

**PARAGON MORTGAGES (NO. 14) PLC**

as the Issuer

**THE ROYAL BANK OF SCOTLAND PLC**

as the Remarketing Agent and the A1 Note Conditional Purchaser

**PARAGON FINANCE PLC**

as an Administrator

**MORTGAGE TRUST SERVICES PLC**

as an Administrator

**PARAGON MORTGAGES LIMITED**

as a Title Holder

**MORTGAGE TRUST LIMITED**

as a Title Holder

and

**CITICORP TRUSTEE COMPANY LIMITED**

As the Trustee

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**A1 NOTE CONDITIONAL PURCHASE AGREEMENT**

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**THIS AGREEMENT** is made on 22 March 2007 between

- (1) **PARAGON MORTGAGES (NO. 14) PLC** (the "**Issuer**");
- (2) **THE ROYAL BANK OF SCOTLAND PLC** ("**RBS**" or, in its capacity as Class A1 Note conditional purchaser hereunder, the "**A1 Note Conditional Purchaser**" and in its capacity as remarketing agent hereunder, the "**Remarketing Agent**", which term also includes any successor remarketing agent appointed pursuant to the Remarketing Agreement (as defined below));
- (3) **PARAGON FINANCE PLC** ("**PFPLC**");
- (4) **MORTGAGE TRUST SERVICES PLC** ("**MTS**", in its capacity as an Administrator under the Administration Agreement, together with PFPLC, the "**Administrators**", and each an "**Administrator**");
- (5) **PARAGON MORTGAGES LIMITED** ("**PML**");
- (6) **MORTGAGE TRUST LIMITED** ("**MTL**" and, together with MTS (in its capacity as Seller under the Mortgage Sale Agreement) and PML, the "**Title Holders**", and each a "**Title Holder**"); and
- (7) **CITICORP TRUSTEE COMPANY LIMITED** (the "**Trustee**").

**WHEREAS**

- (A) The Issuer proposes to issue mortgage backed floating rate notes comprising \$1,500,000,000 A1 Mortgage Backed Floating Rate Notes due 2039 (the "**Class A1 Notes**"), which will be subject to, and constituted by, a trust deed dated on or about the Closing Date between, *inter alios*, the Issuer and the Trustee.
- (B) By a subscription agreement dated 16 March 2007 (the "**Subscription Agreement**"), the Issuer, PFPLC, the Managers and others have agreed between them in relation to the proposed issue (the "**Issue**") and subscription of \$1,500,000,000 in aggregate principal amount of the Class A1 Notes upon the terms and subject to the conditions contained therein.
- (C) In connection with the Issue, the Issuer will also execute and deliver, on or before the Closing Date, an ISDA Master Agreement (including the schedules and annexes thereto and confirmation thereunder) in respect of a currency swap transaction relating to the Class A1 Notes (the "**Currency Swap A1 Agreement**").
- (D) Pursuant to an agreement (the "**Remarketing Agreement**") between, *inter alios*, the Issuer, the Remarketing Agent, the Tender Agent and the Trustee, the Issuer has appointed the Remarketing Agent to act as its agent to identify third party purchasers to acquire the Class A1 Notes from the then A1 Noteholders on the A1 Interest Payment Date falling in December 2007 and each subsequent A1 Interest Payment Date falling in each December thereafter (each such date an "**A1 Note Mandatory Transfer Date**") prior to the occurrence of a Remarketing Termination Event and to carry out certain

other related functions as described therein. Citibank N.A., London Branch (the "Tender Agent", which term also includes any successor tender agent appointed pursuant to the Remarketing Agreement) has been appointed to facilitate the transfers of the Class A1 Notes on each A1 Note Mandatory Transfer Date by, *inter alia*, arranging and delivering payment to and by the A1 Noteholders. Under the terms of the A1 Note Mandatory Transfer Arrangements referred to in Condition 5(i), the Issuer is required to procure the mandatory transfer of the Class A1 Notes on each A1 Note Mandatory Transfer Date prior to:

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

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

**NOW IT IS AGREED** as follows:

**1. AGREEMENTS BY THE A1 NOTE CONDITIONAL PURCHASER AND THE ISSUER**

**1.1 Definitions**

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

The following defined terms shall have the meanings set out below (as the same may be amended and supplemented from time to time):

"**Applicable Ratings**" means A-1+ from S&P, P-1 from Moody's and F1+ from Fitch.

