount on such Interest Payment Date divided by the number of Class B Notes outstanding on the relevant Interest Payment Date (rounded down to the nearest penny); provided always that no such Actual Redemption Amount may exceed the Principal Amount Outstanding of the relevant Class B Note.

For the purposes of these Class B Conditions:

"**Borrower Loan Limit**" means the principal amount of a Borrower's loan which would have been outstanding at any time if the Borrower had only made its minimum monthly payments due under the relevant loan and had not made any additional payments or overpayments.

"**Collection Period**" means the period beginning on (and including) a Determination Date (save for the first Collection Period which shall begin on (and include) the Issue Date) and ending on the day immediately preceding the next following Determination Date.

"**Determination Date**" means the day which is eight Business Days prior to an Interest Payment Date.

"**Excluded Items**" means

(a) certain moneys which properly belong to third parties (such as monies owing to any party in respect of reimbursement for direct debit recalls);

(b) on the Interest Payment Date following the Issue Date, amounts payable to Arianty under the Mortgage Sale Agreement in respect of reconciliations of the amounts paid in respect of the purchase of the Mortgages on the Issue Date; and

(c) where the Issuer is unable to purchase the right to repayment of Redraws made with respect to one or more Mortgages on any Interest Payment Date (such Redraws continuing to be funded by Britannic Money or First Active, as applicable on the basis that the Issuer holds each relevant Mortgage on trust for itself and Britannic Money or First Active, as applicable, each party's interest being proportionate to the funding provided by it), the aggregate of Britannic Money's or First Active's, applicable, pro rata share of amounts received in respect of each such Mortgage during the immediately preceding Collection Period.

"**Potential Redemption Amount**" will be determined on each Determination Date as follows:

(a) the aggregate amount of Redemptions, Prepayments, enforcement proceeds, recoveries and insurance proceeds received (to the extent they relate to principal) during the immediately preceding Collection Period ending in respect of the Mortgages ("**Principal Collections**"); plus

(b) principal losses realised upon completion of the enforcement and recovery process in relation to the Mortgages during the immediately preceding Collection Period; less

(c) the aggregate principal amount of Redraws the right to repayment of which are to be purchased by the Issuer on the immediately succeeding Interest Payment Date, less

(d) the amount by which the aggregate principal amount outstanding under the Redraw Facility is expected to increase on the immediately succeeding Interest Payment Date as a result of the purchase of Redraws; plus

(e) an amount equal to the Principal Deficiency recorded on the previous Determination Date,

provided that the Potential Redemption Amount shall never be less than zero.

"**Redemptions**" means scheduled principal payments plus full and part principal payments (including enforcement and insurance proceeds) under a Mortgage where the Borrower Loan Limit (as defined above)

irrevocably reduces as a result of repayment ahead of the repayment plan used by Britannic Money or First Active, as applicable, to provide a baseline for the repayment of the Mortgage.

"Prepayments" means part principal repayments under a Mortgage where the Borrower Loan Limit does not change following prepayment ahead of the repayment plan used by Britannic Money or First Active, as applicable to provide a baseline for the repayment of the Mortgage.

The amount allocated for redemption of the Notes under item (xiii) of the Priority of Payments (the **"Redemption Amount"**) will be divided into a **"Class A Redemption Amount"**, a **"Class M Redemption Amount"** and a **"Class B Redemption Amount"**. During a Class M Principal Lock Out, the Class A Redemption Amount will equal the Redemption Amount and the Class M Redemption Amount and the Class B Redemption Amount will be zero. During a Class B Principal Lock Out, the Redemption Amount will be divided between the Class A Redemption Amount and the Class M Redemption Amount (on a pro rata basis and subject to a Class M Principal Lock Out not having occurred) and the Class B Redemption Amount will be zero.

A **"Class M Principal Lock Out"** shall occur on any Interest Payment Date (i) during the period up to (and including) the earlier of the Interest Payment Date on which all Class A Notes are redeemed in full and the Interest Payment Date falling five years after the end of the Substitution Period (the **"Class M Principal Lock Out Period"**), (ii) where on such Interest Payment Date the sum of the Reserve Fund, the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class M Conditions) of the Class M Notes and the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class B Conditions) of the Class B Notes as a percentage of the sum of the aggregate Principal Amount Outstanding of the Class A Notes, Class M Notes and Class B Notes is not at least twice that same percentage as at the Issue Date, (iii) where a Principal Deficiency exists on such Interest Payment Date (iv) where the aggregate principal balance of Mortgages in respect of which there are arrears of an amount greater than £100 is greater than 2.5% of the then aggregate principal balance of the Mortgages comprised in the Mortgage Pool, in each case as at the immediately preceding Determination Date, and (v) where the sum of the Principal Amount Outstanding of the Class M Notes and the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date is less than two times the principal balance of the largest Mortgage or group of Mortgages in the name of a single Borrower as at the immediately preceding Determination Date.

A **"Class B Principal Lock Out"** shall occur on any Interest Payment Date (i) during the period up to (and including) the earlier of the Interest Payment Date on which all Class A Notes and Class M Notes are redeemed in full and the Interest Payment Date falling five years after the end of the Substitution Period (the **"Class B Principal Lock Out Period"**), (ii) where on such Interest Payment Date the sum of the Reserve Fund and the aggregate Principal Amount Outstanding (as defined in Condition 5 of the Class B Conditions) of the Class B Notes as a percentage of the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the Class M Notes and the Class B Notes is not at least twice that same percentage as at the Issue Date, (iii) where a Principal Deficiency exists on such Interest Payment Date, (iv) where the aggregate principal balance of Mortgages in respect of which there are arrears of an amount greater than £100 is greater than 2.5% of the then aggregate principal balance of the Mortgages comprised in the Mortgage Pool, in each case as at the immediately preceding Determination Date, and (v) where the Principal Amount Outstanding of the Class B Notes on such Interest Payment Date is less than two times the principal balance of the largest Mortgage or group of Mortgages in the name of a single Borrower as at the immediately preceding Determination Date.

