

PARAGON MORTGAGES (NO. 11) PLC
AS ISSUER

THE ROYAL BANK OF SCOTLAND PLC
AS REMARKETING AGENT AND A1 NOTE CONDITIONAL PURCHASER

DEUTSCHE BANK A.G., LONDON BRANCH
AS A1 NOTE CONDITIONAL PURCHASER

PARAGON FINANCE PLC AS ADMINISTRATOR
MORTGAGE TRUST SERVICES PLC AS ADMINISTRATOR
PARAGON MORTGAGES LIMITED AS TITLE HOLDER
MORTGAGE TRUST LIMITED AS TITLE HOLDER

AND

CITICORP TRUSTEE COMPANY LIMITED AS TRUSTEE

A1 NOTE CONDITIONAL PURCHASE AGREEMENT

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THIS AGREEMENT is made on 23 March 2006 between

- (1) PARAGON MORTGAGES (NO. 11) PLC (the "Issuer");
- (2) THE ROYAL BANK OF SCOTLAND PLC ("RBS" or, in its capacity as purchaser hereunder, an "A1 Note Conditional Purchaser");
- (3) DEUTSCHE BANK A.G., LONDON BRANCH ("Deutsche Bank" or, in its capacity as purchaser hereunder, the "A1 Note Conditional Purchaser" and together with RBS an "A1 Note Conditional Purchasers");
- (4) THE ROYAL BANK OF SCOTLAND PLC (the "Remarketing Agent" which term also includes any successor remarketing agent appointed pursuant to the Remarketing Agreement, (as defined below));
- (5) PARAGON FINANCE PLC ("PFPLC");
- (6) MORTGAGE TRUST SERVICES PLC ("MTS", in its capacity as an Administrator under the Administration Agreement, together with PFPLC, the "Administrators", and each an "Administrator");
- (7) PARAGON MORTGAGES LIMITED ("PML");
- (8) MORTGAGE TRUST LIMITED ("MTL" and, together with MTS (in its capacity as Seller under the Mortgage Sale Agreement) and PML, the "Title Holders", and each a "Title Holder"); and
- (9) CITICORP TRUSTEE COMPANY LIMITED (the "Trustee").

WHEREAS

- (A) The Issuer proposes to issue mortgage backed floating rate notes comprising \$985,000,000 A1 Mortgage Backed Floating Rate Notes due 2041 (the "Class A1 Notes"), which will be subject to, and constituted by, a trust deed dated on or about the Closing Date between, *inter alios*, the Issuer and the Trustee.
- (B) By a subscription agreement dated 17 March 2006 (the "Subscription Agreement"), the Issuer, PFPLC, the Managers and others have agreed between them in relation to the proposed issue (the "Issue") and subscription of \$985,000,000 in aggregate principal amount of the Class A1 Notes upon the terms and subject to the conditions contained therein.
- (C) In connection with the Issue, the Issuer will also execute and deliver, on or before the Closing Date, an ISDA Master Agreement (including the schedules and annexes thereto and confirmation thereunder) in respect of a currency swap transaction relating to the Class A1 Notes (the "Currency Swap A1 Agreement").
- (D) Pursuant to an agreement (the "Remarketing Agreement") between, *inter alios*, the Issuer, the Remarketing Agent, the Tender Agent and the Trustee, the Issuer has appointed the Remarketing Agent to act as its agent to identify third party purchasers to

acquire the Class A1 Notes from the then holders on the A1 Interest Payment Date falling in January 2007 and each subsequent A1 Interest Payment Date falling in each January thereafter (each such date an "A1 Note Mandatory Transfer Date") prior to the occurrence of a Remarketing Termination Event and to carry out certain other related functions as described therein. Citibank N.A., London Branch (the "Tender Agent", which term also includes any successor tender agent appointed pursuant to the Remarketing Agreement) has been appointed to facilitate the transfers of the Class A1 Notes on each A1 Note Mandatory Transfer Date by, *inter alia*, arranging and delivering payment to and by the A1 Noteholders. Under the terms of the A1 Note Mandatory Transfer Arrangements referred to in Condition 5(i), the Issuer is required to procure the mandatory transfer of the Class A1 Notes on each A1 Note Mandatory Transfer Date prior to:

- (i) the Class A1 Notes being fully redeemed or a notice being given to the A1 Noteholders in accordance with Condition 5(d);
- (ii) an Event of Default under the Notes occurring prior to such A1 Note Mandatory Transfer Date, and continuing; or
- (iii) an A1 Note Mandatory Transfer Termination Event (as defined in the Remarketing Agreement) occurring prior to the relevant A1 Note Mandatory Transfer Date.