"**Conditional Purchaser Commitment Period**" means the period from and including the date of this Agreement to and including 21 March 2008 (or, if that day is not a Business Day, the immediately preceding Business Day) and, thereafter:

- (a) if the Conditional Purchase Commitment is renewed pursuant to Clause 1.2(c), the 364-day period commencing on but not including the last day of the preceding Conditional Purchaser Commitment Period to and

including 21 March in the immediately following year (or, if that day is not a Business Day, the immediately preceding Business Day); or

- (b) if the Conditional Purchase Commitment is not renewed pursuant to Clause 1.2(c), the period commencing on but not including the last day of the preceding Conditional Purchaser Commitment Period to and including the date on which a replacement Class A1 Note conditional purchaser satisfying all of the criteria set out in Clause 2.2 is validly appointed under a replacement Class A1 Note conditional purchase agreement in accordance with Clause 1.2(e).

"**Commitment Limit**" means, on any A1 Note Mandatory Transfer Date, the GBP Equivalent that is equal to the aggregate Principal Amount Outstanding of the Class A1 Notes on such date.

"**Conditional Purchase Commitment**" has the meaning given to it in Clause 1.2(a).

"**Fitch**" means Fitch Ratings Limited.

"**Notice of Renewal**" has the meaning given to it in Clause 1.2(c) of this Agreement.

"**Moody's**" means Moody's Investors Service Inc.

"**Renewal Request**" has the meaning ascribed to it in Clause 1.2(b) of this Agreement.

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

## 1.2 Remarketing of Class A1 Notes and Purchase by A1 Note Conditional Purchaser

- (a) The A1 Note Conditional Purchaser agrees to purchase the Class A1 Notes at the A1 Note Mandatory Transfer Price payable on any A1 Note Mandatory Transfer Date falling in each Conditional Purchaser Commitment Period (subject always to Clause 1.2(k) below), on the terms of this Agreement and the documents referred to in Schedule 1 and any other documents ancillary thereto ("**Relevant Documents**") as specified in the Conditional Purchase Activation Notice served on the A1 Note Conditional Purchaser, and in the form, as described in this Clause (the "**Conditional Purchase Commitment**").
- (b) Save as otherwise provided in this Agreement, the Issuer (or the Administrator on behalf of the Issuer) may deliver, not more than sixty (60) days and not less than forty (40) days before the end of each Conditional Purchaser Commitment Period, to the A1 Note Conditional Purchaser (copied to the Remarketing Agent) an irrevocable request in writing to renew the Conditional Purchaser Commitment Period, substantially in the form of Schedule 4 hereto, (a "**Renewal Request**") to the date that is not more than 364 days following the last day of the then current Conditional Purchaser Commitment Period.

- (c) If the A1 Note Conditional Purchaser wishes to accept a Renewal Request and renew the Conditional Purchaser Commitment Period then it shall deliver, by not less than 30 days before the last day of the then current Conditional Purchaser Commitment Period, to the Remarketing Agent and PFPLC (copied to the Issuer) an irrevocable notice, substantially in the form of Schedule 5 hereto ("**Notice of Renewal**") that the A1 Note Conditional Purchaser has consented to the Renewal Request and specifying the last day of the renewed Conditional Purchaser Commitment Period agreed to thereby. Failure to deliver such a Notice of Renewal by the day referred to above shall be deemed a refusal to grant a renewal of the then current Conditional Purchaser Commitment Period.
- (d) Subject to Clause 1.2(e), the A1 Note Conditional Purchaser is not obliged to agree to renew the Conditional Purchaser Commitment Period beyond (a) the last day of the first Conditional Purchaser Commitment Period and (b) the last day of each subsequent Conditional Purchaser Commitment Period, where renewed in accordance with Clause 1.2(c).
- (e) Notwithstanding Clause 1.2(d), the A1 Note Conditional Purchaser hereby agrees and confirms for the benefit of the Issuer that if the A1 Note Conditional Purchaser does not renew the Conditional Purchaser Commitment Period pursuant to Clause 1.2(c), then the then current Conditional Purchaser Commitment Period shall be extended so that it ends on the date on which the A1 Note Conditional Purchaser arranges for a replacement Class A1 Note conditional purchaser to be validly appointed in accordance with Clause 2.2.
- (f) The Issuer or the Administrator (on behalf of the Issuer) shall promptly inform the Trustee and the Class A1 Noteholders in accordance with Condition 12 if a replacement to the A1 Note Conditional Purchaser is appointed in accordance with Clause 1.2(e).
- (g) If Clause 1.2(h)(i) below applies, the Remarketing Agent, or if Clause 1.2(h)(ii) below applies, either the Issuer or the Administrator (on the Issuer's behalf), will give notice to the A1 Note Conditional Purchaser in writing, substantially in the form of Schedule 2 hereto (a "**Conditional Purchase Activation Notice**"), no later than three Business Days prior to the relevant A1 Note Mandatory Transfer Date, such notice to be irrevocable.
- (h) A Conditional Purchase Activation Notice shall be a notice from: (i) the Remarketing Agent certifying (x) that it is unable to procure the purchase of the Class A1 Notes in accordance with the Remarketing Agreement at a percentage margin which is less than the Maximum Reset Margin or (y) that its remarketing obligations in the Remarketing Agreement have been terminated pursuant to a Remarketing Termination Event (other than in respect of an Event of Default on the Notes); or (ii) from the Issuer or the Administrator on behalf of the Issuer if (x) the Issuer or the Administrator on its behalf has reasonable grounds to believe both that the Class A1 Notes