If no Class M Principal Lock Out and no Class B Principal Lock Out applies on an Interest Payment Date and there are Class A Notes outstanding, the Redemption Amount will be divided between the Class A Redemption Amount, the Class M Redemption Amount and the Class B Redemption Amount in such amounts as would maintain the then current ratio of Class A Notes to Class M Notes to Class B Notes. If on any Interest Payment Date there are no Class A Notes outstanding, the Redemption Amount will be divided between the Class M Redemption Amount (subject to a Class M Principal Lock Out not having occurred) and the Class B Redemption Amount (subject to a Class B Principal Lock Out not having occurred) in such amounts as would maintain the then current ratio of the Class M Notes to the Class B Notes. If on any Interest Payment Date there are no Class A Notes or Class M Notes outstanding, the Class B Redemption Amount shall equal the whole of the Redemption Amount.

"Principal Deficiency" means the amount calculated on each Determination Date by deducting from the **"Liabilities"** expected to exist as at close of business on the immediately succeeding Interest Payment Date the **"Assets"** expected to exist as at close of business on the immediately succeeding Interest Payment Date (after having made all payments in accordance with the Priority of Payments),

where "Liabilities" means:

- (a) the aggregate Principal Amount Outstanding of the Notes on the last date of the immediately preceding Collection Period; less
- (b) the amount allocated in the Priority of Payments to redemption of the Notes under item (xiii) on the immediately succeeding Interest Payment Date; plus
- (c) the aggregate principal amount outstanding under the Redraw Facility on the last day of the immediately preceding Collection Period; plus
- (d) the amount by which the aggregate principal amount outstanding under the Redraw Facility is expected to increase on the immediately succeeding Interest Payment Date as a result of the purchase of the right to repayment of Redraws; less
- (e) the amount allocated in the Priority of Payments to repayment of principal amounts outstanding under the Redraw Facility under item (x) on the immediately succeeding Interest Payment Date; and

"Assets" means:

- (a) the aggregate outstanding principal balances of the Mortgages (including amounts receivable in respect of claims under property related insurance policies) on the last day of the immediately preceding Collection Period; plus
- (b) the aggregate principal amount of the Redraws the right to repayment of which are to be purchased on the immediately succeeding Interest Payment Date; plus
- (c) the amount allocated in the Priority of Payments to purchase Further Advances under item (xi) on the immediately succeeding Interest Payment Date; plus
- (d) the amount allocated in the Priority of Payments to purchase Further Mortgages under item (xii) on the immediately succeeding Interest Payment Date, plus
- (e) the amount standing to the credit of the Pre-Funded Ledger and the Non-Verified Mortgage Ledger, provided that the Principal Deficiency shall never be less than zero.

In connection with such redemption, the Servicer will on each Determination Date, pursuant to the Servicing Agreement, determine the Potential Redemption Amount, the Class A Redemption Amount, the Class M Redemption Amount and the Class B Redemption Amount.

No Class B Note may be redeemed in whole or in part until the Class A Notes and the Class M Notes have been redeemed in full.

(c) Class B Note Principal Payments, Principal Amount Outstanding and Pool Factor

On (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Servicer to determine) (i) the amount of any Actual Redemption Amount due in respect of each Class B Note on the Interest Payment Date next following such Determination Date, (ii) the principal amount outstanding of each Class B Note on the Interest Payment Date next following such Determination Date (after deducting any Actual Redemption Amount due to be made in respect of that Class B Note on that Interest Payment Date) (the "Principal Amount Outstanding") and (iii) the fraction expressed as a decimal to the sixth point (the "Pool Factor"), of which the numerator is the Principal Amount Outstanding of a Class B Note (as referred to in (ii) above) and the denominator is £10,000. Each determination by or on behalf of the Issuer of any Actual Redemption Amount of a Class B Note, the Principal Amount Outstanding of a Class B Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The Principal Amount Outstanding of a Class B Note on any date shall be £10,000 less the aggregate amount of all Actual Redemption Amounts in respect of such Class B Note that have become due and payable since the Issue Date on or prior to such date (whether or not paid).

With respect to the Class B Notes, the Issuer will cause each determination of an Actual Redemption Amount, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Paying Agents, the Agent Bank and (for so long as the Class B Notes are admitted to trading on the London Stock Exchange's market for listed securities) the London Stock Exchange, and will immediately cause notice of each determination of an Actual Redemption Amount, Principal Amount Outstanding and Pool Factor to be given in accordance with Class B Condition 14 by not later than

two business days prior to the relevant Interest Payment Date. If no Actual Redemption Amount is due to be made on the Class B Notes on any Interest Payment Date a notice to this effect will be given by or on behalf of the Issuer to the Class B Noteholders in accordance with Class B Condition 14.

If the Issuer does not at any time for any reason determine (or cause the Servicer to determine) with respect to the Class B Notes an Actual Redemption Amount, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Actual Redemption Amount, Principal Amount Outstanding and Pool Factor may be determined by the Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer. Any such determination shall be binding on the Issuer, the Servicer, the Class B Noteholders and the Class B Couponholders.

(d) Optional Redemption

On the Interest Payment Date falling in July 2008 or on any Interest Payment Date falling thereafter and upon giving not more than 30 nor less than 20 days' notice to the Trustee and the Class B Noteholders in accordance with Class B Condition 14, the Issuer may redeem all (but not some only of) the Class B Notes at their Principal Amount Outstanding together with accrued interest thereon provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Class B Notes as aforesaid.