The A1 Note Conditional Purchasers will agree on the terms of this Agreement to purchase the Class A1 Notes on an A1 Note Mandatory Transfer Date in the event that the Class A1 Notes are not purchased in accordance with the Remarketing Agreement on the relevant A1 Note Mandatory Transfer Date, subject to the occurrence of specified events and limitations on each A1 Note Conditional Purchaser's ability to fund its obligations.

NOW IT IS AGREED as follows:

1. AGREEMENTS BY THE A1 NOTE CONDITIONAL PURCHASERS AND THE ISSUER

1.1 Definitions

Save as otherwise defined herein (including in the recitals), any capitalised term used in this Agreement shall have the same meaning as is given to it in the Remarketing Agreement. The rules of interpretation in the Remarketing Agreement shall also apply.

1.2 Remarketing of Class A1 Notes and Purchase by A1 Note Conditional Purchasers

- (a) Each of the A1 Note Conditional Purchasers agrees severally to purchase half of the Class A1 Notes at half the A1 Note Mandatory Transfer Price payable on any A1 Note Mandatory Transfer Date, on the terms of this Agreement and the documents referred to in Schedule 1 and any other documents ancillary thereto ("**Relevant Documents**") as specified in the Conditional Purchase Activation Notice served on the A1 Note Conditional Purchasers described in this Clause.

- (b) If paragraph (c)(i) below applies, the Remarketing Agent, or if paragraph (c)(ii) below applies, either the Issuer or the Administrator (on the Issuer's behalf), will give notice to the A1 Note Conditional Purchasers in writing, substantially in the form of Schedule 2 hereto (a "**Conditional Purchase Activation Notice**"), no later than three Business Days prior to the relevant A1 Note Mandatory Transfer Date, such notice to be irrevocable.
- (c) A Conditional Purchase Activation Notice shall be a notice from: (i) the Remarketing Agent certifying (x) that it is unable to procure the purchase of the Class A1 Notes in accordance with the Remarketing Agreement at a percentage margin which is less than the Maximum Reset Margin or (y) that its remarketing obligations in the Remarketing Agreement have been terminated pursuant to a Remarketing Termination Event (as defined in the Remarketing Agreement) (other than in respect of an Event of Default on the Notes); or (ii) from the Issuer or the Administrator on behalf of the Issuer if (x) the Issuer or the Administrator on its behalf has reasonable grounds to believe both that the Class A1 Notes cannot be placed entirely with third party purchasers on the A1 Note Mandatory Transfer Date as set out in (i) above and that the Remarketing Agent will fail to serve the notice required, or (y) following the occurrence of a Remarketing Termination Event or a Remarketing Agent Termination Event (as defined in the Remarketing Agreement) where the Issuer or the Administrator on behalf of the Issuer (if so procured by the Issuer) or the A1 Note Conditional Purchasers fail to find an alternative entity to act as remarketing agent by the date which is 20 days prior to the relevant A1 Note Mandatory Transfer Date.
- (d) The Conditional Purchase Activation Notice shall specify the interests in the Class A1 Notes to be purchased by the A1 Note Conditional Purchasers on the relevant A1 Note Mandatory Transfer Date (the "**Conditionally Purchased Class A1 Notes**"), which shall be all the Class A1 Notes outstanding on the relevant A1 Note Mandatory Transfer Date.
- (e) The Conditional Purchase Activation Notice shall also specify the amount representing the aggregate A1 Note Mandatory Transfer Price payable (if any) which shall be sufficient upon exchange for USD under the Currency Swap A1 Agreement to repay to the relevant Class A1 Noteholders in order for the A1 Note Conditional Purchasers to satisfy their respective obligations under this Agreement and shall confirm to the A1 Note Conditional Purchasers that no Event of Default with respect to the Class A1 Notes is then outstanding.
- (f) The obligation of each A1 Note Conditional Purchaser to purchase half of the Class A1 Notes and pay half of the A1 Note Mandatory Transfer Price on an A1 Note Mandatory Transfer Date shall cease forthwith: (i) upon redemption in full of the Class A1 Notes or a notice has been given to the A1 Noteholders in accordance with Condition 5(d); (ii) if an Event of Default under the Class A1 Notes is in existence at the time a Conditional Purchase Activation Notice