cannot be placed entirely with third party purchasers on the AI Note Mandatory Transfer Date as set out in (i) above and that the Remarketing Agent will fail to serve the notice required, or (y) following the occurrence of a Remarketing Termination Event (other than an Event of Default under the Notes) or a Remarketing Agent Termination Event, the Issuer or the Administrator on behalf of the Issuer (if so procured by the Issuer) or the AI Note Conditional Purchaser fails to find an alternative entity to act as remarketing agent by the date which is 20 days prior to the relevant AI Note Mandatory Transfer Date.

- (i) The Conditional Purchase Activation Notice shall specify the interest in the Class AI Notes to be purchased by the AI Note Conditional Purchaser on the relevant AI Note Mandatory Transfer Date (the "**Conditionally Purchased Class AI Notes**"), which shall be all the Class AI Notes outstanding on the relevant AI Note Mandatory Transfer Date.
- (j) The Conditional Purchase Activation Notice shall also specify the amount representing the aggregate AI Note Mandatory Transfer Price payable (if any) which shall be sufficient upon exchange for USD under the Currency Swap AI Agreement to repay to the relevant Class AI Noteholders in order for the AI Note Conditional Purchaser to satisfy its obligations under this Agreement and shall confirm to the AI Note Conditional Purchaser that no Event of Default with respect to the Class AI Notes is then outstanding.
- (k) The Conditional Purchase Commitment shall terminate forthwith: (i) upon redemption in full of the Class AI Notes or a notice being given to the AI Noteholders in accordance with Condition 5(d); (ii) if an Event of Default under the Class AI Notes is in existence at the time a Conditional Purchase Activation Notice is to be given or thereafter but prior to the purchase on such AI Note Mandatory Transfer Date; or (iii) if an AI Note Mandatory Transfer Termination Event has already occurred prior to that AI Note Mandatory Transfer Date.
- (l) The Class AI Notes will be purchased by the AI Note Conditional Purchaser at the AI Note Mandatory Transfer Price. For the avoidance of doubt, on any AI Note Mandatory Transfer Date on which the AI Note Conditional Purchaser is required to purchase the Class AI Notes in accordance with this Agreement, the Currency Swap AI Agreement will terminate and the Issuer will not be responsible for any swap transactions in respect of the Class AI Notes. However, the AI Note Conditional Purchaser may enter into any swap transactions as it, in its discretion, sees fit.
- (m) The AI Note Conditional Purchaser will pay the AI Note Mandatory Transfer Price to the Currency Swap Provider (which payment shall represent the Party B Final Exchange Amount under and as defined in the Currency Swap AI Agreement). The Currency Swap Provider will pay such amount in USD to the Tender Agent (which payment shall represent the Party A Final Exchange

Amount under, and as defined in the Currency Swap A1 Agreement). The Tender Agent will pay an amount equal to the Party A Final Exchange Amount received to the A1 Noteholders.