On any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes is equal to or less than 10% of the aggregate principal amount of such Notes at the time such Notes were issued, and upon giving not more than 30 nor less than 20 days notice to the Trustee, the Class B Noteholders, the Class M Noteholders and the Class A Noteholders, the Issuer may redeem all (but not some only of) the Class B Notes and all (but not some only of) the Class M Notes and all (but not some only of) the Class A Notes at their Principal Amount Outstanding together with accrued interest provided that prior to giving any such notice, the Issuer shall have provided the Trustee with a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Class B Notes, the Class M Notes and the Class A Notes as aforesaid.

(e) Optional Redemption for Tax Reasons

If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that either (i) on the next Interest Payment Date the Issuer or any Paying Agent would be required to deduct or withhold from any payment of principal or interest on the Class B Notes any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest in relation to any of the Mortgages during an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period or (iii) the Issuer would, by virtue of a change in the law (or the application or officially published interpretation thereof) not be entitled to relief for United Kingdom tax purposes for any material amount which is currently relievable and which it is obliged to pay under the Transaction Documents, then the Issuer may, having given not more than 30 nor less than 20 days' notice to the Trustee and the Class B Noteholders in accordance with Class B Condition 14, redeem all (but not some only) of the Class B Notes on any Interest Payment Date at their Principal Amount Outstanding provided together with interest accrued thereon provided that, prior to giving any such notice, the Issuer shall have provided to the Trustee: (a) a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Class B Notes as aforesaid and (b) a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in England (approved in writing by the Trustee) opining on the relevant event. Any certificate and legal opinion given by or on behalf of the Issuer may be relied on by the Trustee and shall be conclusive and binding on the Class B Noteholders and Class B Couponholders.

(f) Other Reasons

The Issuer may, at its option, upon giving not more than 30 nor less than 20 days notice to the Trustee and the Class B Noteholders redeem all of the Class B Notes (provided that all Class A Notes have been redeemed in full) at their Principal Amount Outstanding together with interest accrued thereon on the second Interest Payment Date after any Determination Date on which it is determined that the

aggregate amount of Redraws made by Borrowers during the Collection Period then ending exceeds the sum of (a) the Principal Collections available for the purpose of purchasing the right to repayment of Redraws in accordance with the Priority of Payments and (b) the lower of (i) the Available Facility under the Redraw Facility and (ii) the aggregate Principal Amount Outstanding of the Class A Notes (in the case of a redemption of the Class M Notes) or the aggregate Principal Amount Outstanding of the Class A Notes and the Class M Notes (in the case of a redemption of the Class B Notes).

(g) Notice of Redemption

Any such notice as is referred to in paragraph (d), (e) or (f) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Class B Notes at their Principal Amount Outstanding together with interest accrued thereon.

(h) Purchase

The Issuer shall not purchase any Class B Notes or Class B Coupons.

(i) Cancellation

All Class B Notes redeemed pursuant to paragraphs (d), (e) or (f) above will be cancelled upon redemption, together with any unmatured Class B Coupons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

(j) Principal Deficiencies

If on the Interest Payment Date falling in July 2036 or on any prior date after the assets of the Issuer have been exhausted there is a debit balance on the Principal Deficiency Ledger (as defined above) (after taking account of any entries required to be made thereon on such Interest Payment Date and any credit balance in the Reserve Account (the "**Adjusted Principal Deficiency**")), then notwithstanding any other provision of these Class B Conditions the principal amount payable on redemption of each Class B Note shall be its Principal Amount Outstanding on that date, less the Principal Deficiency (as defined below) applicable to that Class B Note on that date on payment of which the obligations of the Issuer under the relevant Class B Note shall be discharged in full.

6. PAYMENTS

- (a)** Payments of principal in respect of the Class B Notes will be made against presentation of the Class B Notes at the specified office of any Paying Agent. Payments of interest in respect of the Class B Notes will (subject as provided in paragraphs (c) and (d) below) be made only against presentation and surrender of the Class B Coupons at the specified office of any Paying Agent. Payments will be made in sterling at the specified office of any Paying Agent by sterling cheque drawn on, or, at the option of the holder, by transfer to a sterling account maintained by the payee with, a branch of a bank in London.
- (b)** Payments of principal and interest in respect of the Class B Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- (c)** Upon the date on which any Class B Note becomes due and payable in full, unmatured Class B Coupons appertaining thereto (whether or not attached to such Class B Note) shall become void and no payment or, as the case may be, exchange shall be made in respect thereof. If the due date for redemption of any Class B Note is not an Interest Payment Date, accrued interest will be paid only against presentation and surrender of such Class B Note.
- (d)** If payment of principal is improperly withheld or refused on or in respect of any Class B Note or part thereof, the interest which continues to accrue in respect of such Class B Note in accordance with Class B Condition 4(a) will be paid against presentation of such Class B Note at the specified office of any Paying Agent.
- (e)** The initial Principal Paying Agent and its initial specified office is listed at the end of these Class B Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a paying agent with a specified office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Class B Condition 14.

