

CONFORMED COPY

DATED 29 JANUARY 2004

MORTGAGE TRUST SERVICES PLC

- and -

FIRST FLEXIBLE NO. 6 PLC

- and -

CITIBANK TRUSTEE COMPANY LIMITED

START-UP LOAN AGREEMENT

Lovells

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THIS START-UP LOAN AGREEMENT is made on 29 January 2004

BETWEEN:

- (1) **Mortgage Trust Services plc** (registered number 3940202) whose registered office is at St Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE ("**Mortgage Trust Services**" and the "**Servicer**");
- (2) **First Flexible No. 6 plc** (registered number 579581) whose registered office is at St Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (the "**Issuer**"); and
- (3) **Citicorp Trustee Company Limited** (registered number 235914) whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**" which expression shall include its successors and permitted assigns).

WHEREAS:

- (A) The Issuer has agreed to purchase from Arianty, pursuant to the Mortgage Sale Agreement, certain Mortgages originated by Mortgage Trust, together with the benefit of the Related Security for the same.
- (B) The Issuer proposes to issue the Notes to be constituted by the Trust Deed.
- (C) The Issuer proposes to enter into a Deed of Charge to charge to the Trustee, *inter alia*, the Mortgages as security for, *inter alia*, its obligations in relation to the Notes and this Start-Up Loan Agreement.
- (D) Mortgage Trust Limited, Mortgage Trust Services, the Issuer, the Trustee and Arianty will enter into the Servicing Agreement pursuant to which the Servicer will provide administration and management services in connection with, *inter alia*, the Mortgages and the Related Security and the business of the Issuer.
- (E) Mortgage Trust Services has agreed to make a loan to the Issuer on the terms and subject to the conditions contained herein.

IT IS AGREED:

1. **DEFINITIONS**

1.1 The Master Definitions Schedule signed by Lovells and Weil, Gotshal & Manges for identification purposes on 29 January 2004 (as amended, varied or supplemented from time to time) is incorporated into this document and the expressions defined in the Master Definitions Schedule (as amended, varied or supplemented from time to time) bear the same meanings in this document except where the context requires otherwise and except where otherwise defined in this Agreement.

1.2 In this Agreement, except so far as the context requires otherwise:

"Facility" means the subordinated loan facility the terms and conditions of which are set out in this Agreement;

"Loan" means the total amount drawn pursuant to this Agreement;

"Notice of Tranche Drawdown" means a request for an advance under Tranche C, Tranche D or Tranche E, as appropriate, made in accordance with Clause 3 and being substantially in the form of, or containing substantially the information set out in, Schedule I of this Agreement;

- "Tranche Drawdown"** means any of a Tranche C Drawdown and/or a Tranche D Drawdown and/or a Tranche E Drawdown;
- "Tranche C Drawdown"** means an advance made by Mortgage Trust Services to the Issuer pursuant to clauses 2.3(ii) and 3 when Pre-Funded Mortgages are purchased by the Issuer and required by the Issuer to purchase Interest Rate Swaps;
- "Tranche D Drawdown"** means an advance made by Mortgage Trust Services to the Issuer pursuant to Clauses 2.4(ii) and 3 when Pre-Funded Mortgages are purchased by the Issuer and required by the Issuer to ensure that the Threshold Margin is maintained in respect of such Pre-Funded Mortgages;
- "Tranche E Drawdown"** means an advance made by Mortgage Trust Services to the Issuer pursuant to Clauses 2.5(ii) and 3 in an amount equal to the sum of the Expected Differentials of the Pre-Funded Mortgages to be purchased by the Issuer at the time of the relevant advance.

