

PARAGON MORTGAGES (NO.13) PLC
as the Issuer

BARCLAYS BANK PLC
as the Flexible Drawing Facility Provider

PARAGON FINANCE PLC
as an Administrator

MORTGAGE TRUST SERVICES PLC
as an Administrator

and

CITICORP TRUSTEE COMPANY LIMITED
as the Trustee

relating to

Issue of Mortgage Backed Notes by the Issuer

FLEXIBLE DRAWING FACILITY AGREEMENT

26 October 2006

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THIS FLEXIBLE DRAWING FACILITY AGREEMENT is made on 26 October 2006.

BETWEEN

1. **PARAGON MORTGAGES (NO.13) PLC** (the "**Issuer**" or the "**Company**"), (registered number 5393650), a company incorporated under the laws of England and Wales whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE;
2. **BARCLAYS BANK PLC** (registered number 1026167) acting through its office at 5 The North Colonnade, Canary Wharf, London E14 4BB (the "**Flexible Drawing Facility Provider**", which expression shall, wherever the context so admits, include any successor facility provider for the time being under this Agreement);
3. **PARAGON FINANCE PLC** (registered number 1917566) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE ("**PFPLC**");
4. **MORTGAGE TRUST SERVICES PLC**, (registered number 3940202) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE ("**MTS**"); and
5. **CITICORP TRUSTEE COMPANY LIMITED**, (registered number 235914) acting through its principal London office at Citigroup Centre, 14th Floor, Canada Square, Canary Wharf, London E14 5LB as trustee for the Noteholders referred to below (the "**Trustee**", which expression shall wherever the context so admits, include any other trustee or trustees for the time being of the Trust Deed referred to below).

WHEREAS:

- (A) Pursuant to the Mortgage Sale Agreement, MTS and Paragon Mortgages Limited ("**PML**") have agreed to sell and the Issuer has agreed to purchase the Mortgages together with the related collateral security.
- (B) The Issuer proposes to charge to the Trustee pursuant to the Deed of Charge the Mortgages and the collateral security purchased by it from MTS or PML, as the case may be, as security for its obligations in relation to the issue of the Notes.
- (C) The Flexible Drawing Facility Provider has agreed, on the terms and subject to the conditions of this Agreement, to make available a revolving facility to the Issuer.

IT IS AGREED as follows:

1. **DEFINITIONS AND INTERPRETATION**

- 1.1 Save where the context otherwise requires, the following words and expressions when used herein or in the recitals hereto have the meanings set opposite them:

"**Administrator**" has the meaning indicated in the Administration Agreement;

"Administration Agreement" means the Administration Agreement dated on or about the date of this Agreement between the Administrators, the Issuer, the Originators, the Sellers and the Trustee as from time to time varied with the approval of the Trustee and any agreement to which the Trustee is a party under which a substitute administrator is appointed to render services of the nature referred to in such agreement other than the Substitute Administrator Agreement;

"Applicable Rate" means on any date, the rate of interest equal to the aggregate of:

- (a) the Reference Rate for that class as determined under Clause 8.4 on the relevant Interest Rate Fixing Date; and
- (b) the then applicable Margin;

"Associated Costs Rate" means in respect of any period, the percentage rate per annum given by the formula set out in Schedule 3 hereto;

"Available Redemption Funds" has the meaning indicated in Condition 5(a);

"Business Day" has the same meaning as in Condition 4(a), whether or not there are any Notes outstanding;

"Class A Notes" has the meaning indicated in the Conditions;

"Closing Date" has the same meaning as in the Subscription Agreement;

"Conditions" has the meaning given to it in the Trust Deed;

"Deed of Charge" has the meaning indicated in the Administration Agreement;

"Downgrade Advance" has the meaning given to it in Clause 24.1;

"Drawdown Date" means in relation to any Flexible Drawing Facility Advance, the date for the making of such Flexible Drawing Facility Advance, as specified in the Notice of Drawdown relating to it;

"Enforcement Notice" has the same meaning as in the Deed of Charge;

"Event of Default" means any of those events specified in Clauses 15.1(a) to 15.1(f) inclusive;

"Facility Office" means in relation to the Flexible Drawing Facility Provider, the office through which it makes a Flexible Drawing Facility Advance, being its office at its address indicated at the start of this Agreement or such other office as it may from time to time select pursuant to and in accordance with Clause 28.1;

"Fitch" means Fitch Ratings Limited;

"Flexible Drawing Cash Advance" has the meaning indicated in the Administration Agreement;

"Flexible Drawing Facility" means the revolving facility granted to the Issuer by the Flexible Drawing Facility Provider pursuant to this Agreement;

"Flexible Drawing Facility Advance" means at any time an advance made by the Flexible Drawing Facility Provider under Clause 7.1 including each advance at that time which has been debited to the Flexible Drawing Facility Ledger and is to be treated as a drawing under the Flexible Drawing Facility pursuant to Clause 24.2 or Clause 25.3;

"Flexible Drawing Facility Available Amount" means at any time the lower of:

- (a) the then Flexible Drawing Facility Limit less the aggregate amount of each Flexible Drawing Facility Advance then outstanding under this Agreement; and
- (b) the then aggregate Principal Amount Outstanding of the Class A Notes;

"Flexible Drawing Facility Commitment" means at any time the commitment of the Flexible Drawing Facility Provider to make Flexible Drawing Facility Advances from time to time up to (in aggregate) the lower of:

- (a) £15,000,000 less the aggregate amount at that time of the Flexible Drawing Facility which has been cancelled or reduced pursuant to this Agreement; and
- (b) the Flexible Drawing Facility Limit at that time;

"Flexible Drawing Facility Commitment Period" means the period from and including the date of this Agreement up to and including the earlier of:

- (a) the day falling 364 days after the date of this Agreement or such other period as may from time to time be agreed to by the parties hereto in accordance with Clause 31 (subject to confirmation from the Rating Agencies that such other period will not adversely impact the then current rating of the Notes);
- (b) the date the Class A Notes are redeemed in full;
- (c) enforcement of the Security in accordance with the Deed of Charge; and
- (d) the day the Flexible Drawing Facility Commitment is reduced to zero in accordance with Clause 9.2, 9.3, Clause 11 or Clause 24 of this Agreement;

"Flexible Drawing Facility Ledger" has the meaning indicated in the Administration Agreement;

"Flexible Drawing Facility Limit" means, with respect to the first Interest Period, £15,000,000 or, with respect to each subsequent Interest Period, the greater of (i) 5 per cent. of the aggregate of the Flexible Mortgage Maximum Balance of each Flexible Mortgage outstanding on the first day of such Interest Period, (ii) £6,000,000 and (iii) the maximum amount which the Flexible Drawing Facility Limit has been in any previous Interest Period on or after the date upon which the Flexible Drawing Facility

is first drawn. Any variation in the method of calculation of the Flexible Drawing Facility Limit shall require that the Rating Agencies have given prior written confirmation that such variation will not adversely affect the then current rating of the Notes. The Flexible Drawing Facility Provider will not be obliged to advance funds on any Interest Payment Date beyond such maximum amount;

"**Flexible Drawing Facility Principal Debt**" has the meaning indicated in Condition 5(a);

"**Flexible Drawing Facility Provider Required Rating**" means at any time a short term unsecured, unguaranteed and unsubordinated debt rating of at least P-1 by Moody's, A-1+ by S&P and F1+ by Fitch;

"**Flexible Mortgages**" has the meaning indicated in the Administration Agreement;

"**Interest Payment Date**" has the same meaning as in the Conditions, whether or not there are any Notes outstanding;

"**Interest Period**" has the meaning given to such term in Condition 4(a);

"**Interest Rate Fixing Date**" means in relation to a Term for which the relevant Applicable Rate shall apply, the first day of the Term;

"**Margin**" means 0.20 per cent per annum;

"**Mandatory Further Advance**" has the meaning indicated in the Administration Agreement;

"**Moody's**" means Moody's Investors Service Limited;

"**Mortgage Sale Agreement**" has the meaning indicated in the Administration Agreement;

"**Mortgages**" has the meaning given to it in the Mortgage Sale Agreement;

"**MTL**" means Mortgage Trust Limited;

"**New Flexible Drawing Facility Agreement**" has the meaning given to it in Clause 31.1;

"**Non-Renewal Advance**" has the meaning given to it in Clause 25.1;

"**Non-Renewal Advance Notice**" means a request for a Non-Renewal Advance made in accordance with Clause 25 and being substantially in the form set out in Schedule 4 of this Agreement;

"**Notes**" has the meaning indicated in the Administration Agreement;

"**Notice of Drawdown**" means a request for a Flexible Drawing Facility Advance made in accordance with Clause 6 and being substantially in the form, or containing substantially the information, set out in Schedule 2 of this Agreement;

"Principal Amount Outstanding" has the meaning indicated in Condition 5(b);

"Qualifying Lender" means:

- (a) a bank, as defined in section 840A of the Income and Corporation Taxes Act 1988, which makes a Flexible Drawing Facility Advance under this Agreement and which, on the date a payment of interest is paid under this Agreement, is beneficially entitled to and within the charge to United Kingdom corporation tax in respect of that payment for the purposes of section 349 of the Income and Corporation Taxes Act 1988; or
- (b) a company which is (on the date a payment of interest is paid under this Agreement) beneficially entitled to the payment and either:
 - (1) is resident in the United Kingdom for United Kingdom Tax purposes; or
 - (2) not being so resident, carries on a trade in the United Kingdom through a permanent establishment and that payment falls to be brought into account in computing the profits attributable to that permanent establishment (within the meaning given by section 11(2A) of the Income and Corporation Taxes Act 1988),

and in respect of which, in each case, H.M. Revenue & Customs has not issued a direction under section 349C of the Income and Corporation Taxes Act 1988 that section 349A(1) of the Income and Corporation Taxes Act 1988 does not apply;

"Quotation Deposits" means three month deposits of £10,000,000;