is to be given or thereafter but prior to the purchase on such A1 Note Mandatory Transfer Date; or (iii) if an A1 Note Mandatory Transfer Termination Event has already occurred prior to that A1 Note Mandatory Transfer Date.

- (g) Half of the Class A1 Notes will be purchased by each A1 Note Conditional Purchaser, each A1 Note Conditional Purchaser being liable on a several basis for half of the A1 Note Mandatory Transfer Price. For the avoidance of doubt, on this A1 Note Mandatory Transfer Date, the Currency Swap A1 Agreement will terminate and the Issuer will not be responsible for any swap transactions in respect of the Class A1 Notes. However, the A1 Note Conditional Purchasers may enter into any swap transactions as they, in their discretion, see fit.
- (h) The A1 Note Conditional Purchasers will pay the A1 Note Mandatory Transfer Price to the Currency Swap Provider (which payment shall represent the Party B Final Exchange Amount under and as defined in the Currency Swap A1 Agreement). The Currency Swap Provider will pay such amount in USD to the Tender Agent (which payment shall represent the Party A Final Exchange Amount under, and as defined in the Currency Swap A1 Agreement). The Tender Agent will pay an amount equal to the Party A Final Exchange Amount received to the A1 Noteholders.

The bank details of the Currency Swap Provider are as follows:

Bank: Barclays Bank PLC, 1 Churchill Place, London, E14 5HP
S/C: 20-00-00
Swift: BARCGB22
A/C: Barclays Swaps
A/C No.: 152021

- (i) Following the purchase of half of the Class A1 Notes by each A1 Note Conditional Purchaser, the margin on such Class A1 Notes will be reset to the sum of the applicable reference rate, which is three month GBP LIBOR plus the Maximum Reset Margin. Any payments of principal or interest in respect of the Class A1 Notes will be made in sterling using the A1 Note Mandatory Transfer Price (which represents the GBP Equivalent Principal Amount Outstanding on the Class A1 Notes) as a reference amount for the calculation of such payments and taking into account subsequent amortisations thereof until the Class A1 Notes are redeemed. Accordingly, the amortisation and redemption of the Class A1 Notes following their purchase by the A1 Note Conditional Purchasers, will be based on the GBP Equivalent Principal Amount Outstanding of the Class A1 Notes immediately prior to their purchase by the A1 Note Conditional Purchaser on the relevant A1 Note Mandatory Transfer Date.

Each A1 Note Conditional Purchaser undertakes that, following its purchase of half of the Class A1 Notes on any A1 Note Mandatory Transfer Date, it

will make such arrangements and take such actions as are required in respect of the Class A1 Notes held by it, including in relation to the clearing of such Class A1 Notes by DTC or any other Clearing System, as applicable, or otherwise in order that the provisions of this Clause 1.2(i) are followed.

1.3 Accession

Following the purchase of the Class A1 Notes by the A1 Note Conditional Purchasers in accordance with this Agreement, any subsequent transfer of the Class A1 Notes shall be conditional on an Accession Deed in the form contained in Schedule 3 of this Agreement being entered into by the transferee prior to such transfer.

