

(Multicurrency — Cross Border)

ISDA®

International Swap Dealers Association, Inc.

MASTER AGREEMENT

13 March 2006

dated as of

ABN AMRO BANK N.V.,
LONDON BRANCH ("Party A")

PARAGON MORTGAGES (NO. 11) PLC
("Party B")

..... and

and CITICORP TRUSTEE COMPANY LIMITED (the "Trustee")
have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows: —

1. Interpretation

- (a) **Definitions.** The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

- (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
- (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

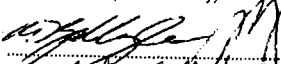
value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

ABN AMRO BANK N.V. LONDON BRANCH
(Name of Party)

PARAGON MORTGAGES
(NO. 11) PLC

(Name of Party)

By: 
Name: Michael Sallagher
Title: Attorney
Date: 6 March 2006

By: _____
Name: _____
Title: _____
Date: _____

And for the purpose of receiving notices in accordance with Sections 5 and 6

CITICORP TRUSTEE COMPANY LIMITED

By: _____
Name: _____
Title: _____
Date: _____

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

ABN.AMRO.BANK.N.V., LONDON.BRANCH
(Name of Party)

PARAGON MORTGAGES
(NO. 11) PLC

(Name of Party)

By:

Name:

Title:


Date:

By:

Name:

Title:

Date:


Stephen Bowcott
As Attorney
13 March 2006

And for the purpose of receiving notices in accordance with Sections 5 and 6

CITICORP TRUSTEE COMPANY LIMITED

By:

Name:

Title:

Date:

value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

ABN.AMRO.BANK.N.V.,LONDON.BRANCH
(Name of Party)

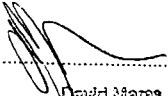
PARAGON MORTGAGES
(NO. 11) PLC
.....
(Name of Party)

By:
Name:
Title:
Date:

By:
Name:
Title:
Date:

And for the purpose of receiving notices in accordance with Sections 5 and 6

CITICORP TRUSTEE COMPANY LIMITED

By: 
Name: David Mares
Title: Director
Date: 13/3/06

SCHEDULE TO THE MASTER AGREEMENT

made on

13 March 2006

BETWEEN:

- (1) **ABN AMRO BANK N.V., LONDON BRANCH** acting through its office at 250 Bishopsgate, London EC2M 4AA ("**Party A**");
- (2) **PARAGON MORTGAGES (NO.11) PLC** ("**Party B**"); and
- (3) **CITICORP TRUSTEE COMPANY LIMITED** (the "**Trustee**", which expression shall include its successors and assigns and which has agreed to become a party to this Agreement solely for the purpose of taking the benefit of Part 5(b) and Part 5(l) of the Schedule to this Agreement).

PART 1 TERMINATION PROVISIONS

- (a) "**Specified Entity**" means:

in relation to Party A for the purpose of:

Section 5(a)(v), none

Section 5(a)(vi), none

Section 5(a)(vii), none

Section 5(b)(iv), none

and in relation to Party B for the purpose of:

Section 5(a)(v), none

Section 5(a)(vi), none

Section 5(a)(vii), none

Section 5(b)(iv), none.

- (b) "**Specified Transaction**" will have the meaning specified in Section 14.
- (c) The "**Cross Default**" provisions of Section 5(a)(vi) will not apply to Party A and will not apply to Party B.
- (d) The "**Credit Event Upon Merger**" provisions of Section 5(b)(iv) will not apply to Party A and will not apply to Party B.

- (e) The "Automatic Early Termination" provision of Section 6(a) will not apply to Party A and will not apply to Party B.

(f) **Payments on Early Termination**

For the purposes of Section 6(e) of this Agreement:

- (i) Market Quotation will apply.
- (ii) The Second Method will apply.
- (g) "Termination Currency" means Sterling.

PART 2 TAX REPRESENTATIONS

(a) **Payer Representations**

For the purpose of Section 3(e) of this Agreement, Party A and Party B will each make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on:

- (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement,
- (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement; and
- (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement,

provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) **Payee Representations**

For the purposes of Section 3(f) of this Agreement, Party A and Party B will make no representations.

Party A and Party B are referred to the additional representations made by Party A as set out in paragraph (h) of Part 5 of the Schedule to this Agreement.

PART 3 AGREEMENT TO DELIVER DOCUMENTS

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

- (a) Tax forms, documents or certificates to be delivered are:

N/A.

- (b) Other documents to be delivered are:

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party A and Party B	Appropriate evidence of its signatories' Authority	On signing of this Agreement	Yes
Party B	Certified copy of board resolution	On signing of this Agreement	Yes
Party B	Certified copy of Memorandum and Articles of Association	On signing of this Agreement	Yes

PART 4 MISCELLANEOUS

- (a) Addresses for Notices

For the purpose of Section 12(a) of this Agreement:

Any notice relating to a particular Transaction shall be delivered to the address or email address or facsimile or telex number specified in the Confirmation of such Transaction. Any notice delivered for purposes of Section 5 and 6 of this Agreement shall be delivered to the following address:

Address for notices or communications to Party A:

Address: 250 Bishopsgate, London EC2M 4AA

Attention: Laura McDonagh
Derivative Client Operations
CSG ABN AMRO BANK NV LONDON

Telephone No. + 44 207 678 3481

Facsimile No: +44 207 857 9598

Email Address: laura.mcdonagh@uk.abnamro.com

Address for notices or communications to Party B:

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

Attention: The Company Secretary

Facsimile No: 0121 712 2072

Email Address: Company_Secretary@Paragon-group.co.uk

With a copy to the Trustee:

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

Attention: Agency & Trust
Facsimile No: 020 7500 5248

(b) **Process Agent**

For the purpose of Section 13(c) of this Agreement:

Party A appoints as its Process Agent:

Legal Department
ABN Amro Bank N.V., London Branch
250 Bishopsgate
London EC2M 4AA

Party B appoints as its Process Agent: none.

(c) **Offices**

The provisions of Section 10(a) will apply to this Agreement.

(d) **Multibranch Party**

For the purpose of Section 10(c) of this Agreement:

Party A is not a Multibranch Party and will act through its London Branch.

Party B is not a Multibranch Party.

(e) **Calculation Agent**

The Calculation Agent is Party A.

(f) **Credit Support Document**

Details of any Credit Support Document:

In respect of Party A: The Approved Credit Support Document and any Third Party Credit Support Document.

In respect of Party B: None.

"Approved Credit Support Document" means the collateral agreement in the form of the 1995 ISDA Credit Support Annex (ISDA Agreement Subject to English Law), as

modified by the Paragraph 11 thereto, which is entered into by the parties on even date herewith;

"Third Party Credit Support Document" means any agreement or instrument (including any guarantee, insurance policy, security agreement or pledge agreement) whose terms provide for the guarantee of Party A's obligations under this Agreement by a third party and which is in form and substance acceptable to the Rating Agencies.

(g) **Credit Support Provider**

Credit Support Provider means in relation to Party A, a party who is a provider under any Third Party Credit Support Document.

Credit Support Provider means in relation to Party B, none.

(h) **Governing Law**

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

(i) **Netting of Payments**

Subparagraph (ii) of Section 2(c) of this Agreement will apply to Transactions entered into under this Agreement unless otherwise specified in a Confirmation.

(j) "Affiliate" will have the meaning specified in Section 14 of this Agreement.

PART 5 OTHER PROVISIONS

(a) **No Set-Off**

(i) All payments under this Agreement shall be made without set-off or counterclaim, except as expressly provided for in Section 6.

(ii) Section 6(e) shall be amended by the deletion of the following sentence; "The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off."

(b) **Security Interest**

Notwithstanding Section 7, Party A hereby agrees and consents to the assignment by way of security by Party B of its interests under this Agreement (without prejudice to, and after giving effect to, any contractual netting provision contained in this Agreement) to the Trustee (or any successor thereto) pursuant to and in accordance with the Deed of Charge (as defined in Part 5 hereof) and acknowledges notice of such assignment. Each of the parties hereby confirms and agrees that the Trustee shall not be liable for any of the obligations of Party B hereunder.

(c) **Disapplication of certain Events of Default**

Section 5(a)(ii), Section 5(a)(iii), Section 5(a)(iv), Section 5(a)(v), Section 5(a)(vii)(2), (5), (6), (7) and (9) will not apply in respect of Party B.

Section 5(a)(vii)(8) will not apply to Party B to the extent that it applies to Section 5(a)(vii)(2), (5), (6), (7) and (9).

(d) **Disapplication of certain Termination Events**

The "Tax Event" and "Tax Event upon Merger" provisions of Section 5(b)(ii) and 5(b)(iii) will not apply to Party A or to Party B.

(e) **Additional Event of Default**

The following shall constitute an additional Event of Default with respect to Party B:

"Enforcement Notice. The Trustee serves an Enforcement Notice, as defined in the Deed of Charge (as defined in Part 5 hereof), on Party B (in which case Party B shall be the Defaulting Party)."

(f) **Additional Termination Event**

The following shall constitute an Additional Termination Event with respect to Party B:

"Redemption and Prepayment of the Notes. Party B exercises its option to redeem the Notes (as defined in Part 5 hereof) in whole in accordance with their terms prior to maturity."

In connection with this Additional Termination Event, all Transactions shall be Affected Transactions and Party B shall be the sole Affected Party provided that the provisions of Section 6(b)(iv) will be amended such that Party A shall be deemed to be the Affected Party for the purposes of Section 6(b)(iv) only but for no other purpose, provided further or that if Party B does not exercise its right to terminate the Affected Transactions under Section 6(b)(iv), such Transactions shall be assigned by way of novation.