- (f) If any Class B Coupon or Class B Note is presented for payment on a day which is not a Business Day, no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Class B Coupon or, as the case may be, such Class B Note.
- (g) On or after the Interest Payment Date for the final Coupon forming part of any Coupon sheet, the Class B Talon forming part of such Coupon sheet may be surrendered at any specified office of the Paying Agent in exchange for a further Coupon sheet (including a further talon but excluding any Coupons which shall have become void).
- (h) If a Paying Agent makes a partial payment in respect of any Class B Note presented to it for payment, such Paying Agent will endorse on the grid endorsed on such Class B Note (in respect of payments of principal) a statement indicating the amount and date of such payment.
- (i) If on any Interest Payment Date (other than the Final Redemption Date) the aggregate funds (if any) available to the Issuer for application in or towards the payment of interest due on the Class B Notes are not sufficient to satisfy in full the aggregate amount of interest which would, but for this paragraph (i) otherwise be payable on the Class B Notes on such Interest Payment Date, then notwithstanding any other provision of these Conditions, there shall be payable on the Class B Notes on such Interest Payment Date, by way of interest on each Class B Note a pro rata share of such aggregate funds calculated by reference to the ratio borne by the then Principal Amount Outstanding of such Class B Note to the then Principal Amount Outstanding of all Class B Notes and the amount of the shortfall will not be regarded as due until the earliest Interest Payment Date thereafter in respect of which funds are available to the Issuer to pay such amounts.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes on any Interest Payment Date in accordance with this Condition falls short of the aggregate amount of interest which would otherwise be payable on the Class B Notes on the date pursuant to Condition 4. Such shortfall shall accrue interest during each Interest Period during which it remains outstanding at the Rate of Interest for such Interest Period and a *pro rata* share of such shortfall calculated by reference to the ratio borne by the then Principal Amount Outstanding of each Class B Note and accrued interest thereof shall be aggregated within the amount of, and treated for the purpose of this Condition as if it were, interest due on each Class B Note on the next succeeding Interest Payment Date.

To the extent such a shortfall arises, such unpaid amount (including interest accruing on such shortfall) shall be payable in priority to the payment of interest otherwise due on the next following Interest Payment Date.

7. PRESCRIPTION

Class B Notes shall become void unless presented for payment within a period of 10 years from the relevant date in respect thereof. Class B Coupons (which expression shall not in this Class B Condition include Class B Talons) shall become void unless presented for payment within a period of 5 years from the relevant date in respect thereof. After the date on which a Class B Note or a Class B Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Class B Condition, the "relevant date", in respect of a Class B Note or Class B Coupon, is the date on which a payment in respect thereof first becomes due or (if the full amount of the moneys payable in respect of all the Class B Notes and/or Class B Coupons due on or before that date has not been duly received by the Paying Agents or the Trustee on or prior to such date) the date on which the full amount of such moneys having been so received, notice to that effect is duly given to the Class B Noteholders in accordance with Class B Condition 14.

8. TAXATION

All payments in respect of the Class B Notes and Class B Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the relevant Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Class B Notes or Class B Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer or the relevant Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Paying Agents nor the Issuer will be obliged to make any additional payments to holders of Class B Notes or Class B Coupons in respect of such withholding or deduction.

9. EVENTS OF DEFAULT

- (a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class B Notes or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the Class B Noteholders (subject, in each case, to being indemnified to its satisfaction) shall give notice to the Issuer declaring the Class B Notes to be due and repayable at any time after the happening of any of the following events (each an "Event of Default"):
- (i) default being made for a period of 10 Business Days in the payment of the principal of or any interest on any Class B Note when and as the same ought to be paid in accordance with these Class B Conditions; or
 - (ii) any Interest Rate Swap or Base Rate Swap being terminated by reason of default in payment on the part of the Issuer for a period of 10 Business Days; or
 - (iii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Class B Notes, the Trust Deed, the Servicing Agreement, the Deed of Charge or any of the other Transaction Documents and, in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of 30 days following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
 - (iv) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (v) below, ceasing or, through an official action of the Board of Directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due or otherwise becomes insolvent; or
 - (v) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Class B Noteholders; or
 - (vi) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) or an administration order being granted or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 14 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally;

Provided that, in the case of each of the events described in sub-paragraph (iii) of this paragraph (a), the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class B Noteholders.

- (b) Upon any declaration being made by the Trustee in accordance with paragraph (a) above that the Class B Notes are due and repayable, the Class B Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

10. ENFORCEMENT OF CLASS B NOTES

- (a) At any time after the Class B Notes have become due and repayable and without prejudice to its rights of enforcement in relation to the Security, the Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment of the Class B Notes at their Principal Amount Outstanding together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Class B Noteholders or so requested in writing by the holders of at least 25% in aggregate of the Principal Amount Outstanding of the Class B Notes and (b) it shall have been indemnified to its satisfaction. No Class B Noteholder or Class B Couponholder shall be entitled to proceed directly

against the Issuer unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Trustee cannot, while any of the Class A Notes are outstanding or Class M Notes are outstanding be required to enforce the Security on behalf of the Class B Noteholders (whether or not requested to do so by such Class B Noteholders) or any other Secured Creditor under the Deed of Charge.

- (b) Notwithstanding the foregoing and so long as any of the Class B Notes remain outstanding, if the Class B Notes have become due and repayable pursuant to Class B Condition 9 otherwise than by reason of a default in payment of any amount due on the Class B Notes, the Trustee will not be entitled to dispose of the Security unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class B Noteholders, the Class B Couponholders and the other creditors of the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class B Noteholders, the Class B Couponholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith.