"Quotation Market" means the London inter-bank market;

"Quotation Time" means 11.00 a.m. London time on the relevant Interest Rate Fixing Date;

"Rating Agencies" means Moody's, S&P and Fitch;

"Reference Banks" means Barclays Bank PLC, Lloyds TSB Bank plc, HSBC Bank plc and The Royal Bank of Scotland plc or any duly appointed substitute reference bank(s) as may be appointed by the Issuer and approved by the Trustee;

"Reference Rate" means in respect of a Term, the arithmetic mean of the Reference Quotations for Quotation Deposits, in each case rounded upwards, if necessary, to five decimal places;

"Reference Quotations" means:

- (a) where the Reference Screen is being used, quotations to leading banks for Quotation Deposits for same day value in the Quotation Market at or about the Quotation Time as displayed on the Reference Screen; and

- (b) where Reference Banks are being used, the offered quotations made by the relevant Reference Bank to leading banks for the relevant Quotation Deposits for same day value in the Quotation Market at or about the Quotation Time, details of which are provided by that Reference Bank to the Flexible Drawing Facility Provider;

"Reference Screen" means page number 3750 displayed on the Dow-Jones/Telerate Monitor (or such replacement page on that service which displays the relevant information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer (with the approval of the Trustee, in its sole discretion);

"Relevant Documents" has the meaning given to it in the Deed of Charge;

"Renewal Date" has the meaning ascribed to it in Clause 31.1;

"Repayment Date" means in relation to any Flexible Drawing Facility Advance the last day of the Term of such Flexible Drawing Facility Advance;

"Replacement Flexible Drawing Facility" has the meaning ascribed to it in Clause 24.1;

"Replacement Flexible Drawing Facility Provider" has the meaning ascribed to it in Clause 24.1;

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

"Secured Parties" has the same meaning as in the Deed of Charge;

"Security" has the same meaning as in the Trust Deed;

"Security Interest" has the same meaning as in the Deed of Charge;

"Subscription Agreement" has the meaning indicated in the Administration Agreement;

"Subordinated Loan Agreement" has the meaning indicated in the Administration Agreement;

"Substitute Administrator Agreement" has the meaning indicated in the Administration Agreement;

"Taxes" means any tax, charge, duty, levy, contribution, impost, withholding or liability imposed, whether in the United Kingdom or elsewhere, for support of national, federal, provincial, municipal, state or local government and shall also include any penalty, fine, surcharge or interest payable in addition to or in connection with any such tax, charge, duty, levy, contribution, impost, withholding or liability and **"Tax"** and **"Taxation"** shall be construed accordingly;

"**Term**" means in relation to any Flexible Drawing Facility Advance the period from (and including) the date upon which such Flexible Drawing Facility Advance is provided to the Issuer under this Agreement to (and excluding) the next following Interest Payment Date;

"**Transaction Account**" has the meaning given to it in the Administration Agreement; and

"**Trust Deed**" has the meaning given to it in the Administration Agreement. -

1.2 Any reference in this Agreement to:

(a) "**indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent; and

(b) the "**winding-up**" or "**dissolution**" of a company shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or any jurisdiction in which such company carries on business.

1.3 To the extent that the terms of this Agreement require a payment to be made by any party to this Agreement on a day which is not a Business Day, payment shall be made on the next succeeding day which is a Business Day.

2. FLEXIBLE DRAWING FACILITY

2.1 The Flexible Drawing Facility Provider grants to the Issuer, upon the terms and subject to the conditions hereof, a committed sterling revolving facility in an initial amount of up to £15,000,000, such amount being adjusted from time to time pursuant to and in accordance with the terms of this Agreement.

2.2 The Flexible Drawing Facility Provider shall not be obliged or permitted to make any Flexible Drawing Facility Advance after the last day of the Flexible Drawing Facility Commitment Period.

2.3 The Flexible Drawing Facility Provider hereby represents that its short term unsecured, unguaranteed and unsubordinated debt is rated at least P-1 by Moody's, A-1+ by S&P and F1+ by Fitch at the date of this Agreement and undertakes to notify the Issuer promptly after becoming aware of the same if such debt shall cease to have at least the Flexible Drawing Facility Provider Required Rating or if such ratings are placed on negative credit watch.

3. PURPOSE

Subject to Clauses 6 and 9, the Issuer shall be entitled to make drawings under the Flexible Drawing Facility from time to time to fund each Mandatory Further Advance in respect of a Flexible Drawing Cash Advance required to be made under a Flexible Mortgage beneficially owned by the Issuer, to the extent that there are:

- (a) insufficient Available Redemption Funds then available to the Issuer; and
- (b) insufficient amounts drawn by the Issuer (the Issuer being obliged to apply for such a drawing) under the Subordinated Loan Agreement, for such purpose.

4. CONDITIONS PRECEDENT

Save as the Flexible Drawing Facility Provider may otherwise agree, the Issuer may not deliver the first Notice of Drawdown hereunder unless the Flexible Drawing Facility Provider has received copies of all the documents listed in Schedule 1 each of which in its reasonable opinion is, in form and substance, satisfactory to it unless such condition precedent has been waived in whole or in part.

5. SECURITY

The Issuer agrees that its obligations to the Flexible Drawing Facility Provider under this Agreement shall at all times be secured on the terms of and pursuant to the Deed of Charge. The Flexible Drawing Facility Provider acknowledges that its rights under this Agreement are subject in all respects to the provisions of the Deed of Charge and that the Trustee holds the benefit of the security created by the Deed of Charge on trust for the Secured Parties including, without limitation, the Trustee.

6. REQUESTS FOR FLEXIBLE DRAWING FACILITY ADVANCE

6.1 Save as otherwise provided herein, the Issuer may from time to time request a Flexible Drawing Facility Advance or Flexible Drawing Facility Advances by the delivery to the Flexible Drawing Facility Provider by fax not earlier than the sixth Business Day nor later than 3.00 pm on the second Business Day before the proposed Drawdown Date(s) for the relevant Flexible Drawing Facility Advance of a duly completed Notice of Drawdown therefor.

6.2 Each Notice of Drawdown delivered to the Flexible Drawing Facility Provider pursuant to Clause 6.1 shall be irrevocable and shall, in relation to each Flexible Drawing Facility Advance, specify:

- (a) the proposed Drawdown Date, which shall be any Business Day during the Flexible Drawing Facility Commitment Period;
- (b) the amount of the proposed Flexible Drawing Facility Advance; and
- (c) the Term of the proposed Flexible Drawing Facility Advance.

6.3 The Issuer agrees that any Notice of Drawdown provided to the Flexible Drawing Facility Provider will be irrevocable and the receipt of such by the Flexible Drawing Facility Provider shall oblige the Issuer to borrow the amount therein requested on the date therein stated upon the terms and subject to the conditions contained in this Flexible Drawing Facility Agreement.

7. MAKING OF FLEXIBLE DRAWING FACILITY ADVANCES

7.1 If, on the proposed Drawdown Date for a Flexible Drawing Facility Advance:

- (a) the amount of such Flexible Drawing Facility Advance does not exceed the Flexible Drawing Facility Available Amount on such Drawdown Date (taking into account any Flexible Drawing Facility Advances which are to be repaid on that Drawdown Date);
- (b) the Repayment Date in respect of such Flexible Drawing Facility Advance falls on or before the date on which this Agreement terminates pursuant to Clause 11;
- (c) each of the representations set out in Clause 12.1 is true on and as of the proposed date for such Flexible Drawing Facility Advance (as if repeated on such date by reference to the then prevailing facts and circumstances); and
- (d) no event has occurred which is an Event of Default (unless the Flexible Drawing Facility Provider agrees in writing (notwithstanding that an Event of Default has occurred) to make such Flexible Drawing Facility Advance),

then, on such Drawdown Date and subject to the Issuer's compliance in relation thereto with the provisions of Clause 6, the Flexible Drawing Facility Provider shall make available to the Issuer, through its Facility Office and in accordance with the provisions of Clause 17.2, the amount of the relevant Flexible Drawing Facility Advance provided however that any Flexible Drawing Facility Advance may only be made to the extent and for the purposes indicated in Clause 3.

- 7.2 If the Flexible Drawing Facility Limit (and consequently the amount of the Flexible Drawing Facility Available Amount) is reduced in accordance with the terms hereof after the Flexible Drawing Facility Provider has received a Notice of Drawdown for a Flexible Drawing Facility Advance but before it has made the relevant Flexible Drawing Facility Advance, the amount of such Flexible Drawing Facility Advance shall be reduced so as to ensure that the amount of such Flexible Drawing Facility Advance does not exceed the reduced Flexible Drawing Facility Available Amount.
- 7.3 The Issuer may not deliver to the Flexible Drawing Facility Provider pursuant to Clause 6 more than one Notice of Drawdown on any one day but any Notice of Drawdown delivered thereunder may relate to one or more Flexible Drawing Facility Advances to be made by the Flexible Drawing Facility Provider and such Flexible Drawing Facility Advances may be in different amounts and have different Drawdown Dates.
- 7.4 The amount of the Flexible Drawing Facility Available Amount will be reduced by the amount of each Flexible Drawing Facility Advance made to the Issuer pursuant to this Clause 7.