(g) **Ratings Event**

(i) **S&P Ratings Events**

- (A) In the event that the short-term, unsecured and unsubordinated debt obligations of Party A (or its successor or assignee) and, if relevant, any Credit Support Provider of Party A, is downgraded below "A-1" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("S&P") and as a result of such downgrade the then current rating of any class of the Notes (the "Relevant Notes") may in the reasonable opinion of S&P be downgraded or placed under review

for possible downgrade (an "Initial S&P Rating Event"), then Party A will, within 30 days of the occurrence of such Initial S&P Rating Event at its own cost either:

- (1) provide collateral pursuant to the Credit Support Annex to this Agreement in support of its obligations under this Agreement provided that:
 - (i) Party A shall be deemed to have satisfied the requirements of S&P if the amount of collateral agreed to be provided in the form of cash and/or securities (the "Collateral Amount") is determined on a basis which is no more onerous than the criteria of S&P published on 17 December 2003 and 26 February 2004, as may be amended from time to time, or any other applicable criteria which enable entities rated lower than a specified level to participate in structured finance transactions which, through collateralisation, are rated at a higher level (the "S&P Criteria");
 - (ii) the Collateral Amount shall not be required to exceed such amount as would be required (in accordance with the S&P Criteria) to restore the rating of the Notes to the level at which they would have been immediately prior to such Initial S&P Rating Event; or
- (2) transfer all of its rights and obligations with respect to this Agreement to a replacement third party whose, or which is unconditionally and irrevocably guaranteed by an entity whose short-term, unsecured and unsubordinated debt ratings are rated at least as high as "A-1" by S&P or such other ratings as are commensurate with the ratings assigned to the Notes by S&P from time to time; or
- (3) procure another person to become co-obligor in respect of the obligations of Party A under this Agreement or take such other action as Party A may agree with Party B and S&P as will result in the rating of the Notes then outstanding following the taking of such action being rated no lower than the rating of the Notes immediately prior to such downgrade.

If any of 5(g)(i)(A)(2) or (3) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party A pursuant to 5(g)(i)(A)(1) will be re-transferred to Party A and Party A will not be required to transfer any additional collateral.

(B) In the event that the short-term, unsecured and unsubordinated debt obligations of Party A (or its successor or assignee) and, if relevant, any Credit Support Provider of Party A, is downgraded below "A-2" by S&P and as a result of such downgrade the then current rating of the Notes may in the reasonable opinion of S&P be downgraded or placed under review for possible downgrade (a "Subsequent S&P Rating Event"), then Party A will, within 10 days of the occurrence of such Subsequent S&P Rating Event at its own cost attempt to either:

- (1) transfer all of its rights and obligations with respect to this Agreement to a replacement third party whose, or which is unconditionally and irrevocably guaranteed by an entity whose short-term, unsecured and unsubordinated debt ratings are rated at least as high as "A-1" by S&P or such other ratings as are commensurate with the ratings assigned to the Notes by S&P from time to time; or
- (2) procure another person to become co-obligor in respect of the obligations of Party A under this Agreement or take such other action as Party A may agree with S&P as will result in the rating of the Notes then outstanding following the taking of such action being rated no lower than the rating of the Notes immediately prior to such downgrade.

If any of 5(g)(i)(B)(1) or (2) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party A pursuant to 5(g)(i)(A)(1) will be re-transferred to Party A and Party A will not be required to transfer any additional collateral.

(ii) In the event that:

- (a) the long-term, unsecured and unsubordinated debt obligations of Party A (or its successor) and, if relevant, any Credit Support Provider of Party A, are downgraded below "A1" (or its equivalent) by Moody's Investors Services ("Moody's"); or
- (b) the short-term, unsecured and unsubordinated debt obligations of Party A (or its successor) and, if relevant, any Credit Support Provider of Party A, are downgraded below "Prime-1" (or its equivalent) by Moody's,

(an "Initial Moody's Rating Event") then Party A will, within 30 days of such Initial Moody's Rating Event at its own cost, either:

- (A) transfer all of its rights and obligations with respect to this Agreement to either:

- (i) a replacement third party with the Moody's Required Ratings (as defined below) domiciled in the same legal jurisdiction as Party A or Party B, or
 - (ii) a replacement third party as agreed with Moody's; or
- (B) procure another person to become co-obligor in respect of the obligations of Party A under this Agreement, such co-obligor shall be either:
- (i) a person with the Moody's Required Ratings (as defined below) domiciled in the same legal jurisdiction as Party A or Party B, or
 - (ii) such other person as agreed with Moody's; or
- (C) take such other action as agreed with Party B and Moody's; or
- (D) provide collateral pursuant to the Credit Support Annex to this Agreement in support of its obligations under this Agreement.

If any of 5(g)(ii)(A), 5(g)(ii)(B) or 5(g)(ii)(C) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party A pursuant to 5(g)(ii)(D) will be re-transferred to Party A and Party A will not be required to transfer any additional collateral.

(iii) In the event that:

- (a) the long-term, unsecured and unsubordinated debt obligations of Party A (or its successor) and, if relevant, any Credit Support Provider of Party A, are downgraded below "Baa2" (or its equivalent) by Moody's; or
- (b) the short-term, unsecured and unsubordinated debt obligations of Party A (or its successor) and, if relevant, any Credit Support Provider of Party A, are downgraded below "Prime-2" (or its equivalent) by Moody's,

(a "Subsequent Moody's Rating Event") then Party A will, on a best efforts basis, and at its own cost, attempt to either:

- (A) transfer all of its rights and obligations with respect to this Agreement to either:
 - (1) a replacement third party with the Moody's Required Ratings (defined below) domiciled in the same legal jurisdiction as Party A or Party B, or
 - (2) a replacement third party as agreed with Moody's; or

- (B) procure another person to become co-obligor in respect of the obligations of Party A under this Agreement, such co-obligor may be either:
- (1) a person with the Moody's Required Ratings (defined below) domiciled in the same legal jurisdiction as Party A or Party B, or
 - (2) such other person as agreed with Moody's; or
- (C) take such other action agreed with Party B and Moody's.

Pending compliance with 5(g)(iii)(A), 5(g)(iii)(B) or 5(g)(iii)(C) above, Party A will at its own cost:

- (D) within 10 days of the occurrence of such Subsequent Moody's Rating Event, provide collateral pursuant to the Credit Support Annex to this Agreement in support of its obligations under this Agreement in respect of which the Collateral Amount complies with the Moody's Criteria or is such lesser amount as may be agreed between Moody's and Party A.

If any of 5(g)(iii)(A), 5(g)(iii)(B) or 5(g)(iii)(C) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party A pursuant to 5(g)(iii)(D) will be re-transferred to Party A and Party A will not be required to transfer any additional collateral.

- (iv) For the purposes of 5(g)(ii)(D) and 5(g)(iii)(D) above, "**Moody's Required Ratings**" means, in respect of the relevant entity, its short-term, unsecured and unsubordinated debt obligations are rated at least as high as "Prime-1" and its long-term, unsecured and unsubordinated debt obligations are rated at least as high as "A1", or such other ratings as may be agreed with Moody's from time to time.

"**Moody's Criteria**" means that the Collateral Amount shall equal the sum of (a) the product of A multiplied by the mark-to-market value of the outstanding Transactions as determined by Party A in good faith on each Local Business Day and (b) the product of B multiplied by the current aggregate notional amounts of the outstanding Transactions, where:

- (A) "A" means 102% and "B" means 1.6% if the long-term, unsecured and unsubordinated debt obligations or the short-term, unsecured and unsubordinated debt obligations of Party A (or its successor) and, if relevant, any Credit Support Provider of Party A is downgraded below "A1" or "Prime-1" by Moody's;
- (B) "A" shall be equal to or greater than 102% (as determined by Moody's) and "B" shall be equal to or greater than 2.6% (as determined by Moody's) if the long-term, unsecured and unsubordinated debt obligations or the short-term, unsecured and unsubordinated debt

obligations of Party A (or its successor) and, if relevant, any Credit Support Provider of Party A is downgraded below "Baa2" or "Prime-2" by Moody's; and

- (C) "A" means 0% and "B" means 0% in all other cases.
- (v) In relation to sub-parts 5(g)(ii)(D) and 5(g)(iii)(D) above, Party A will, upon receipt of reasonable notice from Moody's demonstrate to Moody's the calculation by it of the mark-to-market value of the outstanding Transactions.
- (vi) In relation to sub-part 5(g)(iii)(D) above, Party A will, at its own cost, on receipt of reasonable notice from Moody's (which, for the avoidance of doubt, will be no less than 30 days) arrange a third party valuation of the mark-to-market value of the outstanding Transactions.
- (vii) [Not used.]
- (viii) [Not used.]
- (ix) If Party A does not take any of the measures described in 5(g)(i) above such failure shall not be or give rise to an Event of Default but shall constitute an Additional Termination Event with respect to Party A and shall be deemed to have occurred on the thirtieth day following the relevant S&P Rating Event with Party A as the sole Affected Party and all Transactions shall be Affected Transactions.
- (x) If Party A does not take any of the measures described in 5(g)(ii)(A), 5(g)(ii)(B) or 5(g)(ii)(C) or 5(g)(ii)(D) above, such failure shall not be or give rise to an Event of Default but shall constitute an Additional Termination Event with respect to Party A and shall be deemed to have occurred on the thirtieth day following the occurrence of such Initial Moody's rating Event with Party A as the sole Affected Party and all Transactions shall be Affected Transactions.
- (xi) If Party A does not take the measures described in 5(g)(iii)(D) above, such failure shall give rise to an Event of Default with respect to Party A and shall be deemed to have occurred on the tenth day following such Subsequent Moody's Rating Event with Party A as the Defaulting Party. Further, notwithstanding Section 5(a)(ii) of this Agreement, if 10 days after receiving notice of failure to use its best efforts to either transfer as described in 5(g)(iii)(A) above, find a co-obligor as described in 5(g)(iii)(B) above or take such other action as described in 5(g)(iii)(C) above, Party A still has not used best efforts to take one of the above courses of action, this shall not constitute an Event of Default but shall be an Additional Termination Event with Party A as the sole Affected Party and all Transactions shall be Affected Transactions.