11. MEETINGS OF CLASS B NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION OF PRINCIPAL DEBTOR

- (a) The Trust Deed contains provisions for convening meetings of Class B Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of such Class B Noteholders of a modification of these Class B Conditions as they relate to the Class B Notes or the provisions of any of the Documents or any other documents the rights and benefits in respect of which are comprised in the Security ("**Other Relevant Documents**"). The quorum at any meeting of Class B Noteholders for passing an Extraordinary Resolution shall be two or more persons holding or representing in aggregate not less than 75% in Principal Amount Outstanding of the Class B Notes then outstanding or, at any adjourned meeting, two or more persons being or representing Class B Noteholders as they relate to the Class B Notes whatever the Principal Amount Outstanding of the Class B Notes so held or represented except that, at any meeting the business of which includes the sanctioning of a modification which would, *inter alia*, have the effect of altering the date of maturity of the Class B Notes or the day for payment of interest or principal thereon, or the amount of principal or the rate of interest payable in respect of the Class B Notes or the currency of payment (other than pursuant to a redenomination approved by the Trustee pursuant to Class B Condition 15) of the Class B Notes or related Class B Coupons or the priority of payments or the quorum or majority required in relation to this exception (a "**Basic Terms Modification**"), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing in aggregate not less than 75%, or, at any adjourned such meeting, 25% of the Principal Amount Outstanding of the Class B Notes then outstanding. An Extraordinary Resolution passed at any meeting of Class B Noteholders shall be binding on all Class B Noteholders whether or not they are present at the meeting, and on all Class B Couponholders. The majority required for an Extraordinary Resolution shall be 75% of the votes cast on that resolution.

The Trust Deed contains provisions limiting the powers of the holders of Class M Notes and Class B Notes, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. Except in the circumstances set out in (b) below, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders (or if there are no Class A Notes outstanding) the Class M Noteholders, the exercise of which will be binding on the Class B Noteholders and Class B Couponholders, irrespective of the effect on their interests. An Extraordinary Resolution passed at any meeting of Class B Noteholders shall not be effective for any purposes unless either (i) the Trustee is of the opinion that it would not be materially prejudicial to the Class A Noteholders (or if there are no Class A Notes outstanding) the Class M Noteholders or (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders (or if there are no Class A Notes outstanding) the Class M Noteholders but, subject thereto, it shall be binding on all Class B Noteholders, whether or not they are present at the meeting, and on all Class B Couponholders.

- (b) No Extraordinary Resolution to sanction a Basic Terms Modification which would have the effect of altering the date of maturity of the Notes or the date for payment of interest in respect of the Notes, increasing the amount of principal or the rate of interest payable in respect of the Notes, or altering the currency of payment of the Notes, or altering the provisions of the Trust Deed, the Deed of Charge

or any other Document or any Other Relevant Document shall take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders, the Class M Noteholders and the Class B Noteholders.

- (c) The Trustee may agree, without the consent of the Class B Noteholders or Class B Couponholders (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, these Class B Conditions or any of the Documents or any Other Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Class B Noteholders or Class B Couponholders (ii) to any modification of these Class B Conditions or any of the Documents or any Other Relevant Documents, which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Class B Noteholders or the Class B Couponholders, determine that any Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Class B Noteholders and the Class B Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Class B Noteholders in accordance with Class B Condition 14 as soon as practicable thereafter.
- (d) The Trustee may agree, subject to the consent of the Issuer and to such amendment of these Class B Conditions and of any of the Documents and to such other conditions as the Trustee may require and subject to the relevant provisions of the Trust Deed, but without the consent of the Class B Noteholders or the Class B Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Class B Notes, subject to the Class B Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate) and to such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in Class B Condition 3. In the case of a substitution pursuant to this paragraph (d), the Trustee may in its absolute discretion agree, without the consent of the Class B Noteholders or the Class B Couponholders, to a change of the law governing the Class B Notes and/or any of the Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Class B Noteholders.
- (e) Where the Trustee is required in connection with the exercise of its powers, trusts, authorities, duties and discretions to have regard to the interests of the Class B Noteholders, it shall have regard to the interests of the Class B Noteholders as one class and, in particular but without prejudice to the generality of the foregoing, the Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Class B Noteholders or Class B Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the Trustee shall not be entitled to require, and no Class B Noteholder or Class B Couponholder shall be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Class B Noteholders or Class B Couponholders.

12. INDEMNIFICATION AND EXONERATION OF THE TRUSTEE

The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified to its satisfaction. The Trustee and its related companies are entitled to enter into business transactions with the Issuer, Arianty, Britannic Money, First Active and/or the related companies of any of them without accounting for any profit resulting therefrom. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer or any agent or related company of the Servicer or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Trustee.

The Trust Deed provides that the Trustee shall be under no obligation to monitor or supervise compliance by the Issuer, Arianty, Britannic Money, First Active and/or the related companies of any of them with their respective obligations or to make any searches, enquiries or independent investigations of title in relation to any of the properties secured by the Mortgages save as provided under the Transaction Documents.

13. REPLACEMENT OF DEFINITIVE CLASS B NOTES, CLASS B COUPONS AND CLASS B TALONS

If any Class B Note, Class B Coupon or Class B Talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class B Note, Class B Coupon or Class B Talon will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Class B Notes, Class B Coupons or Class B Talons must be surrendered before new ones will be issued.

14. NOTICE TO CLASS B NOTEHOLDERS

Any notice to the Class B Noteholders shall be validly given if published in the *Financial Times* or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Trustee shall approve having a general circulation in Europe; Provided that if, at any time, the Issuer procures that information concerned in such notice specifying an Interest Payment Date, Principal Amount Outstanding or Rate of Interest shall appear on a page of the Reuters screen or Bloomberg or any other medium for electronic display of data as may be previously approved in writing by the Trustee (in each case a "**Relevant Screen**"), publication in the *Financial Times* shall not be required with respect to such information. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which (or on the Relevant Screen on which) publication is required.

The Trustee shall be at liberty to sanction some other method of giving notice to the Class B Noteholders or any category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Class B Noteholders in such manner as the Trustee shall require. The Class B Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Class B Noteholders in accordance with this Class B Condition.