8. INTEREST

- 8.1 Interest on each Flexible Drawing Facility Advance shall accrue daily, shall be calculated on the outstanding daily balance of the Flexible Drawing Facility Advance on the basis of actual days elapsed and a 365 day year and shall, subject to Clauses 15.2 and 16, be payable by the Issuer to the Flexible Drawing Facility Provider, subject to and in accordance with the terms of the Deed of Charge, in arrear on the Repayment Date applicable to such Flexible Drawing Facility Advance.
- 8.2 The rate of interest applicable to a Flexible Drawing Facility Advance during its Term shall be the rate per annum determined by the Flexible Drawing Facility Provider to be the aggregate of the Applicable Rate plus the Associated Costs Rate applicable to such Flexible Drawing Facility Advance.
- 8.3 The Flexible Drawing Facility Provider shall promptly notify the Issuer, each Administrator and the Trustee of each determination of the Applicable Rate and, if applicable, the Associated Costs Rate made by it pursuant to this Clause 8.
- 8.4 In relation to each Flexible Drawing Facility Advance, at or about the Quotation Time on each Interest Rate Fixing Date in relation to such Flexible Drawing Facility Advance:
- (a) the Flexible Drawing Facility Provider shall determine the Reference Rate on the basis of Reference Quotations using the Reference Screen in respect of such Flexible Drawing Facility Advance; or
 - (b) if the Flexible Drawing Facility Provider is unable to determine a Reference Rate under Clause 8.4(a), the Flexible Drawing Facility Provider shall determine that Reference Rate using the Reference Banks if, upon the Flexible Drawing Facility Provider requesting the relevant Reference Quotations from the principal London office of each of the Reference Banks, at least two of such Reference Banks provide the relevant details of those Reference Quotations to the Flexible Drawing Facility Provider; or
 - (c) if only one Reference Bank provides the Flexible Drawing Facility Provider with the relevant Reference Quotations under Clause 8.4(b), the Flexible Drawing Facility Provider shall determine the relevant Reference Rate using the Reference Quotations of that Reference Bank and Reference Quotations of an additional bank which the Trustee indicates to the Flexible Drawing Facility Provider is, in the opinion of the Trustee, suitable to be and shall be treated as an additional Reference Bank for such purpose on that Interest Rate Fixing Date; or
 - (d) if no Reference Bank provides the Flexible Drawing Facility Provider with the relevant Reference Quotations under Clause 8.4(b), the Flexible Drawing Facility Provider shall determine the relevant Reference Rate using the Reference Quotations of two other banks which the Trustee indicates to the Flexible Drawing Facility Provider are, in the opinion of the Trustee, suitable

to be and shall be treated as Reference Banks for such purpose on that Interest Rate Fixing Date; or

- (e) if the Trustee does not provide the indication contemplated under Clause 8.4(c) or does not provide either or both of the indications contemplated under Clause 8.4(d) (as applicable), or the relevant additional bank under Clause 8.4(c) or either or both of the other banks under Clause 8.4(d) (as applicable) does not or do not provide the relevant Reference Quotations, then the Flexible Drawing Facility Provider shall determine the relevant Reference Rate to be the most recent Reference Rate which was determined under either Clause 8.4(a) or Clause 8.4(b) in respect of any Flexible Drawing Facility Advance.

8.5 Any Downgrade Advance or Non-Renewal Advance shall accrue interest in the manner set out in this Clause 8.

9. CHANGES IN CIRCUMSTANCES

- 9.1 In the event that by reason of any future applicable treaty, law, regulation or regulatory requirement or any change in the official, generally published interpretation or application of any present or future applicable treaty, law, regulation or regulatory requirement the Flexible Drawing Facility Provider shall, after due consideration, be of the opinion that it would not be lawful for it to maintain or give effect to its obligations in respect of the Flexible Drawing Facility, the Flexible Drawing Facility Provider shall notify the Issuer in writing accordingly.

Upon receipt of such notice by the Issuer, the Flexible Drawing Facility Provider's obligation to make further Flexible Drawing Facility Advances shall immediately be cancelled and any Flexible Drawing Facility Advances then outstanding shall become immediately due and payable by the Issuer.

9.2 If either:

- (a) any change after the date of this Agreement in (or the introduction of) any applicable treaty, law, regulation or regulatory requirement or in the official, generally published interpretation or application thereof or any applicable direction, request or requirement (whether or not having the force of law) of any governmental, fiscal or monetary authority shall in any such case:
 - (1) subject the Flexible Drawing Facility Provider to any Tax, or increase the amount of any Tax (except for an increase resulting from a change in Tax rates), with respect to the Flexible Drawing Facility or any Flexible Drawing Facility Advance (other than Tax on the Flexible Drawing Facility Provider's income, profits or gains); or
 - (2) change the basis of Taxation of the Flexible Drawing Facility Provider in respect of payments of principal, interest or any other payment due or to become due pursuant to this Agreement (except for changes in the rate

of Taxes on or measured by the Flexible Drawing Facility Provider's income, profits or gains); or

- (3) change the basis of Taxation of the Flexible Drawing Facility Provider in respect of any principal or interest paid by it on, or otherwise in respect of, deposits from third parties acquired or utilised to effect or maintain any Flexible Drawing Facility Advance (except for changes in the rate of Taxes on or measured by the Flexible Drawing Facility Provider's income, profit or gains); or
- (4) impose, modify or deem applicable any reserve, special deposit, cash ratio, liquidity, capital ratio or other requirement against or in respect of any, or any class of any, assets or liabilities (including contingent liabilities and commitments) of the Flexible Drawing Facility Provider; or
- (5) impose on the Flexible Drawing Facility Provider any other condition relating to or affecting its obligations under this Agreement or any part thereof; or

- (b) the Flexible Drawing Facility Provider complies with any applicable direction, request or requirement (whether or not having the force of law) of any government, fiscal or monetary authority made after the date hereof;

and the result of any of the foregoing (or, in the case of subparagraph (b) above, the result of the foregoing if following the relevant compliance the Flexible Drawing Facility Provider adopts no less prudent capital ratio, liquidity or other policies or standards than those previously adopted by it) is either:

- (1) to increase the direct or indirect cost to the Flexible Drawing Facility Provider of making available or in maintaining any Flexible Drawing Facility Advance; or
- (2) to reduce the amount of any payment received or receivable by the Flexible Drawing Facility Provider under this Agreement; or
- (3) to reduce its effective return on capital employed in support of the Flexible Drawing Facility or in connection with any Flexible Drawing Facility Advance,

in any such case by an amount which the Flexible Drawing Facility Provider reasonably deems to be material, then:

- A. the Flexible Drawing Facility Provider shall promptly notify the Issuer and the Trustee of the happening of such event after it has become aware thereof; and
- B. the Issuer shall, on the next Interest Payment Date and in accordance with the Deed of Charge, pay the Flexible Drawing Facility Provider on

demand such amount(s) as the Flexible Drawing Facility Provider may certify (in a certificate which shall set out in reasonable detail so far as practicable the basis of the computation of such amounts) to be necessary to indemnify it against, as the case may be, such increased cost or such reduction; and

- C. the Issuer shall be at liberty, subject to it having obtained all requisite authorisations and consents, at any time after receipt of any such notice, so long as the circumstances giving rise to such increased cost or, as the case may be, such reduction continue, on giving the Flexible Drawing Facility Provider not less than five Business Days' notice (which shall be irrevocable) and subject to repayment in full of the Flexible Drawing Facility Advance, to cancel the whole of the Flexible Drawing Facility and the Flexible Drawing Facility Limit shall be reduced to nil.

Any such demand as is referred to in this Clause 9.2 may be made by the Flexible Drawing Facility Provider at any time.

9.3 Upon the occurrence of any event as described in Clauses 9.1 or 9.2 above:

- (a) the Flexible Drawing Facility Provider shall, in consultation with the Issuer, take such reasonable steps as may reasonably be open to it to mitigate the effect of such circumstances, and
- (b) the Issuer and the Flexible Drawing Facility Provider shall forthwith negotiate in good faith with a view to agreeing terms for making the Flexible Drawing Facility available from another jurisdiction or for restructuring the Flexible Drawing Facility on a basis which is not unlawful or, subject to the relevant event or events referred to in Clause 9.2, for transferring its rights and obligations hereunder to another bank who has at that time the Flexible Drawing Facility Provider Required Rating;

provided that:

- (1) there shall be no obligation on the Flexible Drawing Facility Provider to take any steps if, in its reasonable opinion, the same would or might have a material adverse effect upon its business, operations or financial condition or to agree any terms which are economically materially disadvantageous to itself; and
- (2) that the Flexible Drawing Facility Provider shall not be under any obligation to continue any such negotiations as aforesaid if terms have not been agreed within 30 days after their commencement;

and in the case of (1) and (2), the Issuer shall be entitled on giving the Flexible Drawing Facility Provider not less than five Business Days' notice (which shall be irrevocable) and subject to repayment in full of the Flexible Drawing Facility Advance,

to cancel the whole of the Flexible Drawing Facility, and the Flexible Drawing Facility Limit and the Flexible Drawing Facility Commitment shall be reduced to nil.

10. REPAYMENT OF FLEXIBLE DRAWING FACILITY ADVANCES

- 10.1 Subject to the provisions of this Agreement and the Deed of Charge, the Issuer shall repay the principal outstanding amount of each Flexible Drawing Facility Advance in full to the Flexible Drawing Facility Provider on each Interest Payment Date to the extent that funds standing to the credit of the Principal Ledger are to be applied on such Interest Payment Date in accordance with Condition 5(a) in such repayment.

Notwithstanding the provisions of this Clause 10.1, if any repayment is received by the Flexible Drawing Facility Provider on a date which is not a relevant Interest Payment Date, the Issuer shall additionally pay to the Flexible Drawing Facility Provider all costs (including broken funding costs, if any) arising as a consequence thereof.

- 10.2 The Issuer, subject to the terms and conditions of this Agreement, shall be entitled to re-borrow any amount repaid provided that the re-borrowing does not exceed the Flexible Drawing Facility Available Amount at any time.
- 10.3 In any event, the Issuer shall be obliged to repay together with accrued interest thereon each Flexible Drawing Facility Advance made to it in full to the Flexible Drawing Facility Provider on the date the Class A Notes are redeemed in full.

11. CANCELLATION

- 11.1 The Issuer may, with the prior written confirmation of the Rating Agencies that such cancellation will not cause the rating of the Notes to be downgraded and with the prior written consent of the Trustee (such consent not to be unreasonably withheld) cancel the whole or any undrawn part of the Flexible Drawing Facility by giving the Flexible Drawing Facility Provider not less than five Business Days' prior notice specifying the date and amount of the proposed cancellation.