(xii) **Fitch downgrade scheme**

(A) **Fitch Ratings Level 1 Event**

In relation to each occurrence of a Fitch Ratings Level 1 Event (except where a previous Fitch Ratings Level 1 Event is continuing):

- (1) Party A will, at Party A's own cost, use its reasonable efforts to procure that a Fitch Ratings Level 1 Cure Event occurs within the Fitch Ratings Level 1 Cure Period; and
- (2) if a Fitch Ratings Level 1 Cure Event does not occur within the Fitch Ratings Level 1 Cure Period:
 - (i) such non-occurrence shall not be or give rise to an Event of Default; but
 - (ii) an Additional Termination Event with respect to Party A shall be deemed to have occurred on the first Business Day immediately following the Fitch Ratings Level 1 Cure Period with Party A as the sole Affected Party and all Transactions shall be Affected Transactions;

provided that if a Fitch Ratings Level 2 Event or a Fitch Ratings Level 3 Event occurs on the same date as such Fitch Ratings Level 1 Event or during such Fitch Ratings Level 1 Cure Period, such Fitch Ratings Level 1 Event shall be deemed not to have occurred.

Fitch Ratings Level 2 Event

In relation to each occurrence of a Fitch Ratings Level 2 Event (except where a previous Fitch Ratings Level 2 Event is continuing):

- (1) Party A will, at Party A's own cost, use its reasonable efforts to procure that a Fitch Ratings Level 2 Cure Event occurs within the Fitch Ratings Level 2 Cure Period; and
- (2) if a Fitch Ratings Level 2 Cure Event does not occur within the Fitch Ratings Level 2 Cure Period:
 - (i) such non-occurrence shall not be or give rise to an Event of Default; but
 - (ii) an Additional Termination Event with respect to Party A shall be deemed to have occurred on the first Business Day immediately following the Fitch Ratings Level 2 Cure Period with Party A as the sole Affected Party and all Transactions shall be Affected Transactions;

provided that if a Fitch Ratings Level 3 Event occurs on the same date as such Fitch Ratings Level 2 Event or during such Fitch Ratings Level 2 Cure Period, such Fitch Ratings Level 2 Event shall be deemed not to have occurred.

Fitch Ratings Level 3 Event

In relation to each occurrence of a Fitch Ratings Level 3 Event (except where a previous Fitch Ratings Level 3 Event is continuing):

- (1) Party A will, at Party A's own cost, use its reasonable efforts to procure that a Fitch Ratings Level 3 Cure Event occurs within the Fitch Ratings Level 3 Cure Period; and
- (2) if a Fitch Ratings Level 3 Cure Event does not occur within the Fitch Ratings Level 3 Cure Period:
 - (i) such non-occurrence shall not be or give rise to an Event of Default; but
 - (ii) an Additional Termination Event with respect to Party A shall be deemed to have occurred on the first Business Day immediately following the Fitch Ratings Level 3 Cure Period with Party A as the sole Affected Party and all Transactions shall be Affected Transactions.

Fitch Ratings Level 2 Cure Event verification requirement

If a Fitch Ratings Level 2 Cure Event occurs by means of the delivery of Eligible Credit Support (as contemplated in the definition of Fitch Ratings Level 2 Cure Event), Party A will, at its own cost provide to Fitch a written confirmation by an independent third party (being a person selected by Party A and approved by Fitch, such approval not to be unreasonably withheld or delayed) of:

- (1) the relevant mark-to-market calculations of the outstanding Transactions; and
- (2) the correct and timely transfer of Eligible Credit Support by Party A,

each in accordance with the Credit Support Annex to this Agreement. Such independent third party confirmation shall be provided within 7 days of the calculations under sub-paragraph (1) above being carried out by Party A.

Fitch downgrade definitions

In this Agreement:

"Fitch" means Fitch Ratings Ltd.

"Fitch Minimum Rated Entity" means at any time a person who satisfies both of the following:

- (1) its short term rating is at that time at least as high as "F1" (or its equivalent) by Fitch; as well as
- (2) its long-term, unsecured and unsubordinated debt obligations are rated at that time at least as high as "A+" (or its equivalent) by Fitch.

"Fitch Ratings Level 1 Cure Event" means in relation to a Fitch Ratings Level 1 Event the date following such Fitch Ratings Level 1 Event upon which one or more of the following occurs:

- (1) **Collateral:** Party A delivers Eligible Credit Support pursuant to the Credit Support Annex to this Agreement in support of its obligations under this Agreement in respect of which the Credit Support Amount complies with the Fitch Criteria (each as defined in such Credit Support Annex) or such lesser amount as may be agreed between Fitch and Party A; or
- (2) **Non-Collateral:** a Fitch Ratings Non-Collateral Cure Event.

"Fitch Ratings Level 1 Cure Period" means in relation to a Fitch Ratings Level 1 Event the period of 30 days after (but excluding) the date upon which such Fitch Ratings Level 1 Event occurs.

"Fitch Ratings Level 1 Event" means any date upon which neither Party A (or its successor), nor any Credit Support Provider or co-obligor of Party A, is a Fitch Minimum Rated Entity and as a result the then current rating of the Relevant Notes may in the reasonable opinion of Fitch be downgraded or placed on credit watch for possible downgrade.

"Fitch Ratings Level 2 Cure Event" means in relation to a Fitch Ratings Level 2 Event the date following such Fitch Ratings Level 2 Event upon which one or more of the following occurs:

- (1) **Collateral:** Party A delivers Eligible Credit Support pursuant to the Credit Support Annex to this Agreement in support of its obligations under this Agreement in respect of which the Credit Support Amount complies with the Fitch Criteria (each as defined in such Credit Support Annex) or such lesser amount as may be agreed between Fitch and Party A; or
- (2) **Non-Collateral:** a Fitch Ratings Non-Collateral Cure Event.

"Fitch Ratings Level 2 Cure Period" means in relation to a Fitch Ratings Level 2 Event the period of 30 days after (but excluding) the date upon which such Fitch Ratings Level 2 Event occurs.

"Fitch Ratings Level 2 Event" means any date upon which neither Party A (or its successor), nor any Credit Support Provider or co-obligor of Party A, is a Fitch Ratings Level 2 Minimum Rated Entity and as a result the then current rating of the Relevant Notes may in the reasonable opinion of Fitch be downgraded or placed on credit watch for possible downgrade.

"Fitch Ratings Level 2 Minimum Rated Entity" means at any time a person who satisfies both of the following:

- (1) its short term rating is at that time at least as high as "F2" (or its equivalent) by Fitch; as well as
- (2) its long-term, unsecured and unsubordinated debt obligations are rated at that time at least as high as "BBB+" (or its equivalent) by Fitch.

"Fitch Ratings Level 3 Cure Event" means in relation to a Fitch Ratings Level 3 Event the date following such Fitch Ratings Level 3 Event upon which a Fitch Ratings Non-Collateral Cure Event occurs.

"Fitch Ratings Level 3 Cure Period" means in relation to a Fitch Ratings Level 3 Event the period of 30 days after (but excluding) the date upon which such Fitch Ratings Level 3 Event occurs.

"Fitch Ratings Level 3 Event" means the first day upon which neither Party A (or its successor), nor any Credit Support Provider or co-obligor of Party A, is a Fitch Ratings Level 3 Minimum Rated Entity and as a result the then current rating of the Relevant Notes may in the reasonable opinion of Fitch be downgraded or placed on credit watch for possible downgrade.

"Fitch Ratings Level 3 Minimum Rated Entity" means at any time a person who satisfies both of the following:

- (1) its short term rating is at that time at least as high as "F3" by Fitch; as well as
- (2) its long-term, unsecured and unsubordinated debt obligations are rated at that time at least as high as "BBB-" by Fitch.

"Fitch Ratings Non-Collateral Cure Entity" means at any time a person (who may, without limitation, be an Affiliate of Party A):

- (1) who (or whose Credit Support Provider) is a Fitch Minimum Rated Entity at that time; or
- (2) who (or whose Credit Support Provider) at that time has such other lower rating as is commensurate with the rating assigned at that time to the Relevant Notes by Fitch.

"Fitch Ratings Non-Collateral Cure Event" means the first date upon which the following occurs:

- (1) **Transfer:** Party A transfers all of its rights and obligations with respect to this Agreement to a replacement third party which is a Fitch Ratings Non-Collateral Cure Entity; or
- (2) **Co-obligor or guarantor:** Party A procures another person which is a Fitch Ratings Non-Collateral Cure Entity to become co-obligor or guarantor in respect of the obligations of Party A under this Agreement; or
- (3) **Other agreed action:** Party A takes such other action as Party A may agree with Fitch as will result in the then rating by Fitch of the Relevant Notes then outstanding being maintained.