15. REDENOMINATION

Pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union (as amended, the "**Treaty**"), the third stage of European economic and monetary union commenced on 1 January 1999 and the value of the euro as against the currencies of the member states participating in the third stage of European economic and monetary union was irrevocably fixed and the euro became a currency in its own right. The United Kingdom may at some future date participate in the third stage of European economic and monetary union or otherwise participate in European economic and monetary union in a manner with similar effect to such third stage. On an Interest Payment Date falling on or after such date, the Issuer may on giving notice to the holders of the Class B Notes and with the written consent of the Trustee, redenominate all of the Class B Notes into euros.

16. GOVERNING LAW

The Documents, the Class B Notes and the Class B Coupons are governed by, and shall be construed in accordance with, English law.

17. THIRD PARTY RIGHTS

No person shall have any right to enforce any term or condition of the Class B Notes under the Contracts (Rights of Third Parties) Act 1999.

SCHEDULE 5

PROVISIONS FOR MEETINGS OF NOTEHOLDERS

1 *Definitions:* In this Schedule the following expressions have the following meanings unless the context otherwise requires.

“**Basic Terms Modification**” means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes;
- (b) to reduce the amount of principal or interest payable on any date in respect of the Notes;
- (c) to alter the Rate of Interest applicable to the Notes;
- (d) to effect any exchange, conversion or substitution contemplated by paragraph 15(b);
- (e) to change the currency in which amounts due in respect of the Notes are payable (other than pursuant to a redenomination approved by the Trustee in accordance with Condition 15);
- (f) to alter the priority of redemption of the Notes;
- (g) to vary or modify the security constituted by or for the Notes;
- (h) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (i) to amend this definition;

“**Block Voting Instruction**” means, in relation to any Meeting, a document issued by a Paying Agent:

- (a) certifying that certain specified Notes (the “**deposited Notes**”) have been deposited with such Paying Agent (or to its order at a bank or other depository) and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited Notes and notification thereof by such Paying Agent to the Issuer and the Trustee;
- (b) certifying that the depositor of each deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such deposited Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;

(c) listing the total number, the aggregate Principal Amount Outstanding and (if in definitive form) the serial numbers of the deposited Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and

(d) authorising a named individual or individuals (each a “Proxy”) to vote in respect of the deposited Notes in accordance with such instructions;

“Chairman” means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 10(b);

“Extraordinary Resolution” means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three-quarters of the votes cast;

“Meeting” means a meeting of the Class A Noteholders or the Class M Noteholders or Class B Noteholders as the case may be, (whether originally convened or resumed following an adjournment);

“Notes” and “Noteholders” shall mean, in connection with a meeting of Class A Noteholders, “Class A Notes” and “Class A Noteholders” respectively and in connection with a meeting of Class M Noteholders, “Class M Notes” and “Class M Noteholders” respectively and in connection with a meeting of Class B Noteholders, “Class B Notes” and “Class B Noteholders” respectively;

“Relevant Fraction” means:

(a) for all business other than voting on an Extraordinary Resolution, one-tenth;

(b) for voting on any Extraordinary Resolution other than one relating to a Basic Terms Modification, three-quarters; and

(c) for voting on any Extraordinary Resolution relating to a Basic Terms Modification, three-quarters,

PROVIDED THAT in the case of a Meeting which has resumed after adjournment for want of a quorum it means:

(A) for all business, other than voting on an Extraordinary Resolution relating to a Basic Terms Modification, the fraction of the aggregate Principal Amount Outstanding of the Notes which is represented or held by the Voters actually present at the Meeting; and

(B) for voting on any Extraordinary Resolution relating to a Basic Term Modification, one-quarter;

“Voter” means, in relation to any Meeting, the bearer of a Voting Certificate or the bearer of a definitive Note who produces such definitive Note at the Meeting; and

“Voting Certificate” means, in relation to any Meeting, a certificate issued by a Paying Agent stating that:

(a) certain specified Notes (the “deposited Notes”) have been deposited with such Paying Agent (or to its order at a bank or other depository) and will not be released until the earlier of:

(i) the conclusion of the Meeting; and

- (ii) the surrender of such certificate to such Paying Agent; and
- (b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the relevant Notes.

2 *Issue of Voting Certificates and Block Voting Instructions:* The holder of a Note may obtain a Voting Certificate from any Paying Agent or require any Paying Agent to issue a Block Voting Instruction by depositing such Note with such Paying Agent not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate, Block Voting Instruction or form of proxy shall be valid until the release of the deposited Notes to which it relates. So long as a Voting Certificate, Block Voting Instruction or form of proxy is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction or form of proxy) shall be deemed to be the holder of the Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note. A Proxy need not be a Noteholder.

3 *References to deposit/release of Notes:* Where Notes are held in Euroclear or Clearstream, Luxembourg (whether in global or definitive form), references to the deposit, or release, of Notes shall be construed in accordance with the usual practices of Euroclear and Clearstream, Luxembourg.

4 *Validity of Block Voting Instructions:* A Block Voting Instruction shall be valid only if it is deposited at such place as the Trustee designates at least 48 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Trustee requires, a notarised copy of each Block Voting Instruction and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Trustee shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

5 *Convening of Meeting:* The Issuer or the Trustee may convene a Meeting at any time, and the Trustee shall be obliged to convene a Meeting of the relevant Noteholders (subject to its being indemnified to its satisfaction against the proper costs and expenses occasioned thereby) upon the request in writing of holders of not less than one-tenth of the aggregate Principal Amount Outstanding of the Class A Notes or Class M Notes or Class B Notes or in respect of a joint meeting of each relevant class of Notes (as the case may be). Every Meeting shall be held on a date, and at a time and place, approved by the Trustee.