For the avoidance of doubt, the Flexible Drawing Facility Provider will not be required to enquire or seek confirmation of whether or not the Issuer has obtained such confirmation or agreement.

Any cancellation in part shall (unless, as a result of such cancellation, the Flexible Drawing Facility Commitment is to be reduced to zero) be in an amount or integral multiple of £100,000.

- 11.2 No cancellation pursuant to Clause 11.1 shall take effect to the extent that, as a result of such proposed cancellation, the principal amounts outstanding under the Flexible Drawing Facility would, at the time of such proposed cancellation, exceed the Flexible Drawing Facility Commitment.

The exercise of such rights of cancellation by the Issuer shall be without prejudice to the Issuer's right subsequently to decrease the Flexible Drawing Facility Limit as contemplated in the definition of Flexible Drawing Facility Limit.

11.3 Each notice of cancellation given pursuant to this Clause 11 shall be irrevocable and shall specify the date upon which such cancellation is to take effect.

11.4 If at any time:

- (a) all indebtedness owed to the Flexible Drawing Facility Provider by the Issuer hereunder has been paid in full; and
- (b) the Flexible Drawing Facility Commitment is cancelled or reduced to zero; and
- (c) the Flexible Drawing Facility Provider is under no further actual or contingent obligation hereunder,

then this Agreement shall terminate.

11.5 On the last day of the Flexible Drawing Facility Commitment Period the Flexible Drawing Facility Commitment shall be (if it has not already been) cancelled and reduced to zero.

12. REPRESENTATIONS

12.1 The Issuer represents on the date hereof and on each date that a Flexible Drawing Facility Advance is made to the Issuer pursuant to Clause 7 that:

- (a) **Status:** the Issuer is duly incorporated with limited liability under the laws of England and Wales.
- (b) **Powers and authorisations:** the Memorandum and Articles of Association of the Issuer include provisions which give power, and all necessary corporate authority has been obtained and action taken, for the Issuer to own its assets, carry on its business as it is now being conducted and sign and deliver and perform the transactions contemplated in the Relevant Documents to which it is a party and such documents constitute valid, legal and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms.
- (c) **Non-Violation:** neither the signing and delivery of this Agreement nor the performance of any of the transactions contemplated in it contravenes or constitutes a default under, or causes to be exceeded any limitation on the Issuer or the powers of its directors imposed by or contained in:
 - (1) any law by which it is or any of its assets is bound or affected;
 - (2) its Memorandum or Articles of Association; or
 - (3) any agreement to which it is a party or by which any of its assets is bound.
- (d) **No Default:** no event has occurred which constitutes, or which, with the giving of notice and/or the lapse of time and/or a relevant determination

would constitute, a contravention of, or default under, any agreement or instrument by which the Issuer or any of its assets is bound or affected, being a contravention or default which has a material adverse effect on the business, assets or condition of the Issuer or adversely affects its ability to observe or perform its obligations under this Agreement.

- (e) **Litigation:** no litigation, arbitration or administrative proceeding or claim which has a material adverse effect on its business, assets or condition or adversely affects its ability to observe or perform its obligations under this Agreement is presently in progress or pending or, to the best of the knowledge, information and belief of the Issuer, threatened against the Issuer or any of its assets.
- (f) **No Security:** none of the assets of the Issuer is affected by any encumbrance, and the Issuer is not a party to, nor is it or any of its assets bound by, any order, agreement or instrument under which the Issuer is required to create, assume or permit to arise any encumbrance, other than the encumbrances created by or pursuant to the Deed of Charge or as expressly contemplated by the Relevant Documents.

- 12.2 The Issuer represents that the claims against it under this Agreement shall be secured by first ranking security over the assets and undertaking of the Issuer granted in favour of the Trustee for the benefit of, *inter alia*, the Flexible Drawing Facility Provider pursuant to and in accordance with the terms of the Deed of Charge.
- 12.3 The Flexible Drawing Facility Provider represents as at the date it becomes a party to this Agreement or, if applicable, as at the date it becomes subject to the terms of this Agreement pursuant to Clauses 24, 28.1(b) or 28.1(c), that it is a Qualifying Lender.
- 12.4 A Qualifying Lender within paragraph (b) (but not paragraph (a)) of the definition thereof will give to the Borrower a written confirmation to the effect that it is a Qualifying Lender within paragraph (b) of the definition thereof on the day on which it becomes a party to this Agreement.
- 12.5 The Flexible Drawing Facility Provider will, as soon as reasonably practicable after becoming aware that it has ceased to be a Qualifying Lender, notify the Issuer that it has ceased to be a Qualifying Lender.
- 12.6 If the Issuer makes a payment without a withholding or deduction in respect of Tax in circumstances where the Flexible Drawing Facility Provider has not notified the Issuer that it has ceased to be a Qualifying Lender (otherwise than by reason of any change in law or in any published extra-statutory or revenue concession or a change in the official, generally published interpretation or administration of the same):
 - (a) where any liability in respect of an amount which should have been deducted or withheld is imposed, levied or assessed against the Issuer, the Flexible Drawing Facility Provider shall, within three Business Days of demand by the Issuer, indemnify the Issuer against such payment or liability, together with

any interest, penalties and expenses payable or incurred in connection with it;
and

- (b) the Flexible Drawing Facility Provider authorises the Issuer to withhold amounts equivalent to the Tax which should have been withheld or deducted from subsequent payments to the Flexible Drawing Facility Provider under this Agreement and to pay such amounts to the relevant Taxation authority.

13. FINANCIAL INFORMATION

13.1 The Issuer shall:

- (a) as soon as the same become available, but in any event within 180 days after the end of each of its financial years, deliver to the Flexible Drawing Facility Provider its audited financial statements for such financial year;
- (b) as soon as the same become available, deliver to the Flexible Drawing Facility Provider the performance reports and such other financial information as is delivered to the Trustee pursuant to the provisions of the Administration Agreement; and
- (c) deliver to the Flexible Drawing Facility Provider any other financial information in respect of the Issuer which the Flexible Drawing Facility Provider may reasonably require from time to time.

13.2 The Issuer shall ensure that:

- (a) each set of financial statements delivered by it pursuant to Clause 13.1(a) and (b) is prepared in accordance with accounting principles generally accepted in its country of incorporation and consistently applied;
- (b) each set of financial statements or financial information delivered by it pursuant to Clause 13.1(a) and (b) is certified by a duly authorised officer of it as giving a true and fair view of its financial condition as at the end of the period to which those financial statements relate and of the results of its operations during such period; and
- (c) each set of financial statements delivered by it pursuant to Clause 13.1(a) has been audited by an internationally recognised firm of independent auditors.

14. COVENANTS

14.1 The Issuer shall:

- (a) obtain, comply with the terms of and do all that is necessary to maintain in full force and effect, all authorisations, approvals, licences and consents required in or by the laws and regulations of the country in which it is incorporated and any other applicable law to enable it lawfully to enter into and perform its obligations under the Notes and each Relevant Document to which it is expressed to be a party or to ensure the legality, validity, enforceability or

admissibility in evidence in the country in which it is incorporated in all material respects of the Notes and each such Relevant Document;

- (b) promptly inform the Flexible Drawing Facility Provider of the occurrence of any event which is an Event of Default and, upon receipt of a written request to that effect from the Flexible Drawing Facility Provider, confirm to the Flexible Drawing Facility Provider that, save as previously notified to the Flexible Drawing Facility Provider or as notified in such confirmation, no such event has occurred;
- (c) ensure that no utilisation of the Flexible Drawing Facility occurs which would cause a breach of any restriction on borrowings or the raising of finance contained in the constitutional documents of the Issuer;
- (d) give to the Flexible Drawing Facility Provider and the Rating Agencies not less than seven days' notice of any proposed amendments to any of the Relevant Documents (after their execution) to which the Issuer is a party prior to the proposed effective date of such amendments; and
- (e) not effect or permit to become effective any amendment to any of the Relevant Documents to which it is a party which could, in its reasonable opinion, be expected adversely to affect the interests of the Flexible Drawing Facility Provider.

14.2 The Issuer covenants and undertakes that its obligations hereunder shall at all times be secured by first ranking security over its assets and undertaking pursuant to and in accordance with the terms of the Deed of Charge.

14.3 The Flexible Drawing Facility Provider shall provide to the Trustee such information and evidence in respect of any dealing between the Issuer and the Flexible Drawing Facility Provider under this Agreement or otherwise as the Trustee may reasonably request for the purpose of the discharge of the duties, trusts, powers, authorities and discretions vested in the Trustee under the Relevant Documents or by operation of law and the Issuer hereby waives any right to confidentiality or any duty of confidentiality which may be owed to it in respect of such information and evidence and consents to the disclosure of such information and evidence to the Trustee.

The Trustee hereby undertakes to the Issuer not to release any information and evidence provided to it under this Clause 14.3 to any third party save as required by law or in order to fully carry out its duties under the Trust Deed.