(b) **Modifications to Representations**

- (i) Section 3 is amended by the addition at the end thereof of the following additional representations (each of which shall be given by Party A only):
 - "(a) **No Agency.** Party A represents, warrants and undertakes to Party B that party A is entering into this Agreement and each Transaction as principal and not as agent of any person.
 - (b) **Pari Passu.** Party A represents, warrants and undertakes to Party B that Party A's obligations under this Agreement rank pari passu with all of its other unsecured, unsubordinated obligations except those obligations preferred by operation of law."
 - (c) Party A represents, warrants and undertakes to Party B (which representation, warranty and undertaking will be deemed to be repeated at all times until the termination of this Agreement) that in relation to each Transaction, it is not acting as agent or nominee for any other person or persons and that:
 - (a) it is and will be resident in the United Kingdom for United Kingdom tax purposes; or
 - (b) it is and will be resident in a jurisdiction that has a double taxation convention or treaty with the United Kingdom under which

provision, whether for relief or otherwise, in relation to interest (as defined in the relevant convention or treaty) is made; or

- (c) it has entered into the relevant Transaction solely for the purposes of a trade or part of a trade carried on by it in the United Kingdom through a branch or agency or permanent establishment and will continue so to treat the relevant Transaction".
- (ii) Section 3(a)(v) shall be amended by the addition of the words "(with the exception of the payment of Stamp Tax as provided for in Section 11)" after the words "this Agreement".
- (iii) The representations set out in Section 3 (as amended as aforesaid) shall (in addition to the repetitions for which provision is made in Section 3) be deemed to be repeated by each party on each day on which a payment or delivery is required to be made under Section 2(a)(i).

(i) **Recording of Conversations**

Each party consents to the recording of the telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential Transaction.

(j) **Relationship between the Parties**

The Agreement is amended by the insertion after Section 14 of an additional Section 15, reading in its entirety as follows:

15. Relationship between the Parties

Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

- (a) **Non Reliance.** It is acting for its own account, and it has made its own decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. It has not received from the other party any assurance or guarantee as to the expected results of that Transaction.
- (b) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the financial and other risks of that Transaction.

- (c) **Status of Parties.** The other party is not acting as a fiduciary or an adviser for it in respect of that Transaction."

(k) **Tax**

- (i) In Section 2(d)(i)(4) of the Agreement the words in the first line of that paragraph "if such Tax is an Indemnifiable Tax" shall be deleted in their entirety and the words "but only where Party A is X" will be inserted in substitution therefor.
- (ii) Party B will, on each Interest Payment Date (as defined in the Terms and Conditions relating to the Notes), subject to and in accordance with the order of priority of payments, as further agreed between Party A and Party B pursuant to the Deed of Charge, pay to Party A an amount or amounts ("Withholding Compensation Amounts") equal to:
- (A) any Additional Amounts paid by Party A to Party B on such Interest Payment Date together with, to the extent not paid on any previous Interest Payment Date, an amount equal to any Additional Amounts paid by Party A under this Agreement on any previous Interest Payment Date, and
- (B) any Withheld Amount on such Interest Payment Date, together with, to the extent not paid on any previous Interest Payment Date, an amount equal to any Withheld Amount applicable to any previous Interest Payment Date.

"Additional Amounts" in this paragraph (k)(ii) shall mean the additional amounts (if any) paid by Party A to Party B in accordance with Section 2(d)(i)(4) of this Agreement.

"Withheld Amount" in this paragraph (k)(ii) shall mean such withholding or deduction (if any) as Party B has made if Party B is required to make such withholding or deduction for or on account of United Kingdom tax from any amounts payable by it under a Transaction on any Interest Payment Date, in accordance with Section 2(d) of this Agreement.

This sub-part is the "Withholding Compensation Amounts Provision" referred to in certain of the Relevant Documents (as defined in the Deed of Charge).

- (iii) Where Party B pays a Withholding Compensation Amount, Party A undertakes as follows:
- (A) to the extent that Party A obtains any Tax credit, allowance, set-off or repayment from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to such payment, it shall forthwith pay to Party B so much of the cash benefit (as calculated below) relating thereto which it has received as will leave Party A in substantially the

same position as Party A would have been in if no such deduction or withholding had been required;

- (B) Party A shall provide to Party B, as soon as reasonably practicable, and in any event upon submitting to the HM Revenue & Customs (or any other relevant taxation authority) the relevant tax computations relating to the Tax credit, allowance, set-off or repayment, a certificate signed by the auditors for the time being of Party A certifying that, in their opinion, the amount stated as the amount of the Tax credit, allowance, set-off or repayment to which Party A is entitled, the date stated as the date on which the same is received and the calculations relating thereto are correct which requirements shall be satisfied by a specific entry relating to Party A's annual audited accounts; save in the case of manifest error, the amount stated in and supported by such auditors' certificate shall be conclusive;
- (C) the "cash benefit" shall, in the case of a credit, allowance or set-off, be the additional amount of Tax which would have been payable by Party A but for the obtaining by it of the said Tax credit, allowance or set-off and, in the case of a repayment, shall be the amount of the repayment together, in either case, with any related interest or similar payment obtained by it and shall be taken to be received, in the case of a Tax credit, allowance or set-off, on the date when Party A becomes entitled to the Tax credit, allowance or set-off if Party A has made a provision for the additional amount of Tax otherwise payable which provision is able to be released on that date or on the date when the additional amount of Tax would have been payable if no such provision has been made and, in the case of a repayment, on the date when the repayment is made;
- (D) it will use all reasonable endeavours to obtain any Tax credit, allowance, set-off or repayment as soon as is reasonably practicable and shall supply Party B with a reasonably detailed explanation of its calculation of the amount of any such Tax credit, allowance, set-off or repayment and of the date on which it becomes entitled to the same, or in the case of repayment, the same is received;
- (E) it will use all reasonable endeavours to utilise in accordance with its accounting policies any Tax credit, allowance or set-off which would otherwise be unutilised; and
- (F) For the avoidance of doubt, in determining whether to claim a Tax credit, allowance, set off or repayment, Party A (acting reasonably) has discretion to arrange its own tax affairs in whatever manner it sees reasonably fit, and subject to sub-part 5(k)(iii)(B) above, is under no obligation to disclose any information regarding its tax affairs or

computations if, in the opinion of Party A (acting reasonably), to do so may be prejudicial to it.

Where Party B pays a Withholding Compensation Amount as a result of the withholding of a Withheld Amount, Party B undertakes to use reasonable endeavours to identify to Party A the withholding or deduction that has given rise to such payment.

(I) **Security, Enforcement and Limited Recourse**

- (i) Party A agrees with Party B and the Trustee to be bound by the terms of the Deed of Charge and, in particular, confirms that:
- (A) no sum shall be payable by or on behalf of Party B to it except in accordance with the Priority of Payments set out in the Deed of Charge;
 - (B) unless an Enforcement Notice shall have been served or unless the Trustee, having become bound to do so, fails to serve an Enforcement Notice and/or to take any steps or proceedings pursuant to Clause 8 of the Deed of Charge to enforce the security thereby created:
 - (1) it shall not take any steps whatsoever to direct the Trustee to enforce any security created by or pursuant to Clause 3 of the Deed of Charge; and
 - (2) it shall not take any steps for the winding up, dissolution or reorganisation, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of Party B or of any or all of its revenues and assets nor participate in any ex parte proceedings nor seek to enforce any judgment against Party B, subject to the provisions of the Deed of Charge.
- (ii) In relation to all sums due and payable by Party B to Party A, Party A agrees that it shall have recourse only to funds available for the purpose pursuant and subject to the order of priority of payments set out in the Deed of Charge.
- (iii) Notwithstanding the provisions of Section 6 of this Agreement, any notice given by Party A designating an Early Termination Date, which date shall be no earlier than ten Business Days following the giving of notice, shall be given to the Trustee in respect of the Deed of Charge, with a copy to Party B. In the event that service of an Enforcement Notice occurs following the date of giving of such notice but prior to the date which would otherwise have been the Early Termination Date, the effective date of such Enforcement Notice shall be the Early Termination Date.
- (iv) If, on any date, Party B does not pay the full amount it would otherwise owe under any Transaction (after the application of Section 2(c) to such

Transaction) because of the limitation contained in 5(l)(i) or 5(l)(ii) above, then

- (A) payment by Party B of the shortfall (and the corresponding payment obligation of Party A with respect to such shortfall (being the full amount Party A would otherwise owe on such date less the actual amount payable by Party A determined in accordance with (C) below) will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which sufficient funds are available to Party B (subject to 5(l)(i) or 5(l)(ii) above);
- (B) failure by Party B to make the full payment under such Transaction (after the application of Section 2(c) to such Transaction) shall not constitute an Event of Default for the purpose of Section 5(a)(i); and
- (C) the obligation of Party A to make payment to Party B, in respect of the same Transaction, on such date, will be reduced so that Party A will be obligated to pay the Equivalent Percentage of the amount it would otherwise owe under that Transaction.

"Equivalent Percentage" means the percentage obtained by dividing the amount paid by Party B by the amount it would have paid absent such limitation.

- (v) For the avoidance of doubt, if an Early Termination Date results from an Event of Default, any amounts otherwise payable under this Agreement, the payment of which was deferred or not paid in the circumstances described under 5(l)(iv) above by Party A and by Party B, will be deemed to be Unpaid Amounts.
 - (vi) Following the calculation thereof, Party B shall notify Party A at least 2 Business Days before the Interest Payment Date of the amount of any shortfall, the payment of which by Party B is deferred in accordance with 5(l)(iv) above.
- (m) **Condition Precedent**
- Section 2(a)(iii) shall be amended by the deletion of the words "or Potential Event of Default" in respect only of the obligations under Section 2(a)(i) of Party A.
- (n) **Representations**
- Section 3(b) shall be amended by the deletion of the words "or Potential Event of Default" in respect of the representation given by Party B only.

(o) **Additional Definitions**

(i) **Definition of "Notes"**

For the purpose of this Agreement, "Class A Notes", "Class B Notes", "Class C Notes" and "Notes" have the same meaning as indicated in the Deed of Charge (as defined below).

(ii) **Definition of "Deed of Charge"**

For the purpose of this Agreement "Deed of Charge" means the Deed of Charge to be dated 23 March 2006 between, among others, Party A, Party B and the Trustee.