6 *Notice:* At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the holders of the Notes and to the Paying Agents (with a copy to the Issuer or, where the Meeting is convened by the Issuer, the Trustee) in accordance with Condition 14. The notice shall set out the full text of any resolutions to be proposed and shall state that such Notes may be deposited with, or to the order of, any Paying Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

7 *Quorum:* The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate Principal Amount Outstanding of the Class A Notes (in the case of a meeting of Class A Noteholders), Class M Notes (in the case of a Meeting of the Class M Noteholders), Class B Notes (in the case of a Meeting of the Class B Noteholders), or in respect of a joint meeting each relevant class of Notes PROVIDED THAT so long as at least the Relevant Fraction of the aggregate Principal Amount Outstanding of the Class

A Notes, Class M Notes, Class B Notes or relevant classes of Notes, as the case may be, is represented by a Global Note, a single Proxy representing the holder thereof shall be deemed to be two Voters for the purpose of forming a quorum. No business shall be transacted at any Meeting unless the requisite quorum is present at the commencement of business.

8 *Adjournment for want of quorum:* If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

(a) in the case of a Meeting requested by Noteholders, it shall be dissolved, unless the Trustee directs that the same shall be adjourned and therefore the provisions of paragraph 8(b) shall apply; and

(b) in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines (with the approval of the Trustee (if present at the Meeting)); provided that:

(i) the Meeting shall be dissolved if the Issuer and the Trustee so agree; and

(ii) no Meeting may be adjourned more than once for want of a quorum.

9 *Notice following adjournment:* Paragraph 6 shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

(a) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and

(b) the notice shall specifically set out the quorum requirements, including but not limited to the Relevant Fraction applicable thereto, which will apply when the Meeting resumes at the adjourned hearing thereof.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason. The provisions of Paragraph 7 shall apply *mutatis mutandis* to an adjourned meeting as it applies to the initial Meeting.

10 *Participation and Chairman:*

(a) Only Voters, representatives of the Issuer and the Trustee, the financial advisers of the Issuer and the Trustee and the legal counsel to the Issuer, the Trustee and such advisers may attend and speak at a Meeting.

(b) Some person (who may but need not be a Noteholder) nominated in writing by the Trustee shall be entitled to take the chair at every such meeting but if no nomination is made or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for holding the meeting the Noteholders present shall choose one of their number to be Chairman.

11 *Show of hands:* Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded by any person who is entitled to be present at such a meeting before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed (or not passed) by a particular majority or rejected shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

12 *Poll:* A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Trustee or one or more Voters representing or holding not less than one fiftieth of the aggregate Principal Amount Outstanding of the Class A Notes (in the case of a meeting of Class A Noteholders) or Class M Notes (in the case of a meeting of Class M Noteholders) or Class B Notes (in the case of a meeting of Class B Noteholders) or (in respect of a joint meeting) each relevant class of Notes. The poll may be taken immediately or after such adjournment as the Chairman directs. Any poll demanded at any Meeting on the election of a Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business.

13 *Votes:* Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, one vote in respect of each £10,000 original Principal Amount Outstanding of Notes which are represented or held by him.

Without prejudice to the terms of any Block Voting Instruction or form of proxy, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way. In the case of a voting tie, the Chairman shall have a casting vote.

14 *Validity of votes by Proxies:* Any vote by a Proxy in accordance with the relevant Block Voting Instruction or form of proxy shall be valid even if such Block Voting Instruction or form of proxy or any instruction pursuant to which it was given has been amended or revoked, PROVIDED THAT neither the Trustee at its registered office nor the Chairman has been notified in writing of such amendment or revocation at least 24 hours before the time fixed for the relevant Meeting.

15 *Powers:* A Meeting shall have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any person:

- (a) to approve any proposal by the Issuer for any alteration, abrogation, variation or compromise of, or arrangement in respect of, the obligations of the Issuer to the holders of the Notes or the rights of the Noteholders against the Issuer;
- (b) to approve the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, stocks, debentures, debenture stock, bonds or other obligations or securities of the Issuer or any other person;
- (c) to approve the substitution of any person for the Issuer as principal obligor under the Notes;
- (d) to waive any breach or authorise any proposed breach by the Issuer of its obligations under these presents in respect of the Notes or any act or omission which might otherwise constitute an Event of Default in respect of the Notes;
- (e) to remove the Trustee;
- (f) to approve the appointment of a new Trustee;
- (g) to authorise the Trustee (subject to its being indemnified to its satisfaction) or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;

(h) to give any other authorisation, direction or approval which is required to be given by Extraordinary Resolution;

(i) to appoint any persons as a committee or committees to represent the interests of the holders of the Notes and to confer upon such committee or committees any powers which the such Holders could themselves exercise by Extraordinary Resolution; and

(j) to approve any alteration to the provisions of the Trust Deed, Deed of Charge or any of the Transaction Documents (unless the modification is approved by the Trustee pursuant to the terms of Clause 20.2 of this Trust Deed) which shall be proposed by the Issuer and/or the Trustee;

PROVIDED THAT:

- (i) no Extraordinary Resolution involving a Basic Terms Modification passed by the Class B Noteholders shall be effective unless (a) the Trustee is of the opinion that it will not be materially prejudicial to the interests of the Class M Noteholders and the Class A Noteholders or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders (provided that there are Class A Notes then outstanding) and the Class M Noteholders (provided that there are Class M Notes then outstanding);
- (ii) no Extraordinary Resolution involving a Basic Terms Modification passed by the Class M Noteholders shall be effective unless (a) the Trustee is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders and the Class B Noteholders or (b) it is sanctioned by an Extraordinary Resolution of Class A Noteholders (provided that there are Class A Notes then outstanding) and the Class B Noteholders (provided that there are Class B Notes then outstanding);
- (iii) no other Extraordinary Resolution of the Class B Noteholders shall be effective unless (a) the Trustee is of the opinion that it will not be materially prejudicial to the interests of the Class M Noteholders and the Class A Noteholders or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders (provided that there are Class A Notes then outstanding) and the Class M Noteholders (provided that there are Class M Notes then outstanding);
- (iv) no other Extraordinary Resolution of the Class M Noteholders shall be effective unless (a) the Trustee is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders or (c) none of the Class A Notes remains outstanding;
- (v) no Extraordinary Resolution of the Class A Noteholders involving a Basic Terms Modification shall be effective unless it is also sanctioned by an Extraordinary Resolution of each class of the Class M Noteholders and the Class B Noteholders.

16 *Binding Effect:* Subject to the provisos to paragraph 15 above, any resolution passed at a Meeting of the Noteholders duly convened and held in accordance with this Trust Deed shall be binding upon all the Noteholders of such class or classes (as the case may be) whether present or not present at such Meeting and whether or not voting and upon all Couponholders and any resolution passed at a meeting of the Class A Noteholders duly convened and held as aforesaid shall also be binding upon all the Class M Noteholders and the Class B Noteholders (to the extent that such resolution, if given effect to, would not adversely effect any rating given to the Class M Notes or the Class B Notes by Fitch and S&P) and the holders of the Coupons appertaining

thereto, and all of the Class M Noteholders and the Class B Noteholders and Couponholders shall be bound to give effect to such resolution accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Noteholders shall be published (at the cost of the Issuer) in accordance with Condition 14 by the Issuer within 14 days of such result being known provided that the non-publication of such notice shall not invalidate such resolution.

17 *Minutes:* The Issuer or failing the Issuer, the Trustee shall provide a minute book in which minutes of each Meeting shall be made. The Chairman shall sign the minutes, which shall be conclusive evidence of the proceedings recorded therein.

18 *Written Resolutions:* A resolution in writing signed by or on behalf of the Noteholders who for the time being are entitled to receive notice of a Meeting in accordance with the provisions herein contained shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a Meeting of such Noteholders duly convened and held in accordance with the provisions herein contained. Such resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such Noteholders.

19 *Joint Meetings:* Where appropriate, joint meetings of the Class A Noteholders and/or Class B Noteholders and/or Class M Noteholders may be held to consider the same resolution and/or, as the case may be, the same Extraordinary Resolution and the provisions of this Schedule shall apply *mutatis mutandis* thereto,

PROVIDED THAT:

(i) no Extraordinary Resolution involving a Basic Terms Modification shall be effective unless (a) the Trustee is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders or (b) it is sanctioned by an Extraordinary Resolution of Class A Noteholders (provided that Class A Notes are then outstanding) or (c) if no Class A Notes are then outstanding, it is sanctioned by an Extraordinary Resolution of the Class M Noteholders (provided that Class M Notes are then outstanding) or (d) if no Class M Notes are then outstanding, it is sanctioned by an Extraordinary Resolution of the Class B Noteholders (provided that Class B Notes are then outstanding); and

(ii) no Extraordinary Resolution of a joint meeting shall be effective unless (a) the Trustee is of the opinion that it will not be materially prejudicial to the interests of the Class A Noteholders or Class M Noteholders or the Class B Noteholders or (b) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and by an Extraordinary Resolution of the Class M Noteholders and by an Extraordinary Resolution of the Class B Noteholders or (c) none of the Class A Notes, Class M Notes or Class B Notes remains outstanding.

20 *Further Regulations:* Subject to all other provisions contained in this Trust Deed, the Trustee may without the consent of the Noteholders prescribe such further regulations regarding the holding of meetings of Noteholders, attendance and voting thereat as the Trustee may, at its sole discretion, determine.

SCHEDULE 6

FORM OF DIRECTORS' CERTIFICATE

To be given in accordance with Clause 13(vii) of the Trust Deed

To: The Chase Manhattan Bank
Trinity Tower
9 Thomas More Street
London
E1W 1YT

Attention: []

[Date]

We refer to the Trust Deed dated 26 July 2001 (the "Trust Deed") made between First Flexible No.4 plc (the "Issuer") and The Chase Manhattan Bank (the "Trustee") in connection with the Issuer's £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036, £35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 and £5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036. Terms defined in the Trust Deed have the same meanings and construction in this Directors' Certificate.

The undersigned are Directors and hereby certify as follows:

- 1 We are duly authorised to give this Certificate.
2 Having made all reasonable enquiries, and to the best of the knowledge, information and belief of the Issuer, we certify that since [the date of the last such certificate/the date of the Trust Deed] up until the date nor more than [seven] days prior to the date of this Certificate,

[(i) no Event of Default (or condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate would constitute an Event of Default) has occurred and (ii) the Issuer has complied with its obligations under the Trust Deed.]*

[(ii) [an Event of Default (or condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate would constitute an Event of Default)] occurred on [date] [specify the event and its effect.]/the Issuer has been unable to comply with its obligations under the Trust Deed [in the following manner [specify how Issuer failed to comply with its obligations under the Trust Deed]]]*

FIRST FLEXIBLE NO.4 plc

[Director]

[Director]

* Delete or complete as appropriate.

EXECUTED as a DEED by) PAUL ROGERS
FIRST FLEXIBLE NO.4 plc)
acting by two duly authorised signatories) ANDREW VAUGHAN

EXECUTED as a DEED by) MARK JONES
THE CHASE MANHATTAN BANK)
acting by a duly authorised signatory)