1.4 Closing of Mandatory Transfer

(a) In accordance with Clause 1.2(h), as soon as is practicable in the working day in New York on the relevant A1 Note Mandatory Transfer Date, each A1 Note Conditional Purchaser will pay or cause to be paid to the holders of the Conditionally Purchased Class A1 Notes to be purchased by such A1 Note Conditional Purchaser as directed by the Remarketing Agent and/or the Tender Agent and/or the Issuer/Administrator (if notice is given pursuant to Clause 1.2(c)(ii)) the A1 Note Mandatory Transfer Price in respect of the relevant Conditionally Purchased Class A1 Notes specified in the Conditional Purchase Activation Notice.

(b) In consideration of such payment on the relevant A1 Note Mandatory Transfer Date, the Issuer or Administrator will procure the transfer of interests in the Conditionally Purchased Class A1 Notes to the relevant A1 Note Conditional Purchaser.

2. FEES

In consideration of the agreement by each A1 Note Conditional Purchaser to purchase and pay for the Class A1 Notes under the terms of this Agreement, the Issuer agrees to pay or procure the payment to the A1 Note Conditional Purchasers of an aggregate fee equal to 0.06% of the GBP Equivalent Initial Principal Amount of the Class A1 Notes to be divided equally between them. Such fee shall be paid on the Closing Date.

3. COSTS AND EXPENSES

The Issuer will reimburse each A1 Note Conditional Purchaser its properly and reasonably incurred legal and other expenses in connection with its entry into this Agreement.

4. UNDERTAKINGS, COVENANTS, REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Issuer and A1 Note Conditional Purchasers

Each of the Issuer and the A1 Note Conditional Purchasers hereby represents and warrants to the others that as at the date of this Agreement:

(a) such party is a limited liability company duly organised and incorporated and validly existing under the laws of the jurisdiction of its

organisation/incorporation and has full power, authority and legal right to execute, deliver and perform its obligations under this Agreement;

- (b) such party has not taken any corporate action nor (to the best of its knowledge and belief) have any other steps been taken or legal proceedings been started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver or similar officer of it or of any or all of its assets or revenues;
- (c) the execution, delivery and performance of this Agreement by such party (i) has been duly authorised by all necessary action on the part of such party, (ii) does not require such party to obtain any consent or approval of, or effect any filing or registration with, any governmental or public regulatory body or authority (except such as have been obtained or effected) and (iii) does not violate any law or regulation, or order or decree of any court or governmental authority, to which such party is subject; and
- (d) this Agreement constitutes a legal, valid and binding obligation of such party enforceable in accordance with its terms, except as enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganisation, moratorium or other similar laws relating to or affecting creditors' rights generally and (ii) general equitable principles.

4.2 Representations and warranties of the Issuer

The Issuer hereby represents and warrants to each A1 Note Conditional Purchaser that the representations and warranties of the Issuer contained in the Subscription Agreement are true and correct as at the Closing Date.

4.3 Representations and warranties of the Administrators

Each Administrator hereby represents and warrants to each A1 Note Conditional Purchaser that the representations and warranties made by it in the Subscription Agreement are true and correct as at the Closing Date.

4.4 Representations and warranties of the Title Holders

Each Title Holder hereby represents and warrants to each A1 Note Conditional Purchaser that the representations and warranties made by it in the Subscription Agreement are true and correct as at the Closing Date.

4.5 Representations and Warranties of the A1 Note Conditional Purchaser

Each A1 Note Conditional Purchaser represents and warrants to the Issuer and the Trustee:

- (a) that it will pay half of the A1 Note Mandatory Transfer Price free and clear of any withholding tax, unless such tax is required under any applicable law to be deducted or withheld. If any such tax is required under any applicable law to be deducted or withheld, it will increase its proportion of the A1 Note Mandatory Transfer Price to the extent necessary so that the recipients will

receive the amount that would have been paid absent such deduction or withholding, provided, however, that in the event that a payment of principal by the Issuer in respect of any Note on the relevant A1 Note Mandatory Transfer Date is itself subject to withholding tax, an A1 Note Conditional Purchaser will not be required to increase its proportion of the A1 Note Mandatory Transfer Price in respect of any withholding tax to the extent it is also subject to withholding tax;