(iii) **2000 ISDA Definitions**

This Agreement and (unless indicated otherwise in the relevant Confirmation) each Confirmation and each Transaction are subject to the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. as amended, supplemented, updated, restated, and superseded from time to time (collectively the "2000 Definitions"), and will be governed in all respects by the 2000 Definitions. The 2000 Definitions, as so modified are incorporated by reference in, and made part of, this Agreement and (unless indicated otherwise in the relevant Confirmation) each Confirmation as if set forth in full in this Agreement and such Confirmations. In the event of any inconsistency between any of the following, the first listed shall govern: (i) the relevant Confirmation, (ii) this Agreement, and (iii) the 2000 Definitions.

(p) **Calculations**

Upon the occurrence of an Event of Default or an Additional Termination Event with respect to Party A, Party B will be entitled (but not obliged in the event that it does not designate an Early Termination Date) to proceed in accordance with Section 6 of the Agreement subject to the following:

(i) For the purposes of Section 6(d)(i), Party B's obligation with respect to the extent of information to be provided with its calculations is limited to information Party B has already received in writing and provided Party B is able to release this information without breaching the provisions of any law applicable to, or any contractual restriction binding upon, Party B.

(ii) The following amendments shall be deemed to be made to the definitions of "Market Quotation":

(A) the word "firm" shall be added before the word "quotations" in the second line;

- (B) the words "provided that the documentation relating thereto is either the same as this Agreement and the existing confirmations hereto (and the short-term, unsecured and unsubordinated debt obligations of the Reference Market-maker are rated not less than "A-1" by S&P and the long-term, unsecured and unsubordinated debt obligations of the Reference Market-maker are rated not less than "A1" by Moody's (or, if such Reference Market-maker is not rated by a Rating Agency, at such equivalent rating (by another Rating Agency) that is acceptable to such Rating Agency) or the Rating Agencies have confirmed in writing such proposed documentation will not adversely impact the ratings of the Class A Notes " shall be added after "agree" in the sixteenth line; and
- (C) the last sentence shall be deleted and replaced with the following:
- "If, on the last date set for delivery of quotations, exactly two quotations are provided, the Market Quotation will be either (a) the lower of the two quotations where there would be a sum payable by Party A to Party B, or (b) the higher of the two quotations where there would be a sum payable by Party B to Party A. If only one quotation is provided on such date, Party B may, in its discretion, accept such quotation as the Market Quotation and if Party B does not accept such quotation (or if no quotation has been provided), it will be deemed that the Market Quotation in respect of the Terminated Transaction cannot be determined."
- (iii) For the purpose of the definition of "Market Quotation", and without limiting the general rights of Party B under the Agreement:
- (A) Party B will undertake to use its reasonable efforts to obtain at least three firm quotations as soon as reasonably practicable after the Early Termination Date and in any event within the time period specified pursuant to 5(p)(iii)(C) below;
- (B) Party A shall, for the purposes of Section 6(e), be permitted to obtain quotations from Reference Market-makers; and
- (C) if no quotations have been obtained within 6 Local Business Days after the occurrence of the Early Termination Date or such longer period as Party B may specify in writing to Party A, then it will be deemed that the Market Quotation in respect of the Terminated Transaction cannot be determined.
- (iv) Party B will be deemed to have discharged its obligations under 5(p)(iii)(A) above if it promptly requests, in writing, Party A (such request to be made within two Local Business Days after the occurrence of the Early Termination Date) to obtain quotations from Reference Market-makers.

- (v) Party B will not be obliged to consult with Party A as to the day and time of obtaining any quotations.
 - (vi) If an Early Termination Date is designated or occurs, "Market Quotation" in respect of the Terminated Transactions shall be determined based on the anticipated rate of reduction (as determined at the commercially reasonable discretion of Party A after and subject to prior consultation with Party B and giving due weight to Party B's views) in the Party A Currency Amount and the Party B Currency Amount had such Early Termination Date not been designated or occurred.
- (q) **Transfers**

Section 7 of this Agreement shall not apply to Party A, who shall be required to comply with, and shall be bound by, the following:

Without prejudice to Section 6(b)(ii), Party A may transfer all its interest and obligations in and under this Agreement upon providing five Business Days prior written notice to the Trustee, to any other entity (a "Transferee") provided that:

- (i) the Transferee's short-term unsecured and unsubordinated debt obligations are then rated not less than "A-1" by S&P and its long-term, unsecured and unsubordinated debt obligations are then rated not less than "A1" by Moody's (or its equivalent by any substitute rating agency) or such Transferee's obligations under this Agreement are guaranteed by an entity whose long-term, unsecured and unsubordinated debt obligations are then rated not less than "A" by S&P and whose long-term, unsecured and unsubordinated debt obligations are then rated not less than "A1" by Moody's (or its equivalent by any substitute rating agency);
- (ii) as of the date of such transfer the Transferee will not, as a result of such transfer, be required to withhold or deduct any amount on account of Tax from any payments made under this Agreement;
- (iii) a Termination Event or an Event of Default does not occur under this Agreement as a result of such transfer;
- (iv) no additional amount will be payable by Party B to Party A or the Transferee on the next succeeding Interest Payment Date as a result of such transfer; and
- (v) (if the Transferee is domiciled in a different country from both Party A and Party B) S&P and Moody's have provided prior written notification that the then current ratings of the Class A Notes will not be adversely affected.

Following such transfer all references to Party A shall be deemed to be references to the Transferee.

Save as otherwise provided for in this Agreement and notwithstanding Section 7, Party A shall not be permitted to transfer (by way of security or otherwise) this Agreement

nor any interest or obligation in or under this Agreement without the prior written consent of the Trustee.

Transfers by Party B:

Neither this Agreement nor any interest in or under this Agreement or any Transaction may be transferred by Party B to any other entity save with Party A's prior written consent except that such consent is not required in the case of a transfer, charge or assignment to the Trustee as contemplated in the Deed of Charge. For the avoidance of doubt, Party A hereby agrees and consents to the assignment by way of security by Party B of its interests under this Agreement to the Trustee (or any successor thereto) pursuant to and in accordance with the Deed of Charge and acknowledges notice of such assignment. Party A and Party B acknowledge that the provisions of this Agreement and any Transaction hereunder will be subject to (a) the priority of payments set out in the Deed of Charge.

Any transfer by Party B shall be subject to the consent of the Trustee.

(r) **Indemnity**

Without prejudice to any other rights, powers, remedies and privileges which Party B may have, Party A hereby agrees with Party B to indemnify and keep indemnified Party B on an after-tax basis from and against any cost, expense, damage, loss or liability (including, for the avoidance of doubt, any tax liability) which Party B may incur or suffer to the extent that Party B would not have incurred or suffered such cost, expense, damage, loss or liability had Party A complied with its representations, warranty and undertaking as set out in paragraph 5(h)(iii) of this Part 5.

(s) **Optional Termination**

Party B may at any time, in the event of the sale prior to the final redemption of the Notes or the early redemption of or the enforcement of any mortgage which has been hedged by a Transaction under this Agreement, give not less than three Business Days' notice of its intention to terminate, in whole or in part, that Transaction. Such termination shall be effective on the date (the "**Optional Termination Date**") which is the next Party A Interest Payment Date after the date on which such notice is given by Party B (or, if such notice is given less than three Business Days before such next Party A Interest Payment Date, the following Party A Interest Payment Date), such notice to specify the Transaction and the percentage of the Notional Amount thereof (the "**Relevant Transaction**") to be so terminated (the "**Terminated Portion**"), provided that the parties hereto may at any time agree that the Optional Termination Date of a Relevant Transaction shall be earlier than the date which would otherwise be applicable under this Part. In this event, notwithstanding the provisions of Section 5 and Section 6 of the Agreement, Party A shall determine the "**Market Value**" (as defined below) with respect to the Terminated Portion and the following provisions shall apply:

- (i) If the Market Value so determined is a negative number, Party B shall pay the absolute value of that amount to Party A on the first Party B Interest Payment Date falling after the Optional Termination Date, provided that any such payment shall be made in accordance with the order of priority of payments, as agreed between Party B and Party A pursuant to the Deed of Charge.
- (ii) If the Market Value so determined is a positive number, notwithstanding anything to the contrary in the Agreement or this Schedule, Party A will not be obliged to pay any amount in respect of the Terminated Portion to Party B on the Optional Termination Date but the following shall occur:
 - (A) in the event that the Terminated Portion of the Relevant Transaction is less than 100% of the Notional Amount, Party A will be obliged to pay Annuity Payments (as defined below) to Party B on each Party A Interest Payment Date specified for the original Transaction following the Optional Termination Date; or
 - (B) in the event that, the Relevant Transaction has terminated in whole, Party A will be obliged to pay Annuity Payments on each Party A Interest Payment Date which would have occurred under the Relevant Transaction had it not been terminated in whole in accordance with this Part (s);

IT BEING FURTHER PROVIDED THAT, despite the Relevant Transaction having been terminated in whole or in part, the remaining obligations of the parties as specified in this sub-part 5(s)(ii), shall survive and shall be deemed to constitute a Transaction from the Optional Termination Date (for which this sub-part 5(s)(ii) constitutes the Confirmation).