15. EVENTS OF DEFAULT, ENFORCEMENT, SUBORDINATION AND NON PETITION

15.1 If:

- (a) the Issuer fails to pay any amount due under this Agreement within seven Business Days of its due date;

- (b) the Issuer fails to observe or perform any of its other obligations under this Agreement and, in the case of a failure capable of being remedied (in the reasonable opinion of the Flexible Drawing Facility Provider following consultation with the Trustee), such failure is not remedied within ten Business Days after the Flexible Drawing Facility Provider has notified the Issuer of the failure and the result of any of the foregoing is, in the determination of the Flexible Drawing Facility Provider, materially and adversely to affect the financial condition of the Issuer or its ability to observe or perform its obligations hereunder;
- (c) any warranty, representation or statement which is given by the Issuer in this Agreement or which is contained in any certificate, statement or notice provided under or in connection with this Agreement proves to be incorrect in any material respect or any such warranty, representation or statement, if it were repeated at any time by reference to the circumstances then prevailing, would be incorrect in any material respect and in the case of any such incorrect warranty, representation or statement capable of being remedied (in the reasonable opinion of the Flexible Drawing Facility Provider following consultation with the Trustee), such incorrect warranty, representation or statement is not remedied within ten Business Days after the Flexible Drawing Facility Provider has notified the Issuer of the failure and the result of any of the foregoing is, in the determination of the Flexible Drawing Facility Provider after consultation with the Trustee, materially and adversely to affect the financial condition of the Issuer or its ability to observe or perform its obligations under this Agreement;
- (d) the Issuer changes or threatens to change the nature or scope of its business beyond that expressly contemplated by the Relevant Documents or suspends or threatens to suspend a substantial part of its business operations and the result of any of the foregoing is, in the reasonable determination of the Flexible Drawing Facility Provider, materially and adversely to affect the financial condition of the Issuer or its ability to observe or perform its obligations under this Agreement;
- (e) any provision of any Relevant Document is or becomes, for any reason, invalid or unenforceable and the result of any of the foregoing may in the reasonable determination of the Flexible Drawing Facility Provider, materially and adversely affect the financial condition of the Issuer or its ability to observe or perform its obligations under this Agreement; or
- (f) the Trustee serves an Enforcement Notice pursuant to the Notes,

then the Flexible Drawing Facility Provider may, by notice to the Issuer and the Trustee, specify that no further Flexible Drawing Facility Advances may be made, whereupon the Flexible Drawing Facility shall be cancelled and the Flexible Drawing Facility Commitment reduced to nil and all Flexible Drawing Facility Advances and all interest accrued thereon together with any other amounts then payable under the

Flexible Drawing Facility shall, notwithstanding any other provisions of this Agreement, (but subject to Clause 15.2), immediately become due and payable (without the need for any demand to be made), but subject always to the provisions of the Deed of Charge.

15.2

- (a) The Flexible Drawing Facility Provider agrees with the Trustee and the Issuer that it is bound by the terms of the Deed of Charge and, in particular, confirms that no sum, whether in respect of principal or interest or otherwise under this Agreement, shall be paid by the Issuer except in accordance with the provisions of this Agreement and the Deed of Charge unless and until all sums thereby required to be paid or provided for in priority thereto have been paid or will be discharged in full.
- (b) The Flexible Drawing Facility Provider further acknowledges to the Trustee that only the Trustee may enforce the security created in favour of the Trustee by or pursuant to the Deed of Charge and that the Flexible Drawing Facility Provider shall not take any steps for the purpose of recovering any debts whatsoever owing to it by the Issuer under this Agreement save as provided for in accordance with the terms of the Deed of Charge.
- (c) The Flexible Drawing Facility Provider agrees that its rights against the Issuer under this Agreement are limited to the extent that the Flexible Drawing Facility Provider will not take any action or proceedings against the Issuer to recover any amounts payable by the Issuer to it under this Agreement except to the extent permitted by the provisions of the Deed of Charge and save to the extent that the Issuer has assets sufficient to meet such claim in full having taken into account all other liabilities both actual and contingent of the Issuer which rank in priority to its liabilities to the Flexible Drawing Facility Provider.
- (d) The Flexible Drawing Facility Provider hereby agrees with the Issuer that it shall not, until two years following the payment of all sums outstanding and owing by the Issuer under the Notes, take any corporate action or other steps or legal proceedings for the winding-up, dissolution or re-organisation of the Issuer or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets.
- (e) No recourse under any obligation, covenant, or agreement of the Issuer contained in this Agreement shall be had against any shareholder, officer or director (save in respect of any director's fraudulent acts or defaults) of the Issuer as such, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the Issuer and no personal liability shall attach to or be incurred by the

shareholders, officers, agents or directors (save in respect of any director's fraudulent acts or defaults) of the Issuer as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the Issuer of any of such obligations, covenants or agreements, either at common law or at equity, or by statute or constitution, of every such shareholder, officer, agent or director (save in respect of any director's fraudulent acts or defaults) is hereby expressly waived by the Flexible Drawing Facility Provider as a condition of and consideration for the execution of this Agreement.

- (f) Without prejudice to the other provisions of this Clause 15.2, the Flexible Drawing Facility Provider hereby covenants with the Trustee that if, whether in the liquidation of the Issuer or otherwise (and notwithstanding the provisions of this Clause 15.2), any payment (whether of principal, interest or otherwise) is received by it under this Agreement other than in accordance with the Deed of Charge or the Administration Agreement the amount so paid shall be received and held by the Flexible Drawing Facility Provider upon trust for the Trustee and shall be paid over to the Trustee forthwith upon receipt provided however that this Clause 15.2(f) shall have effect only to the extent that it does not constitute or create and is not deemed to constitute or create any mortgage, charge or other Security Interest of any kind.
- (g) The Trustee acknowledges that it holds the security created pursuant to the Deed of Charge on trust for, inter alia, the Flexible Drawing Facility Provider and that it is bound by the terms thereof.
- (h) The Flexible Drawing Facility Provider hereby covenants with and undertakes to the Trustee that it will not set off or claim to set off any amounts advanced under this Agreement or any interest thereon or any part of either thereof against any liability owed by it to the Issuer save in accordance with any express provisions of the Deed of Charge entitling it to do so.

16. **DEFAULT INTEREST**

- 16.1 If the Issuer fails to pay any amount due in accordance with this Agreement the Issuer shall, in accordance with Clause 8, pay interest in sterling on that amount from the time of default up to the time of actual payment (after as well as before judgment or decree) at the rate per annum which is the aggregate of:
 - (a) the Applicable Rate plus one per cent per annum; and
 - (b) the Associated Costs Rate for the relevant day.
- 16.2 Interest under Clause 16.1 shall accrue daily on the amount in default, shall be calculated on the basis of actual days elapsed and a year of 365 days and shall be due and payable in arrear on each Interest Payment Date and in accordance with the provisions of Clause 17.

So long as the default continues, interest payable under Clause 16.1 which is unpaid on any Interest Payment Date shall thereafter itself bear interest at the rate provided in Clause 16.1.

17. **PAYMENTS**

- 17.1 All payments to be made by the Issuer to the Flexible Drawing Facility Provider shall be made in sterling for value not later than 2.00 pm (London time) on the relevant day by means of the CHAPS payment system quoting sort code number 20-19-90 to an account opened in the name of Barclays Bank PLC (Paragon Mortgages 13 Flexible Drawing Facility) at Barclays Bank PLC, 5 The North Colonnade, Canary Wharf, London E14 4BB and referring such payment for the attention of: Robert Jenkins.
- 17.2 All amounts to be advanced by the Flexible Drawing Facility Provider to the Issuer under this Agreement shall be remitted in sterling not later than 2.00 pm (London time) on the relevant day to the Transaction Account, being at the date of this agreement account number 58588019 sort code 555015, in the name of the Issuer at National Westminster Bank Plc, 4 High Street, Solihull, West Midlands B91 3WL.
- 17.3 All payments by the Issuer under this Agreement, whether in respect of principal, interest, fees or any other item, shall be made in full and free and clear of any restriction or condition whatsoever and without any deduction or withholding (whether in respect of set-off, counterclaim, duties, Taxes, charges or otherwise whatsoever) unless required by law.
- 17.4 Where a deduction or withholding in respect of Tax is required by law to be made in respect of any payment under this Agreement by the Issuer:
- (a) **Minimum amount:** the Issuer shall take all reasonable steps to ensure that the deduction or withholding does not exceed the minimum amount legally required.
 - (b) **Gross-up:** there shall be due from the Issuer (subject to Clause 17.5) in respect of such payment such amount as after such deduction or withholding has been made is equal to the amount which would have been received by the Flexible Drawing Facility Provider had no such deduction or withholding been made.
 - (c) **Pay amount withheld to relevant authority:** the Issuer shall pay to the relevant Taxation or other authorities within the period for payment permitted by applicable law the full amount of such deduction or withholding (including, but without limitation, the full amount of any deduction or withholding from any additional amount paid pursuant to Clause 17.4(b)).
 - (d) **Deliver Tax receipt to lender:** the Issuer shall furnish to the Flexible Drawing Facility Provider, promptly following its receipt or payment to the relevant Taxation authorities as the case may be, either:

- (1) an official receipt of the relevant Taxation authorities involved in respect of all amounts so deducted or withheld; or
 - (2) if such receipts are not issued by the Taxation authorities concerned on payment to them of amounts so deducted or withheld, a certificate of deduction or equivalent evidence of the relevant deduction or withholding.
 - (e) If the Flexible Drawing Facility Provider receives the benefit of a Tax credit or an allowance resulting from a deduction or withholding in respect of which a payment was made to it by the Issuer which includes any additional amount paid by the Issuer under Clause 17.4(b), the Flexible Drawing Facility Provider shall forthwith pay to the Issuer such part of that benefit as determined in its sole discretion (acting in good faith) as will leave it in no more and no less favourable a position than it would have been in if no additional amount had been required to be paid provided always that the Flexible Drawing Facility Provider shall have absolute discretion as to the order and manner in which it employs or claims or decides not to employ or claim Tax credits and allowances available to it and shall not be obliged to disclose to the Issuer any information regarding its Tax affairs or computations.
- 17.5 The Flexible Drawing Facility Provider and its successors and assigns shall not be entitled to any additional amounts pursuant to Clause 17.4:
- (a) to the extent the requirement for the relevant deduction or withholding would not have arisen if it was or had not ceased to be, otherwise than by reason of any change in law or in any published extra-statutory or revenue concession or a change in the official, generally published interpretation or administration of the same, a Qualifying Lender;
 - (b) if the Flexible Drawing Facility Provider is not a Qualifying Lender within paragraph (a) of the definition and has failed to comply with its obligations under Clause 12.4; or
 - (c) if the Flexible Facility Provider does not comply with its obligations under Clause 12.5.
- 17.6 If any payment under this Agreement would otherwise be due on a day which is not a Business Day, it shall be due on the next succeeding Business Day or, if that Business Day falls in the following month of the year, on the preceding Business Day.
- 17.7
- (a) The Flexible Drawing Facility Provider waives any right it has or may hereafter acquire to combine, consolidate or merge any account which it holds in its capacity as lender with any other account of the Issuer or any liabilities of the Issuer under or in relation to this Agreement and agrees that it will not

set off, claim to set off, purport to set off, transfer, combine or withhold payment of any amount which the Issuer is or will become obliged to pay to it against any amount which it is or will become obliged to pay to the Issuer under or in relation to this Agreement save in accordance with any express provision of the Deed of Charge entitling it to so do.