- (b) it shall not assign, transfer or dispose of any of its rights or obligations under this Agreement without the prior written consent of the Issuer or Administrator on behalf of the Issuer (such consent not to be unreasonably withheld or delayed);
- (c) it shall not enter into any arrangement, understanding or contract with any person (other than the Issuer) requiring it to consult with any person (other than the Issuer) or act on the instructions or recommendations of any person (other than the Issuer) in each case in connection with its rights or obligations under this Agreement. For the avoidance of doubt, nothing in this Clause 4.5(c) shall prevent each A1 Note Conditional Purchaser from seeking legal or any other professional advice in connection with its rights or obligations under this Agreement, the costs of which shall be borne by them;
- (d) it will notify in writing as soon as is practicable the Issuer, the Administrator and the Trustee (i) of any breach by it of any representation or warranty made in this Agreement, (ii) if any event occurs that would be likely to result in a breach of a representation or warranty made by it in this Agreement; or (iii) that it is unable to satisfy any of its obligations under this Agreement, and in each case such breach or potential breach would be likely to have a material adverse effect on the A1 Noteholders; and
- (e) it will maintain any consents and approvals of any court, government department or other regulatory body in any jurisdiction to which it is subject, required for the performance by it of its obligations under this Agreement.

4.6 Covenants of the Issuer

The Issuer covenants and agrees with each A1 Note Conditional Purchaser that it will comply with the covenants made by it in the Subscription Agreement.

4.7 Covenants of the Administrators

Each Administrator covenants and agrees with each A1 Note Conditional Purchaser that it will comply with the covenants made by it in the Subscription Agreement.

4.8 **Covenants of the Title Holders**

Each Title Holder covenants and agrees with each A1 Note Conditional Purchaser that it will comply with the covenants made by it in the Subscription Agreement.

5. **INDEMNIFICATION**

- 5.1 Each A1 Note Conditional Purchaser enters into this Agreement on the basis of the representations, warranties and agreements on the part of the Issuer, PFPLC, MTS (in its capacity as Administrator) and the Title Holders (the "**Representing Companies**") in this Agreement with the intention that the same shall be true and accurate in all material respects on the Closing Date, in each case with reference to the facts and circumstances then subsisting, and each Representing Company undertakes with each A1 Note Conditional Purchaser that it will hold each A1 Note Conditional Purchaser and their respective directors and officers fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses or demands which they (or any of them) may incur or which may be made against them (or any of them) as a result of or arising out of, or in relation to, any misrepresentation or alleged misrepresentation or any breach or alleged breach of any of the aforesaid representations, covenants or agreements by any Representing Company unless such losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses or demands arise out of or are the result of the negligence or wilful default of an A1 Note Conditional Purchaser whereupon such A1 Note Conditional Purchaser shall not receive the benefit of this Clause 5.1.
- 5.2 The indemnities referred to in Clause 5.1 above shall, respectively, extend to include all costs, charges and expenses which an A1 Note Conditional Purchaser may pay or incur in investigating, disputing or defending any claim or action or other proceedings in respect of which any Representing Company has or may have a liability to indemnify under Clause 5.1 above. If any action, proceeding, claim or demand shall be brought or asserted against an A1 Note Conditional Purchaser in respect of which any Representing Company has or may have a liability to indemnify as provided in Clause 5.1 above, such A1 Note Conditional Purchaser shall promptly notify each Representing Company against whom such indemnity is to be sought in each case in writing, and the relevant Representing Company shall have the option to assume the defence thereof, including the employment of legal advisers selected by the relevant Representing Company and (in any case where such action, proceeding, claim or demand is made against an A1 Note Conditional Purchaser) approved by the relevant A1 Note Conditional Purchaser (such approval not to be unreasonably withheld), subject to the payment by the relevant Representing Company of all fees and expenses relating thereto: provided that if the defendants in any such action, proceeding, claim or demand include the relevant Representing Company and the relevant A1 Note Conditional Purchaser, and such A1 Note Conditional Purchaser shall have reasonably concluded that there may be legal defences available to it which are different from or additional to those available to the relevant Representing Company and in the event that the relevant Representing Company does not wish to assume or is prevented from assuming such different or additional legal defences on behalf of such A1 Note

Conditional Purchaser, such A1 Note Conditional Purchaser shall have the right at the expense of the relevant Representing Company to select separate legal advisers to assume such legal defences and otherwise to participate in the defence of such action, proceeding, claim or demand on its behalf.