"Annuity Payment" means such amounts as Party B and Party A may agree. If Party B and Party A cannot so agree, Party A shall at or about 11.00 a.m. London time two Business Days prior to the Optional Termination Date in accordance with customary market practice request four leading banks in the market for Transactions in sterling to provide their quotes for the annuity payments which they would make on each Party A Interest Payment Date which would fall during the period commencing on (and including) the first Party A Interest Payment Date which falls after the Optional Termination Date and ending on (and including) the Party A Interest Payment Date on which the Relevant Transaction would otherwise have expired if it had not been terminated (in whole or in part) pursuant to this Part 5(s) in consideration of a payment of an amount equal to the Market Value of the Terminated Portion on the Optional Termination Date which would have been payable to Party B if upon termination Party A had made a termination payment in the form of one payment on the Optional Termination Date equal to Market Value. The highest quote (or, if there is more than one such highest quote, one only of such quotes) and lowest quote (or if there is more than one such lowest quote, one only of such quotes) will be disregarded and the "Annuity Payments" to be made by Party A shall be the arithmetic mean of the remaining quotes.

Upon the Optional Termination Date subject to paragraph 5(s)(i) and 5(s)(ii) above, the obligations of both parties with respect to the Terminated Portion of the Relevant Transaction shall be discharged in full (subject to reinstatement should any sums subsequently be recovered by, or on behalf of, the party making the payment) and the Notional Amount of the Transaction outstanding shall be reduced accordingly.

"Market Value" shall be agreed by the parties hereto. In the event that the parties cannot so agree, Party A shall request, at or about 11.00 a.m. London time two Business Days prior to the Optional Termination Date, in accordance with customary market practice, from four leading banks in the market for Transactions in Sterling, the mid-market value in Sterling (to Party B) of a transaction on substantially the same terms as the Terminated Portion of the Relevant Transaction commencing on the Optional Termination Date. The highest quote (or, if there is more than one such highest quote, one only of such quotes) and lowest quote (or, if there is more than one such highest quote, one only of such quotes) and lowest quote (or if there is more than one such lowest quote, one only of such quotes) will be disregarded and "Market Value" shall be the arithmetic means of the remaining quotes.

(i) **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 provided that this shall not affect any rights of any third party which may be granted in respect of this Agreement pursuant to the terms of the Deed of Charge.

Signed for and behalf of:

On 6 March 2006

by:

ABN AMRO BANK N.V., London Branch

By: 

~~Attorney~~ AUTHORIZED SIGNATORY

Name: Michael Sullayner and Roger Mungler

Paragon Mortgages (No.11) PLC

Signed for and behalf of:

on March 2006

by:

By: _____

Authorised signatory

Name:

Signed for and behalf of:

on March 2006

acting by:

Citicorp Trustee Company Limited

By: _____

Authorised signatory

Name:

Signed for and behalf of:

ABN AMRO BANK N.V., London Branch

On March 2006

by:

By: _____

Attorney

Name:

Signed for and behalf of:

Paragon Mortgages (No.11) PLC

on 13 March 2006

by:

By: _____

Authorised signatory

Name:

Stephen Bowcott

Signed for and behalf of:

Citicorp Trustee Company Limited

on March 2006

acting by:

By: _____

Authorised signatory

Name:

Signed for and behalf of:

On March 2006
by:

ABN AMRO BANK N.V., London Branch

By: _____
Attorney

Name:

Paragon Mortgages (No.11) PLC

Signed for and behalf of:

on March 2006
by:

By: _____
Authorised signatory

Name:

Signed for and behalf of:

on March 2006
acting by:

Citicorp Trustee Company Limited

By: _____
Authorised signatory

Name: David Mares
Director

ISDA[®]

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA Master Agreement

dated as of 13 March 2006

between

ABN AMRO BANK N.V.,

LONDON BRANCH

and

PARAGON MORTGAGES (NO. 11) PLC

("Party A")

("Party B")

and CITICORP TRUSTEE COMPANY LIMITED (the "Trustee")

This Annex supplements, forms part of, and is subject to, the ISDA Master Agreement referred to above and is part of its Schedule. For the purposes of this Agreement, including, without limitation, Sections 1(c), 2(a), 5 and 6, the credit support arrangements set out in this Annex constitute a Transaction (for which this Annex constitutes the Confirmation).

Paragraph 1. Interpretation

Capitalised terms not otherwise defined in this Annex or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 10, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 11 and the other

¹ This document is not intended to create a charge or other security interest over the assets transferred under its terms. Persons intending to establish a collateral arrangement based on the creation of a charge or other security interest should consider using the ISDA Credit Support Deed (English law) or the ISDA Credit Support Annex (New York law), as appropriate.

² This Credit Support Annex has been prepared for use with ISDA Master Agreements subject to English law. Users should consult their legal advisers as to the proper use and effect of this form and the arrangements it contemplates. In particular, users should consult their legal advisers if they wish to have the Credit Support Annex made subject to a governing law other than English law or to have the Credit Support Annex subject to a different governing law than that governing the rest of the ISDA Master Agreement (e.g., English law for the Credit Support Annex and New York law for the rest of the ISDA Master Agreement).

CREDIT SUPPORT ANNEX

to the

SCHEDULE TO THE ISDA MASTER AGREEMENT

dated as of 13 March 2006

between

- (1) ABN AMRO BANK N.V., LONDON BRANCH acting through its office at 250 Bishopsgate, London EC2M 4AA ("Party A");
- (2) PARAGON MORTGAGES (NO.11) PLC ("Party B"); and
- (3) CITICORP TRUSTEE COMPANY LIMITED (the "Trustee", which expression shall include its successors and assigns).

Paragraph 11 Elections and Variables

(a) Base Currency and Eligible Currency.

- (i) "Base Currency" means EUR.
- (ii) "Eligible Currency" means the Base Currency, US Dollars and GBP.

(b) Credit Support Obligations.

- (i) Delivery Amount, Return Amount and Credit Support Amount.
- (i) "Delivery Amount" has the meaning specified in Paragraph 2(a).
- (ii) "Return Amount" has the meaning specified in Paragraph 2(b).
- (iii) "Credit Support Amount" has the meaning specified in Paragraph 10.
- (ii) Eligible Credit Support. The following items will qualify as "Eligible Credit Support" for Party A only:

	Moody's Valuation Percentage	S&P Valuation Percentage	Fitch Valuation Percentage
(A) cash in an Eligible Currency	100%	100%	100%

	Moody's Valuation Percentage	S&P Valuation Percentage	Fitch Valuation Percentage
(B) Negotiable debt obligations denominated in an Eligible Currency issued by the Government of any one of the following: Austria, Belgium, Finland, France, Italy, Luxembourg, the Netherlands, Portugal, Spain and the Republic of Ireland in each case having a residual maturity at the date of their transfer to Party B	In relation to residual maturity as set out below:	In relation to residual maturity as set out below:	In relation to residual maturity as set out below:
(i) of not more than one year;	(i) 98.5%	(i) 99%	(i) TBA
(ii) equal to or greater than one year but less than five years;	(ii) 97%	(ii) 94.3%	(ii) TBA
(iii) equal to or greater than five years but less than ten years; or	(iii) 95%	(iii) 87.7%	(iii) TBA
(iv) equal to or greater than ten years (with local and foreign currency long term issuer ratings of Moody's Aa3, S&P AA- and Fitch AA or above)	(iv) TBA	(iv) 78.8%	(iv) TBA
(C) Negotiable debt obligations denominated in an Eligible Currency issued by the Government of Germany having a residual maturity at the date of their transfer to Party B	In relation to residual maturity as set out below:	In relation to residual maturity as set out below:	In relation to residual maturity as set out below:
(i) of not more than one year;	(i) 98.5%	(i) 99%	(i) 99%
(ii) equal to or greater than one year but less than five years;	(ii) 97%	(ii) 94.3%	(ii) 96%
(iii) equal to or greater than five years but less than ten years; or	(iii) 95%	(iii) 87.7%	(iii) 94%
(iv) equal to or greater than ten years (with local and foreign currency long term issuer ratings of Moody's Aa3, S&P	(iv) TBA	(iv) 78.8%	(iv) TBA

Moody's Valuation Percentage	S&P Valuation Percentage	Fitch Valuation Percentage
------------------------------------	--------------------------------	----------------------------------

AA- and Fitch AA or above)

- | | In relation to
residual
maturity as set
out below: | In relation to
residual
maturity as set
out below: | In relation to
residual
maturity as set
out below: |
|--|---|---|---|
| (D) Negotiable debt obligations denominated in an Eligible Currency issued by the Government of the United Kingdom having a residual maturity at the date of their transfer to Party B (i) of not more than one year; (ii) equal to or greater than one year but less than five years; (iii) equal to or greater than five years but less than ten years; or (iv) equal to or greater than ten years with local and foreign currency long term issuer ratings of Moody's Aa3, S&P AA- and Fitch AA or above) | (i) 98.5 %
(ii) 97 %
(iii) 95 %
(iv) TBA | (i) 99 %
(ii) 94.3 %
(iii) 87.7 %
(iv) 78.8 % | (i) 99 %
(ii) 96 %
(iii) 94 %
(iv) TBA |
| (E) Negotiable debt obligations denominated in an Eligible Currency issued after 18 July 1984 by the U.S. Treasury Department having a residual maturity at the date of their transfer to Party B (i) of not more than one year (ii) equal to or greater than one year but less than five years; (iii) equal to or greater than five years but less than ten years; or (iv) equal to or greater than ten years (with local and foreign currency long term issuer ratings of Moody's Aa3, S&P AA- and Fitch AA- or above) | (i) 98.5 %
(ii) 97 %
(iii) 95 %
(iv) TBA | (i) 99.3 %
(ii) 97.1 %
(iii) 95.2 %
(iv) 92.4 % | (i) 99 %
(ii) 96 %
(iii) 94 %
(iv) TBA |
| (F) Negotiable debt obligations of the US Government National Mortgage Association, the US | In relation to
residual
maturity as set | In relation to
residual
maturity as set | In relation to
residual
maturity as set |

	Moody's Valuation Percentage	S&P Valuation Percentage	Fitch Valuation Percentage
Federal Home Loan Mortgage Corporation, the US Student Loans Marketing Association or a US Federal Home Loan Bank in each case having a residual maturity at the date of their transfer to Party B (i) of not more than one year; (ii) equal to or greater than one year but less than five years (iii) equal to or greater than five years but less than ten years (iv) equal to or greater than ten years (with local and foreign currency long term issuer ratings of Moody's Aa1, S&P AA+ and Fitch AAA or above)	out below: (i) 98.5% (ii) 97% (iii) 95% (iv) TBA	out below: (i) 99.3% (ii) 97.1% (iii) 95.2% (iv) 92.4%	out below: (i) TBA (ii) TBA (iii) TBA (iv) TBA

- (G) Such other items as agreed between Party A and the Rating Agencies, from time to time which Party B can lawfully receive from, and transfer back to, Party A as required, that will qualify as Eligible Credit Support.
- | | | |
|---|---|---|
| Such Valuation Percentage as agreed between Party A and Moody's from time to time in respect of such Eligible Credit Support. | Such Valuation Percentage as agreed between Party A and S&P from time to time in respect of such Eligible Credit Support. | Such Valuation Percentage as agreed between Party A and Fitch from time to time in respect of such Eligible Credit Support. |
|---|---|---|

"TBA" means a percentage to be determined by agreement with the relevant Rating Agency.