- (b) If, notwithstanding Clause 17.7(a), the Flexible Drawing Facility Provider makes a payment to the Issuer subject to (or fails to make a payment to the Issuer because of) a set-off or combination, consolidation or merger it will immediately pay to the Issuer an amount equal to the amount by which the payment received by the Issuer was less than the amount which it would have received had no such set-off, combination, consolidation or merger been made.

18. FLEXIBLE DRAWING FACILITY COMMITMENT FEE

The Issuer shall pay to the Flexible Drawing Facility Provider a commitment fee, as notified by the Flexible Drawing Facility Provider to the Issuer from time to time, calculated at the rate of 0.12 per cent per annum of the Flexible Drawing Facility Available Amount from day to day during the period beginning on the date hereof and ending on the last day of the Flexible Drawing Facility Commitment Period.

Such commitment fee shall be payable in accordance with the Deed of Charge on each Interest Payment Date (to the extent that funds are available to be applied for such purpose in accordance with the Deed of Charge) during such period and on the last day of the Flexible Drawing Facility Commitment Period.

19. COSTS AND EXPENSES

- 19.1 The Issuer shall pay on the date of this Agreement to the Flexible Drawing Facility Provider an arrangement fee of £5,000.

The Issuer shall also pay to the Flexible Drawing Facility Provider on demand all reasonable expenses (including legal fees plus disbursements and irrecoverable VAT and out-of-pocket expenses) incurred in connection with the preparation and negotiation of this Agreement or any related documents.

The Issuer shall pay to the Flexible Drawing Facility Provider on demand all expenses (including legal and out-of-pocket expenses) incurred in connection with the preservation, enforcement or the attempted preservation or enforcement of any of its rights under this Agreement or any related documents.

- 19.2 The Issuer shall pay any stamp, documentary and other similar duties and Taxes to which this Agreement or any related documents may be subject to, or give rise to, except in relation to any such duties or Taxes arising on a transfer or assignment by the Flexible Drawing Facility Provider under Clause 28 below.

19.3 The amounts stated in this Agreement to be payable by the Issuer are exclusive of VAT and the Issuer shall pay VAT or, in the case of reimbursement of costs or expenses, irrecoverable VAT (if any) on such amounts.

20. CALCULATIONS AND EVIDENCE OF DEBT

20.1 Interest and the commitment fee shall accrue from day to day and shall be calculated on the basis of a year of 365 days and the actual number of days elapsed.

20.2 The Flexible Drawing Facility Provider shall maintain in accordance with its usual practice accounts evidencing the amounts from time to time lent by and/or owing to it hereunder.

20.3 In any legal action or proceeding arising out of or in connection with this Agreement, the entries made in the accounts maintained pursuant to Clause 20.2 shall, in the absence of manifest error, be prima facie evidence of the existence and amounts of the obligations of the Issuer therein recorded.

21. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising on the part of any party hereto, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy.

The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

22. PARTIAL INVALIDITY

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

23. NOTICES

Any notices to be given pursuant to this Agreement to any of the parties hereto shall be sufficiently served if delivered by hand or sent by prepaid post or by facsimile transmission or by email transmission and shall be deemed to have been made or delivered when despatched (in the case of any communication made by facsimile) or (in the case of any communication made by letter) when left at that address or (as the case may be) ten days after being deposited in the post postage prepaid in an envelope addressed to it at that address (provided always that any communication or document deemed made or delivered on a day which is not a Business Day shall be deemed to have been so made or delivered on the next following Business Day), and shall be delivered or sent:

- (a) in the case of the Issuer, to its address indicated at the beginning of this Agreement, its facsimile number: 0121 712 2072, or its email address: Company_Secretary@Paragon-group.co.uk, in each case marked for the attention of The Company Secretary;
- (b) in the case of the Flexible Drawing Facility Provider to its address indicated at the beginning of this Agreement or its facsimile number: 0207 699 3131, in each case marked for the attention of Robert Jenkins;
- (c) in the case of PFPLC, to its address indicated at the beginning of this Agreement, facsimile number: 0121 712 2072, or its email address: Company_Secretary@Paragon-group.co.uk, in each case marked for the attention of The Company Secretary;
- (d) in the case of MTS to its address indicated at the beginning of this Agreement (facsimile number: 0121 712 2072, or its email address: Company_Secretary@Paragon-group.co.uk, in each case marked for the attention of The Company Secretary; and
- (e) in the case of the Trustee, to its address indicated at the beginning of this Agreement or its facsimile number: 020 7500 5248, in each case marked for the attention of Agency & Trust;

or to such other address or facsimile number or email address or for the attention of such other person or entity as may from time to time be notified by any party to the others by written notice in accordance with the provisions of this Clause 23.

24. DOWNGRADING

24.1 If:

- (a) the Flexible Drawing Facility Provider (the "**Current Flexible Drawing Facility Provider**") ceases to have the Required Flexible Drawing Facility Provider Required Rating (unless the applicable Rating Agency confirms in writing that such cessation would not cause it to downgrade the then current rating of the Notes); and
- (b) the then Current Flexible Drawing Facility Provider is not replaced on terms and conditions agreed by the Trustee in the form of a replacement flexible drawing facility (a "**Replacement Flexible Drawing Facility**") within 30 days of such cessation by a suitable Flexible Drawing Facility Provider (the "**Replacement Flexible Drawing Facility Provider**") having the Flexible Drawing Facility Provider Required Rating,

the Issuer shall request an advance equal to the then Flexible Drawing Facility Available Amount and shall pay such advance into the Transaction Account and credit such amount to the Flexible Drawing Facility Ledger (a "**Downgrade Advance**").

- 24.2 If and when, following a Downgrade Advance, the then Current Flexible Drawing Facility Provider subsequently obtains the Required Flexible Drawing Facility Provider Rating again or is replaced by a Replacement Flexible Drawing Facility Provider pursuant to Clause 24.1, the amount then standing to the credit of the Flexible Drawing Facility Ledger shall be paid to such Current Flexible Drawing Facility Provider, provided that until such time:
- (a) amounts from time to time standing to the credit of the Flexible Drawing Facility Ledger shall be utilised (and a corresponding debit made to the Flexible Drawing Facility Ledger) in the same manner and amounts as when drawings would be made in respect of the Flexible Drawing Facility Available Amount (and each such amount so debited shall be treated as a Flexible Drawing Facility Advance);
 - (b) on each occasion that the amount standing to the credit of the Flexible Drawing Facility Ledger exceeds the Flexible Drawing Facility Limit, an amount equal to the excess shall be paid (and a corresponding debit made to the Flexible Drawing Facility Ledger) to the then Current Flexible Drawing Facility Provider; and
 - (c) amounts to be applied from time to time in accordance with Condition 5(a) in repayment of the Flexible Drawing Facility Principal Debt shall be paid into the Transaction Account and a corresponding credit shall be made to the Flexible Drawing Facility Ledger (and each such amount so credited shall be treated as a repayment of the relevant Flexible Drawing Facility Advances).
- 24.3 If the Issuer or the then Current Flexible Drawing Facility Provider successfully arranges for a suitable Replacement Flexible Drawing Facility Provider pursuant to Clause 24.1 then the Flexible Drawing Facility Commitment shall be cancelled and reduced to zero with effect from the day that the Replacement Flexible Drawing Facility Provider enters into such a new facility with the Issuer, provided always that the Issuer shall not be obliged to incur costs thereby.
25. **NON-RENEWAL ADVANCE FACILITY**
- 25.1 If, within the applicable time periods provided for in Clause 31.2, the Issuer has not entered into a New Flexible Drawing Facility Agreement with the Flexible Drawing Facility Provider commencing on the Business Day prior to the last day of the Flexible Drawing Facility Commitment Period, the Issuer shall request an advance equal to the then Flexible Drawing Facility Available Amount and shall pay such advance into the Transaction Account and credit such amount to the Flexible Drawing Facility Ledger (a "**Non-Renewal Advance**"), provided that:
- (a) not later than 12:00 noon on the proposed date for the making of such Non-Renewal Advance, the Flexible Drawing Facility Provider has received from the Issuer a Non-Renewal Advance Notice; and

- (b) the proposed date for the making of such Non-Renewal Advance is a Business Day prior to the last day of the Flexible Drawing Facility Commitment Period.
- 25.2 If, on the proposed date for the making of a Non-Renewal Advance, the provisions of Clause 25.1 have been met, then, on such proposed date the Flexible Drawing Facility Provider shall make available to the Issuer, through its Facility Office and in accordance with the provisions of Clause 17.2, the amount of the Non-Renewal Advance in accordance with the provisions herein.
- 25.3 If and when, following a Non-Renewal Advance, the Issuer enters into a Replacement Flexible Drawing Facility with a Replacement Flexible Drawing Facility Provider, any amounts then standing to the credit of the Flexible Drawing Facility Ledger shall be paid to such Flexible Drawing Facility Provider, provided that until such time:
 - (a) amounts from time to time standing to the credit of the Flexible Drawing Facility Ledger shall be utilised (and a corresponding debit made to the Flexible Drawing Facility Ledger) in the same manner and amounts as when drawings would be made in respect of the Flexible Drawing Facility Available Amount (and each such amount so debited shall be treated as a Flexible Drawing Facility Advance);
 - (b) on each occasion that the amount standing to the credit of the Flexible Drawing Facility Ledger exceeds the Flexible Drawing Facility Limit, an amount equal to the excess shall be paid (and a corresponding debit made to the Flexible Drawing Facility Ledger) to the Flexible Drawing Facility Provider; and
 - (c) amounts to be applied from time to time in accordance with Condition 5(a) in repayment of the Flexible Drawing Facility Principal Debt shall be paid into the Transaction Account and a corresponding credit shall be made to the Flexible Drawing Facility Ledger (and each such amount so credited shall be treated as a repayment of the relevant Flexible Drawing Facility Advances).