2. FACILITY

- 2.1 On or prior to the Issue Date, Mortgage Trust Services will advance to the Issuer an amount of £1,300,000 ("**Tranche A**") to be applied by the Servicer on behalf of the Issuer (i) in reimbursing Mortgage Trust Services for all fees, costs and expenses incurred by the Issuer under and in connection with the issue of the Notes (the "**Expenses**") that were paid by Mortgage Trust Services on behalf of the Issuer prior to the date of this Agreement, and (ii) in paying all other Expenses.
- 2.2 On or prior to the Issue Date, Mortgage Trust Services will advance to the Issuer an amount of £14,476,479 ("**Tranche B**") to be applied by the Servicer on behalf of the Issuer to credit the Reserve Fund on the Issue Date.
- 2.3 Mortgage Trust Services will advance to the Issuer amounts to be applied by the Issuer to enter into the Interest Rate Swaps (i) in the amount of up to £2,650,000 on the Issue Date (the "**Tranche C Initial Amount**") and (ii) with each Tranche C Drawdown, on the date such Tranche C Drawdown is advanced (the Tranche C Initial Amount and each Tranche C Drawdown together, "**Tranche C**").
- 2.4 Mortgage Trust Services will advance to the Issuer amounts to be applied by the Servicer to credit the Base Rate Reserve (i) in the amount of £6,792 on the Issue Date (the "**Tranche D Initial Amount**") and (ii) with each Tranche D Drawdown on the date such Tranche D Drawdown is advanced (the Tranche D Initial Amount and each Tranche D Drawdown together, "**Tranche D**").
- 2.5 Mortgage Trust Services will advance to the Issuer amounts to be applied by the Servicer to credit the Discount Reserve (i) in the amount of up to £1,100,000 on the Issue Date (the "**Tranche E Initial Amount**") and (ii) with each Tranche E Drawdown on the date such Tranche E Drawdown is advanced (the Tranche E Initial Amount and each Tranche E Drawdown together, "**Tranche E**").
- 2.6 For the avoidance of doubt, no Tranche Drawdowns may be made after Pre-Funded Mortgages have been purchased by the Issuer for an amount equal to the Pre-Funded Amount or on or after the first Determination Date, whichever is the first to occur.

3. REQUESTS FOR DRAWINGS UNDER TRANCHES C, D OR E

- 3.1 Save as otherwise provided in this Agreement, the Issuer may from time to time request any Tranche Drawdown by the delivery of a Notice of Tranche Drawdown to Mortgage Trust Services by fax not earlier than the sixth Business Day nor later than 3.00 pm on the second Business Day before the proposed date for the making of the Tranche Drawdown specified in the same Notice of Tranche Drawdown.
- 3.2 Each Notice of Tranche Drawdown delivered to Mortgage Trust Services pursuant to clause 3.1 shall be irrevocable and shall specify:
- (a) the proposed date for the making of the relevant Tranche Drawdown; and
 - (b) the amount of the proposed Tranche Drawdown.
- 3.3 The Issuer agrees that any Notice of Tranche Drawdown provided to Mortgage Trust Services will be irrevocable and the receipt of such by Mortgage Trust Services obliges the Issuer to borrow the amount therein requested on the date therein stated upon the terms of this Agreement.
- 3.4 If, on the proposed date for making a Tranche C Drawdown, the proposed Tranche C Drawdown meets the description of a Tranche C Drawdown on and as of the proposed date for making that Tranche C Drawdown, then, on such Drawdown Date and subject to the Issuer's compliance with the provisions of this Agreement, Mortgage Trust Services shall make available to the Issuer the amount of the relevant Tranche C Drawdown.
- 3.5 If, on the proposed date for making a Tranche D Drawdown, the proposed Tranche D Drawdown meets the description of a Tranche D Drawdown on and as of the proposed date for making that Tranche D Drawdown, then, on such Drawdown Date and subject to the Issuer's compliance with the provisions of this Agreement, Mortgage Trust Services shall make available to the Issuer the amount of the relevant Tranche D Drawdown.
- 3.6 If, on the proposed date for making a Tranche E Drawdown, the proposed Tranche E Drawdown meets the description of a Tranche E Drawdown on and as of the proposed date for making that Tranche E Drawdown, then, on such Drawdown Date and subject to the Issuer's compliance with the provisions of this Agreement, Mortgage Trust Services shall make available to the Issuer the amount of the relevant Tranche E Drawdown.

4. INTEREST

Subject to Clause 5, the Issuer shall be obliged to pay interest on the Loan from time to time at Note Sterling LIBOR plus one per cent or such other rate as may be agreed between the Issuer and Mortgage Trust Services, provided that such rate shall not exceed the market rate at the relevant time for a loan on comparable terms to this Loan.

5. REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

Prior to delivery of an Enforcement Notice, subject to clause 9 and provided that there is no Principal Deficiency on such Interest Payment Date and that no Event of Default has occurred and is continuing, the Issuer shall repay principal and pay interest on the Loan on each Interest Payment Date in accordance with paragraphs (xx) and (xxi) of the Priority of Payments.

6. PREPAYMENT

Subject to clause 9, the Issuer shall repay the Start-Up Loan once all the Notes have been redeemed in full and may not prepay the whole or any part of it before that time.