5.3 Upon receipt of notice from a Representing Company of its election so to assume the defence of any such action, proceeding, claim or demand in respect of which it has or may have a liability to indemnify as provided in Clause 5.1 above, and approval (where required by Clause 5.2 above) by an A1 Note Conditional Purchaser as aforesaid of legal advisers, the relevant Representing Company will not be liable to such A1 Note Conditional Purchaser under this Clause 5.3 for any fees or expenses otherwise incurred by such A1 Note Conditional Purchaser in connection with any such defence thereof unless:

- (a) the relevant A1 Note Conditional Purchaser shall have employed legal advisers in connection with the assumption of legal defences in accordance with the proviso to Clause 5.2 above; or
- (b) the relevant Representing Company shall not have employed legal advisers approved by or on behalf of the relevant A1 Note Conditional Purchaser to represent such A1 Note Conditional Purchaser within a reasonable time after notice of commencement of the action or proceedings or the making of any claim or demand; or
- (c) the relevant Representing Company has authorised the employment of separate legal advisers by the relevant A1 Note Conditional Purchaser,

in which case it will reimburse the relevant A1 Note Conditional Purchaser all such fees and expenses.

5.4 If any such action, proceeding, claim or demand in respect of which a Representing Company has or may have a liability to indemnify as provided in Clause 5.1 above shall be settled with the consent of the relevant Representing Company (such consent not to be unreasonably withheld) or if there be a final judgment for the claimant in relation thereto, the relevant Representing Company agrees to indemnify and hold harmless each A1 Note Conditional Purchaser from and against any loss or liability by reason of such settlement or judgment (other than any fees or expenses incurred in circumstances where the relevant Representing Company is not to be liable therefor under Clause 5.3 above).

6. TERMINATION

6.1 Notwithstanding anything contained herein, this Agreement shall terminate upon the occurrence of an A1 Note Mandatory Transfer Termination Event or if the A1 Note Conditional Purchasers otherwise cease to be under an obligation to pay the A1 Note Mandatory Transfer Price by virtue of Clause 1.2(f).

6.2 Upon such termination in accordance with Clause 6.1, this Agreement shall terminate and be of no further effect and no party shall be under any liability to any other in respect of this Agreement except that (i) the Issuer, the Administrators and the Title Holders shall remain liable under Clause 5 to indemnify each A1 Note Conditional Purchaser in accordance with the terms thereof for any breach of any representation or warranty contained in Clause 4, (ii) the Issuer shall remain liable under Clause 3 for the payment of the costs and expenses already incurred or incurred in consequence of such termination and (iii) each A1 Note Conditional Purchaser and any subsequent transferees shall be required to comply with the provisions of Clause 1.2(i) and Clause 1.3.

7. UNDERTAKINGS

The undertakings and indemnities in this Agreement shall continue in full force and effect despite completion of any investigation made by or on behalf of the A1 Note Conditional Purchasers.

8. NOTICE

Any communication under or in respect of this Agreement shall be given by letter, or by telex or facsimile transmission and shall be sent:

(a) if to the Issuer, to it at:

St Catherine's Court
Herbert Road
Solihull
West Midlands
B91 3QE

Tel no.: 0121 712 2323

Fax no.: 0121 712 2699

Attention: Company Secretary

- (b) if to The Royal Bank of Scotland plc as an A1 Note Conditional Purchaser, to it at:

135 Bishopsgate
London
EC2M 3UR

Tel no.: 020 7085 3498
Fax no.: 020 7085 3607

- (c) if to The Royal Bank of Scotland plc as Remarketing Agent, to it at:

135 Bishopsgate
London
EC2M 3UR

Tel no.: 020 7085 3498
Fax no.: 020 7085 3607

- (d) if to Deutsche Bank A.G., London Branch as an A1 Note Conditional Purchaser, to it at:

Winchester House
1 Great Winchester Street
London
EC2N 2DB

Fax no.: 020 7545 8510
Attention: Managing Director, Securitised Products Group

- (e) if to the Trustee, to it at:

Citigroup Centre, 14th Floor
Canada Square
Canary Wharf
London
E14 5LB

Attention: Agency & Trust
Facsimile No. 020 7500 5248

- (f) if to PFPLC, to it at:

St Catherine's Court
Herbert Road
Solihull
West Midlands
B91 3QE

Tel no.: 0121 712 2323
Fax no.: 0121 712 2699
Attention: Company Secretary

(g) if to MTS, to it at:

St Catherine's Court
Herbert Road
Solihull
West Midlands
B91 3QE

Tel no.: 0121 712 2323
Fax no.: 0121 712 2699
Attention: Company Secretary

(h) if to PML, to it at:

St Catherine's Court
Herbert Road
Solihull
West Midlands
B91 3QE

Tel no.: 0121 712 2323
Fax no.: 0121 712 2699
Attention: Company Secretary

(i) if to MTL, to it at:

St Catherine's Court
Herbert Road
Solihull
West Midlands
B91 3QE

Tel no.: 0121 712 2323
Fax no.: 0121 712 2699
Attention: Company Secretary

Any such communication shall take effect, in the case of a letter, at the time of delivery, in the case of facsimile transmission, at the time of despatch or, in the case of telephone, when made.

Any communication by telephone shall be confirmed by letter but failure to send or receive the letter of confirmation shall not invalidate the original communication.

9. OBLIGATIONS OF THE A1 NOTE CONDITIONAL PURCHASERS

The obligations of each A1 Note Conditional Purchaser under this Agreement are several. Failure by an A1 Note Conditional Purchaser to perform its obligations under this Agreement does not affect the obligations of the other A1 Note Conditional Purchaser under this Agreement. An A1 Note Conditional Purchaser is not responsible for the obligations of the other A1 Note Conditional Purchaser under this Agreement.

10. NON-PETITION

Each A1 Note Conditional Purchaser undertakes to the Issuer that, until one year and one day has elapsed since the last day on which the Issuer has discharged all of its obligations in relation to the Notes, it will not petition or commence proceedings for the administration or winding-up of the Issuer (nor join any person in such proceedings or commencement of proceedings) nor commence any legal proceedings against the Issuer.

11. TIME OF ESSENCE

Any date or period specified in this Agreement may be postponed or extended by mutual agreement among the parties, but as regards any date or period originally fixed or so postponed or extended, time shall be of the essence.

12. COUNTERPARTS

This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

13. RIGHTS OF THIRD PARTIES

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

14. GOVERNING LAW AND JURISDICTION

14.1 Governing Law

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

14.2 Jurisdiction:

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly any legal action or proceedings arising out of or in connection with this Agreement ("**Proceedings**") may be brought in such courts. The parties to this Agreement hereby irrevocably submit to the jurisdiction of such courts and waive any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the

parties to this Agreement and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

IN WITNESS WHEREOF the parties have caused this Agreement to be duly executed as of the date first written above.



SIGNATURES

PARAGON MORTGAGES (NO. 11) PLC

By: JOHN ALEXANDER HARVEY

THE ROYAL BANK OF SCOTLAND PLC (as Remarketing Agent)

By: NICK RICE

THE ROYAL BANK OF SCOTLAND PLC (as A1 Note Conditional Purchaser)

By: NICK RICE

DEUTSCHE BANK A.G., LONDON BRANCH (as A1 Note Conditional Purchaser)