26. NOTIFICATION TO TRUSTEE AND RATING AGENCIES

If there shall occur any of the following:

- (a) the delivery to the Flexible Drawing Facility Provider by the Issuer of a notice of cancellation under Clause 11;
- (b) the delivery to the Flexible Drawing Facility Provider by the Issuer of a notice of any proposed amendments to any of the Relevant Documents; or
- (c) any of the events referred to in Clause 15 and a notification under Clause 15.1 by the Flexible Drawing Facility Provider to the Issuer,

then, the party issuing any such notification undertakes to use its reasonable endeavours to ensure that the Trustee and the Rating Agencies are informed of any such notification.

27. BENEFIT OF AGREEMENT

- 27.1 This Agreement shall be binding upon and enure to the benefit of each party hereto and its successors and assigns.
- 27.2 *It is hereby agreed that the Trustee is a party to this document solely for the purpose of obtaining the benefits of the covenants and undertakings of the Issuer for the Secured Creditors and the Trustee shall not assume or have any obligations, responsibilities or liabilities to or of any of the other parties to this Agreement.*

28. ASSIGNMENTS AND TRANSFERS

28.1

- (a) The Issuer shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder except pursuant to the Deed of Charge.
- (b) The Flexible Drawing Facility Provider shall be entitled to grant its portion of the Flexible Drawing Facility through an alternative Facility Office or transfer the Flexible Drawing Facility Commitment to a wholly owned subsidiary which, in each case, is, at each date on which a payment is made and received under this Agreement, within the charge to, and not entitled to an exemption from, United Kingdom corporation tax as respects payments made and received under this Agreement provided that:
- (1) such Facility Office or subsidiary has a short-term unsecured, unsubordinated and unguaranteed debt rating of at least the Flexible Drawing Facility Provider Required Rating and the Rating Agencies confirm in writing that the then current ratings of the Notes would not be adversely affected by such change or transfer;
 - (2) any such Facility Office or subsidiary covenants by deed for the benefit of the Issuer to comply as the "Flexible Drawing Facility Provider" with the provisions of the Flexible Drawing Facility Agreement and the Deed of Charge, and to participate in all Flexible Drawing Facility Advances made after the date of such deed subject to and on the terms of the Flexible Drawing Facility Agreement.
- (c) The Flexible Drawing Facility Provider may, with the prior written consent of the Issuer (such consent not to be unreasonably withheld or delayed), assign or novate all or any part of its rights and obligations hereunder to another bank or financial institution provided that such other bank or financial institution is, as at each date on which a payment is made and received under this Agreement, within the charge to, and not entitled to an exemption from,

United Kingdom corporation tax as respects payments made and received under this Agreement and provided further that it:

- (1) has the Flexible Drawing Facility Provider Required Rating and the Rating Agencies confirm in writing that such assignment or novation would not adversely affect the then current rating of the Notes;
 - (2) covenants by deed for the benefit of the Issuer to comply as the "Flexible Drawing Facility Provider" with the provisions of the Flexible Drawing Facility Agreement and the Deed of Charge and to perform the obligations of the transferring Flexible Drawing Facility Provider hereunder as fully as if it had been an original signatory hereto; and
 - (3) provides a legal opinion satisfactory to the Trustee that the obligations of such other bank or financial institution are legal, valid and enforceable.
- (d) If the Flexible Drawing Facility Provider assigns or transfers any of its rights or obligations under this Agreement or changes its Facility Office and, as a result of circumstances existing at the date the assignment, transfer or change occurs, the Issuer would be obliged to make a payment to the new Flexible Drawing Facility Provider or Flexible Drawing Facility Provider acting through its new Facility Office under Clause 9.2 or 17.4, then the new Flexible Drawing Facility Provider or Flexible Drawing Facility Provider acting through its new Facility Office, is only entitled to receive payment under those Clauses to the same extent as the existing Flexible Drawing Facility Provider or Flexible Drawing Facility Provider acting through its previous Facility Office would have been entitled if the assignment, novation, transfer or change had not occurred.

28.2 The Flexible Drawing Facility Provider may not enter into any sub-participation agreement in respect of the whole or any part of the Flexible Drawing Facility Commitment without the prior written consent of the Issuer and the Trustee (such consent not to be unreasonably withheld or delayed).

29. COUNTERPARTS

This Agreement may be executed in counterparts by the parties hereto, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument. Any such counterpart may be a facsimile transmission copy thereof.

30. ECONOMIC AND MONETARY UNION

30.1 Clause 30.2 to Clause 30.5 (inclusive) shall come into effect on the date on which the United Kingdom participates in the third stage of European economic monetary union ("EMU") or otherwise participates in European economic monetary union with similar effect to such third stage (the "**Commencement Date**") provided that, if and to the extent that any such Clause relates to any state (or the currency of such state) which

shall not be a participating member state on the Commencement Date, such Clause shall come into effect in relation to such state (and the currency of such state) on and from the date on which such state becomes a participating member state and further provided that on or before such date the Notes have been redenominated into euro.

- 30.2 Each obligation under this Agreement which has been denominated in a national currency unit shall be redenominated into euro in accordance with EMU legislation.

However if and to the extent that any EMU legislation provides that an amount (which is (a) denominated either in euro or in the national currency unit of a participating member state and (b) payable within that participating member state by crediting an account of the creditor) can be paid by the debtor either in euro or in that national currency unit, each party to this Agreement shall be entitled to pay or repay any such amount either in euro or in such national currency unit.

- 30.3 In relation to any amount denominated or to be denominated in euro or a national currency unit, any reference to a Business Day shall be construed as a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in:

- (a) London; and
- (b) the principal financial centre(s) in such participating member state(s) as the Flexible Drawing Facility Provider shall from time to time nominate for this purpose.

- 30.4 Following the Commencement Date, any amount payable by the Issuer to the Flexible Drawing Facility Provider under this Agreement in the currency of a participating member state shall be paid in immediately available, freely transferable cleared funds in euro or the national currency of the member state.

- 30.5 Without prejudice and in addition to any method of conversion or rounding prescribed by any EMU legislation:

- (a) each reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency unit to be paid to the Flexible Drawing Facility Provider shall be replaced by a reference to such reasonably comparable and convenient amount (or an integral multiple thereof) in euro as the Flexible Drawing Facility Provider may from time to time specify; and
- (b) save as expressly provided in this Clause 30, this Agreement shall be subject to such reasonable changes of construction as the Flexible Drawing Facility Provider may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the euro in participating member states.

Provided that this Clause shall not reduce or increase for the Flexible Drawing Facility Provider any actual or contingent liability arising under this Agreement and in so far as

any costs are incurred by the Flexible Drawing Facility Provider, the Issuer shall from time to time on demand pay such amounts to the Flexible Drawing Facility Provider (other than any general overheads or internal costs incurred by the Flexible Drawing Facility Provider) as a result of the changeover to, introduction or operation of the euro in any participating member state in respect of this Agreement.

31. **REQUEST FOR RENEWAL**

31.1 The Flexible Drawing Facility shall be a 364 day facility; however, the Issuer may not more than 30 days and not less than 20 days prior to the end of the Flexible Drawing Facility Commitment Period by written notice to the Flexible Drawing Facility Provider, request the Flexible Drawing Facility Provider to agree to provide a sterling, committed, revolving flexible drawing facility on the same terms as the terms of this Agreement (a "**New Flexible Drawing Facility Agreement**") and commencing on the Business Day prior to the end of the Flexible Drawing Facility Commitment Period (the "**Renewal Date**").

31.2 Following a request pursuant to Clause 31.1, the Flexible Drawing Facility Provider shall notify the Issuer whether it agrees or refuses such request within 10 days after such request is made and:

- (a) if it agrees to such request, the Flexible Drawing Facility Provider shall deliver to the Issuer a letter, in the form set out in Schedule 5 and:
 - (1) the existing Flexible Drawing Facility Commitment Period shall be cancelled and the new Flexible Drawing Facility Commitment Period will commence each with effect from the Renewal Date;
 - (2) any outstanding balance of the Flexible Drawing Facility Advance and other moneys outstanding hereunder shall be treated as outstanding under a new 364 day committed revolving facility granted by the Flexible Drawing Facility Provider to the Issuer on the terms of this Agreement subject to such amendments as may be agreed between the Flexible Drawing Facility Provider and the Issuer; and
 - (3) except where amendments are agreed pursuant to paragraph (b) above and subject to the provisions of such notice, no further documentation other than this Agreement shall be required to evidence such new Flexible Drawing Facility Commitment Period under such new facility; and
- (b) if the Flexible Drawing Facility Provider does not agree to such request, it may refuse the same whereupon the Issuer shall request, and the Flexible Drawing Facility Provider shall make, prior to the expiry of the Flexible Drawing Facility Commitment Period a Non-Renewal Advance in accordance with Clause 25.1; unless the Issuer has entered into a Replacement Flexible Drawing Facility with a Replacement Flexible Drawing Facility Provider.

32. **THIRD PARTY RIGHTS**

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

33. **GOVERNING LAW**

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

34. **JURISDICTION**

The Issuer, the Trustee and the Flexible Drawing Facility Provider irrevocably agree that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and, for such purposes, irrevocably submit to the jurisdiction of such courts.

AS WITNESS the hands of the duly authorised representatives of the parties to this Agreement the day and year first before written.