7. EVENT OF DEFAULT

If an Enforcement Notice (as defined in the Master Definitions Schedule) is given by the Trustee then Mortgage Trust Services may by notice to the Issuer declare the Loan to be immediately due and payable, whereupon the principal amount of the Loan together with accrued interest thereon and all other sums due hereunder shall be deemed to have become due and payable as of the date of such event without further demand, subject, however, to the provisions of clause 9.

8. REPRESENTATIONS AND WARRANTIES

8.1 Each party to this Agreement (other than the Trustee) warrants and represents to each other party to this Agreement (including the Trustee) that it is duly incorporated under the laws of England and Wales and has the necessary power under its Memorandum and Articles of Association and all necessary corporate authority, consents and authorisations have been obtained to enter into this Agreement and perform its obligations hereunder.

8.2 Mortgage Trust Services warrants and represents to each other party to this Agreement (including the Trustee) that it is beneficially entitled to the interest under clause 4 and is resident in the United Kingdom for United Kingdom tax purposes.

9. ENFORCEMENT, SUBORDINATION AND NO PETITION

9.1 Mortgage Trust Services agrees with the Trustee and the Issuer that its rights against the Issuer under this Agreement are limited to the extent that it will not take any action or proceedings against the Issuer to recover any amounts payable by the Issuer to it under this Agreement except to the extent permitted by the provisions of the Deed of Charge, the Priority of Payments and the Servicing Agreement unless and until all sums thereby required to be paid or provided for in priority thereto have been paid or will be discharged in full.

9.2 Mortgage Trust Services further agrees that only the Trustee may enforce the Security created in favour of the Trustee by the Deed of Charge in accordance with the provisions thereof and Mortgage Trust Services shall not take any steps for the purpose of recovering any debts owing to it by the Issuer except to the extent permitted by the provisions of the Deed of Charge.

9.3 In the event that the security created by or pursuant to the Deed of Charge for this Agreement is enforced and the proceeds of such enforcement are insufficient after payment of all other claims (actual, contingent or prospective) ranking in priority to this Agreement to pay in full the outstanding balance of the Start-Up Loan and any interest thereon, the parties shall take such action as is necessary to ensure that Mortgage Trust Services shall have no further claim against the Issuer in respect of such unpaid amounts other than in respect of interest nor shall the Issuer have any further obligations pursuant to this Agreement.

9.4 Mortgage Trust Services hereby agrees with the Issuer and the Trustee that until the expiry of two years following the payment of all sums outstanding and owing by the Issuer under the Notes, it shall not take any corporate action or other steps, legal proceedings for the winding-up, dissolution or re-organisation of the Issuer, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets.

9.5 No recourse under any obligation, covenant, or agreement of the Issuer contained in this Agreement shall be had against any shareholder, officer or director (save in respect of any director's fraudulent acts or defaults) of the Issuer as such, by the enforcement of any

assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the Issuer and no personal liability shall attach to or be incurred by the shareholders, officers, agents or directors (save in respect of any director's fraudulent acts or defaults) of the Issuer as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the Issuer of any of such obligations, covenants or agreements, either at common law or at equity, or by statute or constitution, of every such shareholder, officer, agent or director (save in respect of any director's fraudulent acts or defaults) is hereby expressly waived by Mortgage Trust Services as a condition of and consideration for the execution of this Agreement.

9.6 Without prejudice to the foregoing provisions of this clause 9, Mortgage Trust Services hereby covenants with the Issuer and the Trustee that if, whether in the liquidation of the Issuer or otherwise, any payment (whether of principal, interest or otherwise) is received by it in respect of the Loan other than in accordance with the Deed of Charge, Priority of Payments or the Servicing Agreement, the amount so paid shall be received and held by Mortgage Trust Services upon trust for the Trustee and shall be paid over to the Trustee forthwith upon receipt provided however that this clause 9.6 shall have effect only to the extent that it does not constitute or create and is not deemed to constitute or create any mortgage, charge or other Security Interest of any kind.

9.7 The Trustee acknowledges that it holds the security created pursuant to the Deed of Charge on trust for, *inter alia*, Mortgage Trust Services and that it is bound by the terms thereof.

9.8 Mortgage Trust Services hereby covenants with the Trustee that it will not set off or claim to set off the Loan or any interest thereon or any part of either thereof against any liability owed by it to the Issuer save in accordance with any express provisions of the Deed of Charge entitling it to do so.