For the avoidance of doubt, "Valuation Percentage" means:

- (i) in circumstances where an Initial Moody's Rating Event or a Subsequent Moody's Rating Event has occurred but neither an Initial S&P Rating Event, a Subsequent S&P Rating Event, a Fitch Ratings Level 1 Cure Event, a Fitch Ratings Level 2 Cure Event nor a Fitch Ratings Non-Collateral Cure Event has occurred, the Moody's Valuation Percentage determined in accordance with the table set out above;

- (ii) in circumstances where an Initial S&P Rating Event or a Subsequent S&P Rating Event has occurred but neither an Initial Moody's Rating Event, a Subsequent Moody's Rating Event, a Fitch Ratings Level 1 Cure Event, a Fitch Ratings Level 2 Cure Event nor a Fitch Ratings Non-Collateral Cure Event has occurred, the S&P Valuation Percentage determined in accordance with the table set out above;
- (iii) in circumstances where a Fitch Ratings Level 1 Cure Event, a Fitch Ratings Level 2 Cure Event or a Fitch Ratings Non-Collateral Cure Event has occurred but neither an Initial Moody's Rating Event, a Subsequent Moody's Rating Event, an Initial S&P Rating Event nor a Subsequent S&P Rating Event has occurred, the Fitch Valuation Percentage determined in accordance with the table set out above;
- (iv) in circumstances where a Fitch Ratings Level 1 Cure Event, a Fitch Ratings Level 2 Cure Event or a Fitch Ratings Non-Collateral Cure Event has occurred and an Initial Moody's Rating Event or a Subsequent Moody's Rating Event has also occurred, the lower of the Fitch Valuation Percentage and the Moody's Valuation Percentage determined in accordance with the table set out above, provided, however, that in any circumstance where the relevant Fitch Valuation Percentage or the relevant Moody's Valuation Percentage is specified to be "TBA", such valuation percentage shall be ascribed a value of zero for the purposes of determining the lower of the Fitch Valuation Percentage and the Moody's Valuation Percentage for the purposes of this sub-paragraph (iv);
- (v) in circumstances where a Fitch Ratings Level 1 Cure Event, a Fitch Ratings Level 2 Cure Event or a Fitch Ratings Non-Collateral Cure Event has occurred and an Initial S&P Rating Event or a Subsequent S&P Rating Event has also occurred, the lower of the Fitch Valuation Percentage and the S&P Valuation Percentage determined in accordance with the table set out above, provided, however, that in any circumstance where the relevant Fitch Valuation Percentage or the relevant S&P Valuation Percentage is specified to be "TBA", such valuation percentage shall be ascribed a value of zero for the purposes of determining the lower of the Fitch Valuation Percentage and the S&P Valuation Percentage for the purposes of this sub-paragraph (v);
- (vi) in circumstances where an Initial S&P Rating Event or a Subsequent S&P Rating Event has occurred and an Initial Moody's Rating Event or a Subsequent Moody's Rating Event has also occurred, the lower of the S&P Valuation Percentage and the Moody's Valuation Percentage determined in accordance with the table set out above, provided, however, that in any circumstance where the relevant S&P Valuation Percentage or the relevant Moody's Valuation Percentage is specified to

be "TBA", such valuation percentage shall be ascribed a value of zero for the purposes of determining the lower of the S&P Valuation Percentage and the Moodys' Valuation Percentage for the purposes of this sub-paragraph (vi); and

- (vii) in circumstances where an Initial S&P Rating Event or a Subsequent S&P Rating Event has occurred and an Initial Moody's Rating Event or a Subsequent Moody's Rating Event has occurred and a Fitch Ratings Level 1 Cure Event, a Fitch Ratings Level 2 Cure Event or a Fitch Ratings Non-Collateral Cure Event has also occurred, the lower of the S&P Valuation Percentage, the Moody's Valuation Percentage and the Fitch Valuation Percentage determined in accordance with the table set out above, provided, however, that in any circumstance where the relevant S&P Valuation Percentage, the relevant Moody's Valuation Percentage or the relevant Fitch Valuation Percentage is specified to be "TBA", such valuation percentage shall be ascribed a value of zero for the purposes of determining the lower of the S&P Valuation Percentage, the Moodys' Valuation Percentage and the Fitch Valuation Percentage for the purposes of this sub-paragraph (vii).

For the avoidance of doubt, where negotiable debt obligations are rated by only one of the above relevant rating agencies, the rating applied will be based on the rating of that agency.

(iii) **Thresholds**

- (A) "**Independent Amount**" means with respect to Party A: zero.

"**Independent Amount**" means with respect to Party B: zero

- (B) "**Threshold**" means with respect to Party A: zero.

"**Threshold**" means, with respect to Party B: zero.

- (C) "**Minimum Transfer Amount**" means with respect to Party A: EUR 100,000.

"**Minimum Transfer Amount**" means with respect to Party B: EUR 50,000.

Norwithstanding anything to the contrary herein, when the Credit Support Amount with respect to a Transferor on a Valuation Date is zero, then for the purposes of any Return Amount due to such Transferor, the Minimum Transfer Amount with respect to the Transferee shall be zero.

- (D) "**Rounding**" The Delivery Amount will be rounded up and the Rounding Amount will be rounded down respectively to the nearest integer multiple of 10,000 Sterling.

(c) **Valuation and Timing.**

- (i) "Valuation Agent" means Party A.
- (ii) "Valuation Date" means weekly on the last Local Business Day of each week or more frequently if agreed in writing between the parties.
- (iii) "Valuation Time" means the close of business in the place of location of the Valuation Agent on the Valuation Date or date of calculation, as applicable; provided that the calculations of Value and Exposure will, as far as practicable, be made as of approximately the same time on the same date.

"Notification Time" means 1:00 p.m., London time, on a Local Business Day.

- (d) "Exchange Date" has the meaning specified in Paragraph 3(c)(ii).

(e) **Dispute Resolution**

- (i) "Resolution Time" means 1:00 p.m., London time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.

- (ii) **Value.** Notwithstanding the definition of "Value", the "Value" of any security enumerated in clause (b)(ii) above (referred to herein as "Government Obligations") shall be the Base Currency Equivalent of the sum of:

- (A) (x) the mean of the high bid and low asked prices quoted on such date by any principal market maker for such Government Obligations chosen by the Disputing Party, or (y) if no quotations are available from a principal market maker for such date, the mean of such high bid and low asked prices as of the day, next preceding such date, on which such quotations were available,

plus

- (B) the accrued interest on such Government Obligations (except to the extent Transferred to a party pursuant to any applicable provision of this Agreement or included in the applicable price referred to in (A) of this clause (e)(ii)) as of such date

in each case multiplied by the applicable Valuation Percentage.

- (iii) **Alternative.** The provisions of Paragraph 4 will apply.

(f) **Distributions and Interest Amount.**

- (i) **Interest Rate**

"Interest Rate" for US Dollars for any day means, the Federal Funds Overnight Rate. For the purposes hereof, "Federal Funds Overnight Rate" means, for any day, an

interest rate per annum equal to the rate published as the Federal Funds Effective Rate that appears on Telerate Page 118 for such day.

The Interest Rate for Euro, for any day, means the EONIA rate, the rate published by the European Banking Federation and ACI - The Financial Market Association (or any company established by the joint sponsors for purposes of compiling and publishing such rates) as such rate appears on Reuters page "EONIA" or Telerate page 247, or as published in another source mutually agreed by the parties.

The Interest Rate for Sterling, for any day, means the "SONIA" rate published by the Wholesale Market Brokers' Association, as such rate appears on Reuters page "SONIA1" or Telerate page 3937, or as published in another source mutually agreed by the parties.

Provided, that, if the relevant Interest Rate source is unavailable for any reason, then the Interest Rate shall be as published by such source on the preceding Local Business Day, unless Party A and Party B agree on an alternative source.