SCHEDULE 1
CONDITIONS PRECEDENT DOCUMENTS

1. A copy, certified a true copy by a duly authorised officer of the Issuer, of the Memorandum and Articles of Association of the Issuer.
2. A copy, certified a true copy by the Company Secretary or a director or other authorised signatory of the Issuer, of a Board Resolution of the Issuer approving the execution, delivery and performance of this Agreement and the terms and conditions hereof and authorising a named person or persons to sign on behalf of the Issuer this Agreement and any of the Relevant Documents to which the Issuer is expressed to be a party and any documents or notices to be delivered pursuant thereto.
3. A certificate of the Company Secretary or a director of the Issuer setting out the names and signatures of the persons authorised to sign on behalf of the Issuer this Agreement and any of the Relevant Documents to which the Issuer is expressed to be a party and any documents or notices to be delivered pursuant thereto.
4. The Notes being issued on the Closing Date and the purchase price to the extent due on the Closing Date under the Mortgage Sale Agreement having been paid, each confirmed in writing (including email) on the Closing Date by the Issuer to the Flexible Drawing Facility Provider.
5. Copies of executed signature pages of:
 - (a) this Agreement; and
 - (b) the Deed of Charge.

SCHEDULE 2
NOTICE OF DRAWDOWN

From: Paragon Mortgages (No.13) PLC

To: Barclays Bank PLC

Copy: Paragon Finance PLC (in its capacity as Administrator)

Date: [____]

Dear Sirs,

1. We refer to the flexible drawing facility agreement (the "**Flexible Drawing Facility Agreement**") dated 26 October 2006 and made between, *inter alia*, Paragon Mortgages (No.13) PLC as Issuer and yourselves as Flexible Drawing Facility Provider. Terms defined in the Flexible Drawing Facility Agreement shall have the same meaning in this notice.
2. We hereby give you notice that, pursuant to the Flexible Drawing Facility Agreement and upon the terms and subject to the conditions contained therein, we wish the following Flexible Drawing Facility Advance(s) to be made to us:
 - (a) Amount: [____];
 - (b) Drawdown Date: [____]; and
 - (c) Term: [____].
3. We hereby confirm:
 - (a) the Flexible Drawing Facility Advance to be provided represents the aggregate amount of each Mandatory Further Advance in respect of a Flexible Drawing Cash Advance required to be made under a Flexible Mortgage beneficially owned by the Issuer which exceeds the aggregate of:
 - (i) the Available Redemption Funds then available to the Issuer; and
 - (ii) the amounts drawn by the Issuer (the Issuer having applied for such a drawing) under the Subordinated Loan Agreement, for such purpose;to fund such Mandatory Further Advances.
 - (b) the conditions set out in Clauses 7.1(a) to (d) of the Flexible Drawing Facility Agreement are met for the purposes of this Notice.

Yours faithfully,

Signed for and on behalf of:

Paragon Mortgages (No.13) PLC

By:

Name:

Title: Director

SCHEDULE 3
ASSOCIATED COSTS RATE FORMULAE

1. The mandatory cost is an addition to the interest rate to compensate the Flexible Drawing Facility Provider for the cost of compliance with:
 - (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions), or
 - (b) the requirements of the European Central Bank.
2. At or about 11.00 a.m. (London time) on the first day of each Term (or as soon as possible thereafter) the Flexible Drawing Facility Provider shall calculate, as a percentage rate per annum, a rate (the "**Additional Cost Rate**") for the Flexible Drawing Facility Provider, in accordance with the paragraphs set out below.
3. The Additional Cost Rate for the Flexible Drawing Facility Provider will be calculated as follows:

$$\frac{AB + C(B-D) + E \times 0.01}{100 - (A + C)} \quad \text{per cent. per annum}$$

Where:

- A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that the Flexible Drawing Facility Provider is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
- B is the percentage rate of interest (excluding the Margin and the application of the Associated Costs Rate to the relevant Flexible Drawing Facility Advance and, to the extent that Clause 16 (Default Interest) applies to an amount in respect of any Flexible Drawing Facility Advance, one per cent per annum on such amount) payable for the relevant Term on the Loan.
- C is the percentage (if any) of Eligible Liabilities which the Flexible Drawing Facility Provider is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
- D is the percentage rate per annum payable by the Bank of England to the Flexible Drawing Facility Provider on interest bearing Special Deposits.
- E is designed to compensate the Flexible Drawing Facility Provider for amounts payable under the Fees Rules and is calculated as being the average of the most recent rates of charge supplied by the Reference Banks to the Flexible Drawing Facility Provider and expressed in pounds per £1,000,000.

4. For the purposes of this Schedule:
 - (a) "**Eligible Liabilities**" and "**Special Deposits**" have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
 - (b) "**Fees Rules**" means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
 - (c) "**Fee Tariffs**" means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
 - (d) "**Tariff Base**" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.
5. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.
6. As and when required for the purposes of this Schedule, the Flexible Drawing Facility shall request each Reference Bank to supply to the Flexible Drawing Facility Provider, as soon as practicable after publication by the Financial Services Authority, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per £1,000,000 of the Tariff Base of that Reference Bank.
7. Any determination by the Flexible Drawing Facility Provider pursuant to this Schedule in relation to a formula an Associated Costs Rate or any amount payable to the Flexible Drawing Facility Provider shall, in the absence of manifest error, be conclusive and binding on the parties to this Agreement.
8. The Flexible Drawing Facility Provider may from time to time determine and notify to the parties to the Agreement any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on the parties to the Agreement.
9. The Flexible Drawing Facility Provider may from time to time, after consultation with the Issuer, determine and notify to all parties to this Agreement any amendments which are required to be made to this Schedule in order to comply with any change in law,

regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties to this Agreement and shall apply from the date specified in that notification.

SCHEDULE 4
NON-RENEWAL ADVANCE NOTICE

From: Paragon Mortgages (No.13) PLC

To: Barclays Bank PLC

Copy: Paragon Finance PLC (in its capacity as Administrator, on behalf of the Issuer)

Dated:

Dear Sirs,

1. We refer to the agreement (the "**Flexible Drawing Facility Agreement**") dated 26 October 2006 and made between Paragon Mortgages (No.13) PLC as Issuer, Barclays Bank PLC as Flexible Drawing Facility Provider, Paragon Finance PLC as an administrator, Mortgage Trust Services PLC as an Administrator and Citicorp Trustee Company Limited as Trustee. Terms defined in the Flexible Drawing Facility Agreement shall have the same meaning in this notice.

2. This notice is irrevocable.

3. Since we have been unable to enter into a New Flexible Drawing Facility Agreement, the expiry of the Flexible Drawing Facility Commitment Period will occur on [date]. We hereby give you notice that, pursuant to the Flexible Drawing Facility Agreement and on [date of proposed Non-Renewal Advance], we wish to drawdown the Non-Renewal Advance equal to the current Flexible Drawing Facility Available Amount, upon the terms and subject to the conditions contained in the Flexible Drawing Facility Agreement.

4. The proceeds of this drawdown should be credited to the Transaction Account.

Yours faithfully

.....
Authorised Signatory

for and on behalf of
Paragon Mortgages (No.13) PLC

SCHEDULE 5
FLEXIBLE FACILITY RENEWAL LETTER

From: Barclays Bank PLC

To: Paragon Mortgages (No.13) PLC (in its capacity as Issuer)

Copy: Paragon Finance PLC (in its capacity as Administrator)

Dated:

Dear Sirs,

1. We refer to the agreement (the "**Flexible Drawing Facility Agreement**") dated 26 October 2006 and made between Paragon Mortgages (No.13) PLC as Issuer, Barclays Bank PLC as Flexible Drawing Facility Provider, Paragon Finance PLC as an administrator, Mortgage Trust Services PLC as an Administrator and Citicorp Trustee Company Limited as Trustee. Terms defined in the Flexible Drawing Facility Agreement shall have the same meaning in this notice.
2. This letter is written to you pursuant to Clause 31.2(a) of the Flexible Drawing Facility Agreement. We confirm that we agree to enter into a new flexible drawing facility agreement in an amount equivalent to the Flexible Drawing Facility Limit to be granted by you on the same terms, *mutatis mutandis*, as the Flexible Drawing Facility Agreement (the "**New Flexible Drawing Facility Agreement**") [save that the following amendments shall be made [details of amendments to apply to the new facility]].
3. It is a condition precedent to our entry into the New Flexible Drawing Facility Agreement that the Flexible Drawing Facility Available Amount under the Flexible Drawing Facility Agreement is cancelled and the Flexible Drawing Facility Advance outstanding thereunder (if any) and any interest thereon which is accrued but unpaid is treated as outstanding under the New Flexible Drawing Facility Agreement.
4. The Flexible Drawing Facility Agreement read together with this letter comprises the terms and conditions of the New Flexible Drawing Facility Agreement, and we confirm that no further agreements need to be executed in respect thereof.
5. We agree that the commencement date of the New Flexible Drawing Facility Agreement shall be [●].

Yours faithfully

.....
Authorised Signatory

Execution Page

Executed for and on behalf of:

Paragon Mortgages (No.13) PLC

By: JOHN HARVEY
Name: JOHN HARVEY
Title: Authorised Signatory

Executed for and on behalf of:

Barclays Bank PLC

By: DAVID TORPEY
Name: DAVID TORPEY
Title: Director

Executed by:

Paragon Finance PLC

By: JOHN HARVEY
Name: JOHN HARVEY
Title: Authorised Signatory

Executed by:

Mortgage Trust Services plc

By: JOHN HARVEY
Name: JOHN HARVEY
Title: Authorised Signatory

Executed for and on behalf of:
in its capacity as Trustee
acting by:

Citicorp Trustee Company Limited

By: CARL HARDIE
Name: CARL HARDIE
Title: Associate

Witness: Yee-Ling Wan
Name: Yee-Ling Wan
Occupation: Paralegal
Address: 10 Upper Bank Street
London E14 5JJ