10. PAYMENTS

All payments to be made hereunder shall be made in sterling in immediately available funds and shall be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of any nature imposed or levied by, or on behalf of, the United Kingdom or any authority in the United Kingdom having power to tax unless required by law. If any sum falls due on a day which is not a Business Day, it shall be paid on the preceding Business Day.

11. ASSIGNMENT

11.1 The Issuer may assign all its rights under this Agreement to the Trustee pursuant to the Deed of Charge with Mortgage Trust Services' prior consent (such consent is hereby given). Mortgage Trust Services may assign its rights hereunder, including by way of security, provided that the assignee is within the charge to United Kingdom corporation tax as respects payments made and received under this Agreement.

11.2 If there is any change in the identity of the Trustee pursuant to the terms of the Trust Deed, Mortgage Trust Services and the Issuer shall execute such documents and take such actions as the new Trustee and the outgoing Trustee (as the case may be) may reasonably require for the purpose of vesting in the new Trustee the rights of the Trustee under this Agreement.

12. VARIATION

No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each of the parties. Such variation shall be notified to the Rating Agencies as soon as practicable by the Issuer.

13. INVALIDITY OF ANY PROVISION

If any of the provisions of this Agreement become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

14. NOTICES

Each communication to be made under this Agreement shall be made in writing but, unless otherwise stated, may be made by facsimile or letter. Any communication or document to be made or delivered by one person to another under this Agreement shall (unless that other person has by fifteen days' written notice to the first person specified another address) be made or delivered to that other person at the address identified in clause 3 of the Master Definitions Schedule and shall be deemed to have been made or delivered when despatched (in the case of any communication made by facsimile) or (in the case of any communication made by letter) when left at that address or (as the case may be) ten days after being deposited in the post postage prepaid in an envelope addressed to it at that address, provided always that any communication or document deemed made or delivered on a day which is not a Business Day shall be deemed to have been so made or delivered on the next following Business Day.

15. TRUSTEE AS A PARTY

The Trustee has agreed to become a party to this Agreement solely for the purpose of taking the benefit of clause 9 and for agreeing amendments to this Agreement pursuant to clause 11 and 12 and the Trustee shall assume no obligations or liabilities whatsoever to or of Mortgage Trust Services or the Issuer and shall pursue no rights or powers whatsoever (other than under Clauses 9, 11 and 12) by virtue of the provisions of this Agreement.

16. NO PARTNERSHIP

Nothing in this Agreement (or in any of the arrangements contemplated hereby) shall, or shall be deemed to, constitute a partnership amongst the parties to this Agreement.

17. THIRD PARTY RIGHTS

No person, other than a party to this Agreement, 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.

18. GOVERNING LAW

This Agreement is governed by, and shall be construed in accordance with, English law.

19. COUNTERPARTS

This Agreement may be executed in any number of originals each of which shall have equal validity.

IN WITNESS whereof the parties hereto have signed the day and year first before written.

Signed by)
for and on behalf of) /s/ Adem Mehmet
Mortgage Trust Services plc)

Signed by)
for and on behalf of) /s/ Adem Mehmet
First Flexible No. 6 plc)

Signed by)
for and on behalf of) /s/ Jillian Hamblin
Citibank Trustee Company Limited)

SCHEDULE I

Notice of Drawdown

From: First Flexible No. 6 plc

To: Mortgage Trust Services plc

Dear Sirs,

1. We refer to the start-up loan agreement (the "**Start-up Loan Agreement**") dated 29 January 2004 and made between, *inter alia*, First Flexible No. 6 plc and yourselves. Terms defined in the Start-up Loan Agreement have the same meaning in this notice.
2. We hereby give you notice that, pursuant to the Start-up Loan Agreement and upon the terms and subject to the conditions contained therein, we wish the following Tranche [C/D/E] Drawdown(s) to be made to us:
 - (a) Amount
 - (b) Date drawdown to be made
3. We hereby confirm:
 - (a) the Tranche Drawdown requested by this Notice is no more than previously [either] the Available Tranche [C/D/E] Facility [or the sum of the Expected Differentials of the Pre-Funded Mortgages to be purchased by the Issuer at the time of the relevant advance]; and
 - (b) the conditions set out in clause 3 of the Start-Up Loan Agreement are met for the purposes of this Notice.

Yours faithfully,

.....
for and on behalf of
FIRST FLEXIBLE NO. 6 PLC