- (i) **Transfer of Interest Amount.** The Transfer of the Interest Amount will be made monthly on the second Local Business Day of each calendar month, provided that Party B shall only be obliged to transfer any Interest Amount to Party A to the extent that it has received such amount.
 - (ii) **Alternative to Interest Amount.** The provisions of Paragraph 5(c)(ii) will apply.
- (g) **Addresses for Transfers.**
- Party A: To be notified in writing.
- Party B: Account details to be provided by Party B in writing.
- (h) **Other Provisions.**

- (i) Paragraph 10 is amended by adding the following Definitions:

"Collateral Amount" has the meaning specified in the Schedule;

"Fitch Criteria" means the criteria set out in the Fitch Rating Credit Policy: Counterparty Risk in Structured Finance Transactions: Swap Criteria dated 13 September 2004, as may be amended from time to time;

"Fitch Ratings Level 1 Event" has the meaning specified in the Schedule;

"Fitch Ratings Level 1 Cure Period" has the meaning specified in the Schedule;

"Fitch Ratings Level 2 Event" has the meaning specified in the Schedule;

"Fitch Ratings Level 2 Cure Period" has the meaning specified in the Schedule;

"**Fitch Ratings Non-Collateral Cure Event**" has the meaning specified in the Schedule;

"**Initial Moody's Rating Event**" has the meaning specified in the Schedule;

"**Initial S&P Rating Event**" has the meaning specified in the Schedule;

"**Moody's**" means Moody's Investors Service, Inc. or its successor;

"**Moody's Criteria**" has the meaning specified in the Schedule;

"**Required Ratings**" has the meaning specified in the Schedule;

"**S&P**" means Standard and Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. and any successor to its rating business;

"**S&P Criteria**" has the meaning specified in the Schedule;

"**Subsequent Moody's Rating Event**" has the meaning specified in the Schedule; and

"**Subsequent S&P Rating Event**" has the meaning specified in the Schedule.

- (ii) "**Distributions**" has the meaning specified in Paragraph 10, except that the words "to which a holder of securities of the same type, nominal value, description and amount as such Eligible Credit Support would be entitled from time to time" shall be deleted and replaced by the words "received by the Transferee in respect of such Eligible Credit Support".
- (iii) "**Distribution Date**" has the meaning specified in Paragraph 10, except that the words "a holder of such Eligible Credit Support is entitled to receive Distributions" shall be deleted and replaced by the words "Distributions are received by the Transferee".
- (iv) **Agreement as to Single Transferee Party and Transferor.** Party A and Party B agree that, notwithstanding anything to the contrary in this Annex:
 - (A) the term "**Transferee**" as used in this Annex shall mean Party B only,
 - (C) the term "**Transferor**" as used in this Annex shall mean Party A only, and
 - (D) Party A only will be required to make transfers of Eligible Credit Support hereunder.
- (v) **Demands and Notices.** Any communication by a party ("X") to the other party ("Y") requesting the delivery or return of Eligible Credit Support pursuant to Section 3 of this Annex must be given orally (including telephonically to the telephone number of Y set forth below, or any other telephone number Y may notify X of in writing) and followed by written

confirmation thereafter during normal business hours in the city in which V is located on any Local Business Day to:

(A) in the case of Party A: ABN AMRO Bank N.V., London Branch
Collateral Management Group
collateral@uk.abnamro.com
Tel: 020 76784077
Fax: 020 76784040

(B) in the case of Party B: Paragon Mortgages (No.11) PLC
St. Catherine's Court
Herbert Road
Solihull

West Midlands B91 3QE

Attention: Swap Administration, Finance
Department

Facsimile No: 0121 712 2699

Email Address:
Company_Secretary@Paragon-group.co.uk

in each case with a copy to the Trustee:-

Citicorp Trustee Company Limited
Citigroup Centre, 14th Floor
Canada Square
Canary Wharf
London E14 5LB

Attention: Agency & Trust

Any such communication will be deemed received and effective when Y receives such written confirmation of any such oral communication.

(vi) The definition of "Exposure" in Paragraph 10 shall be deleted in its entirety and replaced with the following definition:

"Exposure" means:

- (A) with respect to Party A on a Valuation Date: zero; and
- (B) with respect to Party B on a Valuation Date and subject to Paragraph 4 in the case of a dispute: zero, provided, however, that following the occurrence of:

- (1) an Initial Moody's Rating Event where Party A does not, within 30 days of such Initial Moody's Rating Event, act under Part 5(g)(ii)(A), (B) or (C) of the Schedule or a Subsequent Moody's Rating Event pending compliance by Party A with Part 5(g)(iii)(A), (B) or (C) of the Schedule, "Exposure" means an amount equal to the Collateral Amount were the Collateral Amount to be determined in accordance with the terms of Part 5(g)(ii)(D) of the Schedule or Part 5(g)(iii)(D) of the Schedule, as the case may be;
- (2) an Initial S&P Rating Event of which Party A has received written notice from Party B in accordance with Section 12 of this Agreement where Party A does not, within 30 days of such Initial S&P Rating Event, act under Part 5(g)(i)(A)(2) or (3) of the Schedule or a Subsequent S&P Rating Event pending compliance by Party A with Part 5(g)(i)(B)(1) or (2) of the Schedule, "Exposure" means an amount equal to the Collateral Amount were the Collateral Amount to be determined in accordance with the terms of Part 5(g)(i)(A)(1) of the Schedule;
- (3) the occurrence of a Fitch Ratings Level 1 Event or a Fitch Ratings Level 2 Event where a Fitch Ratings Non-Collateral Cure Event has not occurred as contemplated in Part 5(g) of the Schedule to the Agreement, "Exposure" shall mean at any time for the purposes of the Fitch Criteria with respect to a Transferor on a Valuation Date the result of the following formula:

$$\max[MV + VC \times N; 0]$$

where:

"max" means maximum;

"MV" means the mark-to-market value of the outstanding Transactions at that time determined by Party A in good faith;

"VC" means the applicable volatility cushion at that time determined by reference to the table headed "Volatility Cushion (%)" appearing at the end of Appendix 2 to the Fitch Criteria (and for such purpose calculating the relevant Weighted Average Life for a portfolio of swaps l to j assuming a zero prepayment rate and zero default rate in relation to the Mortgages beneficially owned by the Issuer according to the following formula: Weighted Average life =

$$\left[\sum_i^j (\text{Notional}_i * \text{Time to maturity}_i) \right] / \sum_i^j (\text{Notional}_i)$$

and

"N" means the current aggregate notional amount of the outstanding Transactions at that time;

(4) more than one of:

(i) an Initial Moody's Rating Event where Party A does not, within 30 days of such Initial Moody's Rating Event, act under Part 5(g)(ii)(A), (B) or (C) of the Schedule or a Subsequent Moody's Rating Event pending compliance by Party A with Part 5(g)(iii)(A), (B) or (C) of the Schedule,

(ii) an Initial S&P Rating Event of which Party A has received written notice from Party B in accordance with Section 12 of this Agreement where Party A does not, within 30 days of such Initial S&P Rating Event, act under Part 5(g)(i)(A)(2) or (3) of the Schedule or a Subsequent S&P Rating Event pending compliance by Party A with Part 5(g)(i)(B)(1) or Part 5(g)(i)(B)(2) of the Schedule, and

(iii) a Fitch Ratings Level 1 Event has occurred where a Fitch Ratings Non-Collateral Cure Event has not occurred the Fitch Ratings Level 1 Cure Period or a Fitch Ratings Level 2 Event has occurred where a Fitch Ratings Non-Collateral Cure Event has not occurred the Fitch Ratings Level 2 Cure Period as contemplated in Part 5(g) of the Schedule to the Agreement, and

"Exposure" means whichever is the greater of the amounts arrived at by calculating "Exposure" in accordance with those definitions of "Exposure" set out in (1) and (2) in this subparagraph (B).

(vii) Notwithstanding Paragraph 8, Party A will be responsible for, and will reimburse and indemnify Party B and/or the Note Trustee and/or their agents promptly upon written demand (made from time to time) for, all costs and expenses (including, without limitation, Taxes) incurred by Party B and/or the Note Trustee and/or their agents (as the case may be) in connection with this Annex (including, without limitation, in connection with the transfer, receipt, administration and/or holding of Eligible Credit Support, Equivalent Eligible Support, Interest Amount and/or Equivalent Distributions the making of calculations, determinations, communications or valuations, the opening and maintenance of accounts and the preservation, dispute and enforcement of rights). Party A acknowledges and agrees that such costs and expenses may be incurred by Paragon Finance PLC on behalf of Party B in connection with this

Annex and each party acknowledges and agrees that Party A may reimburse Paragon Finance PLC directly in respect of such costs and expenses.

IN WITNESS WHEREOF, the parties have executed and delivered this document as of the date specified on the first page of this document.

Signed for and behalf of:

on:
by:

ABN AMRO Bank N.V., London Branch

6 March 2006

By.....

Name: *Michael Galleher and Roger Menger*

Title: ~~Attorney~~ AUTHORIZED SIGNATOR

Signed for and behalf of:

on:
by:

Paragon Mortgages (No.11) PLC

March 2006

By.....

Name:

Title:

Signed for and behalf of:

on:
by:

Citicorp Trustee Company Limited

March 2006

By.....

Name:

Title:

IN WITNESS WHEREOF, the parties have executed and delivered this document as of the date specified on the first page of this document.

Signed for and behalf of:
on:
by:

ABN AMRO Bank N.V., London Branch
March 2006

By.....
Name:
Title: Attorney

Signed for and behalf of:
on:
by:

Paragon Mortgages (No.11) PLC
13 March 2006

By.....
Name: Stephen Bowcott
Title: As Attorney

Signed for and behalf of:
on:
by:

Citicorp Trustee Company Limited
March 2006

By.....
Name:
Title:

IN WITNESS WHEREOF, the parties have executed and delivered this document as of the date specified on the first page of this document.

Signed for and behalf of:

ABN AMRO Bank N.V., London Branch

on:

March 2006

by:

By.....

Name:

Title: Attorney

Signed for and behalf of:

Paragon Mortgages (No.11) PLC

on:

March 2006

by:

By.....

Name:

Title:

Signed for and behalf of:

Citicorp Trustee Company Limited

on:


13 March 2006

by:

By.....

Name:

Title:


David Maroo
Director