By: JAMIE PRATT

By: TOM MEIER

PARAGON FINANCE PLC

By: JOHN ALEXANDER HARVEY

A1 Note Conditional Purchase
Agreement

CONFORMED COPY

MORTGAGE TRUST SERVICES PLC

By: JOHN ALEXANDER HARVEY

PARAGON MORTGAGES LIMITED

By: JOHN ALEXANDER HARVEY

MORTGAGE TRUST LIMITED

By: JOHN ALEXANDER HARVEY

CITICORP TRUSTEE COMPANY LIMITED

By: MARNE LIDSTER

SCHEDULE 1
RELEVANT DOCUMENTS

- (1) the Paying Agency Agreement;
- (2) the Trust Deed;
- (3) the Deed of Charge;
- (4) the Mortgage Sale Agreement;
- (5) the Administration Agreement;
- (6) the Subordinated Loan Agreement;
- (7) the Subscription Agreement;
- (8) the Supplemental Deeds of Declaration of Trust and the Thirty Third Supplemental VAT Deed of Declaration of Trust;
- (10) the Basis Hedge Agreements;
- (11) the Currency Swap A1 Agreement;
- (12) the Post Enforcement Call Option;
- (13) this Agreement; and
- (14) the Remarketing Agreement.

SCHEDULE 2
CONDITIONAL PURCHASE ACTIVATION NOTICE

[on the letterhead of the Issuer, PFPLC as Administrator or the Remarketing Agent, as the case may be]

To: The Royal Bank of Scotland plc :
135 Bishopsgate :
London :
EC2M 3UR :
Tel no.: 020 7085 3498
Fax no.: 020 7085 3607

To: Deutsche Bank A.G., London Branch:
Winchester House :
1 Great Winchester Street :
EC2N 2DB :
Fax no.: 020 7545 8510
Attention: Managing Director, Securitised Products Group

[Date]

Dear Sirs

All terms used herein shall have the meanings specified in or by reference to the A1 Note Conditional Purchase Agreement entered into on 23 March 2006 between, among others, the Issuer, each Administrator, The Royal Bank of Scotland plc and Deutsche Bank A.G., London Branch (the "Agreement").

In respect of the A1 Note Mandatory Transfer Date arising on [•] pursuant to Clauses 1.2(b) and 1.2(c) of the Agreement, we hereby:

- (a) confirm that the Class A1 Notes have not been sold to third parties pursuant to the Remarketing Agreement/a Remarketing Termination Event has occurred;
- (b) notify you that the amount payable by The Royal Bank of Scotland plc by way of the A1 Note Mandatory Transfer Price is GBP[•] and that the amount payable by Deutsche Bank A.G., London Branch by way of the A1 Note Mandatory Transfer Price is GBP[•];
- (c) confirm that no Event of Default with respect to the Class A1 Notes is currently outstanding;
- (d) confirm that the Agreement has not terminated; and
- (e) confirm that no optional redemption in full of the Class A1 Notes has been elected for such A1 Note Mandatory Transfer Date.

Yours faithfully,

For and on behalf of

The Royal Bank of Scotland plc (if Clause 1.2(c) (i) is applicable) or
[Issuer/Administrator (if Clause 1.2(c) (ii) is applicable)]

SCHEDULE 3
FORM OF ACCESSION DEED

To: Paragon Mortgages (No.11) plc as Issuer

From: [•], the Transferee

Date:

THIS DEED dated [•], refers to the A1 Note Conditional Purchase Agreement (the "A1 Note Conditional Purchase Agreement") dated 23 March 2006 and made between, among others, the Issuer and the A1 Note Conditional Purchasers (as the same may from time to time be amended, restated, novated or supplemented).

Words and expressions defined or incorporated by reference in the A1 Note Conditional Purchase Agreement have the same meaning when used in this Deed.

The Transferee hereby agrees to comply with and be bound by Clauses 1.2(i) and 1.3 of the A1 Note Conditional Purchase Agreement as if it had been an original party to such agreement in place of [•] as A1 Note Conditional Purchaser.

The Transferee is a company duly incorporated under the laws of *[name of relevant jurisdiction]*.

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

IN WITNESS WHEREOF this Deed has been executed by the Transferee as a deed on the day and year first above written.

Execution

Executed as a deed on behalf of

[•]

in the presence of:

Director

Director/Secretary