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

Bank:	Barclays Bank PLC, London 54 Lombard Street, London E14 5HP
CHAPS Sort Code:	20-00-00
Swift:	BARCGB22
A/C:	Barclays Swaps
A/C No.:	152021

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

The A1 Note Conditional Purchaser undertakes that, following its purchase of the Class A1 Notes on any A1 Note Mandatory Transfer Date, it will make such arrangements and take such actions as are required in respect of the Class A1 Notes, including in relation to the clearing of the Class A1 Notes by DTC or any other Clearing System, as applicable, or otherwise in order that the provisions of this Clause 1.2(n) are followed.

### 1.3 Accession

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

### 1.4 Closing of Mandatory Transfer

- (a) In accordance with Clause 1.2(n), as soon as is practicable in the working day in New York on the relevant A1 Note Mandatory Transfer Date, the A1 Note Conditional Purchaser will pay or cause to be paid to the holders of the Conditionally Purchased Class A1 Notes, as directed by the Remarketing



Agent and/or the Tender Agent and/or the Issuer/Administrator (if notice is given pursuant to Clause 1.2(h)(ii)), the A1 Note Mandatory Transfer Price.

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

**2. RESIGNATION OF A1 NOTE CONDITIONAL PURCHASER AND APPOINTMENT OF REPLACEMENT**

- 2.1 If Clause 1.2(e) applies, the A1 Note Conditional Purchaser shall resign as A1 Note Conditional Purchaser on not less than 10 Business Days' notice to the Remarketing Agent, the Issuer, each Administrator and the Trustee provided that such notice confirms (attaching copies of all necessary documentation) that it has, prior to its resignation becoming effective, appointed a replacement A1 Note Conditional Purchaser who satisfies all of the criteria set out in Clause 2.2.

**2.2 Any replacement Class A1 Note conditional purchaser must:**

- (a) be a leading bank operating in both the London and New York banking markets;
- (b) be appropriately licensed and authorised to discharge the obligations of the A1 Note Conditional Purchaser hereunder;
- (c) be acceptable to the Issuer, the Administrator and the new Remarketing Agent, their consent not to be unreasonably withheld and to be in writing and copied to the Issuer and the Trustee;
- (d) be an entity which has the Applicable Ratings;
- (e) have received a written confirmation from each of Standard & Poor's, Fitch and Moody's copied to the Issuer and the Trustee that each such rating agency will not as a consequence of the appointment of the replacement A1 Note Conditional Purchaser downgrade or withdraw its then current ratings of the Class A Notes; and
- (f) have entered into a replacement Class A1 Note conditional purchase agreement with the parties hereto (other than the A1 Note Conditional Purchaser) on substantially the same terms as this Agreement (other than in respect of fees associated with the appointment and retention of any replacement to the A1 Note Conditional Purchaser, which shall be for the account of the A1 Note Conditional Purchaser) with an initial commitment period commencing no later than the date on which the A1 Note Conditional Purchaser's commitment under this Agreement terminates.

- 2.3 The A1 Note Conditional Purchaser agrees for the benefit of the Issuer to pay in full all costs and expenses connected with its resignation pursuant to Clause 2.1 and with the

appointment and retention of any replacement Class A1 Note conditional purchaser and, for the avoidance of doubt, the Issuer shall have no liability for any fees or costs incurred by the A1 Note Conditional Purchaser in respect of such appointment or retention. This obligation will survive the termination of this Agreement.

3. **FEES**

3.1 In consideration of the obligations of the A1 Note Conditional Purchaser under the terms of this Agreement, the Issuer agrees to pay or procure the payment to the A1 Note Conditional Purchaser of a fee equal to 0.12 per cent. of the GBP Equivalent Initial Principal Amount of the Class A1 Notes (the "A1 Note Conditional Purchaser Fee"). The A1 Note Conditional Purchaser Fee shall be paid to the A1 Note Conditional Purchaser on the Closing Date. Without in any way limiting the foregoing the parties hereto acknowledge and agree that the A1 Note Conditional Purchaser shall be responsible for any fees or costs associated with the appointment and retention of any replacement Class A1 Note conditional purchaser(s) in accordance with the terms of this Agreement and pursuant to any replacement Class A1 Note conditional purchase agreement entered into in respect of any replacement Class A1 Note conditional purchaser and, for the avoidance of doubt, the Issuer shall have no liability for any fees or expenses incurred by the A1 Note Conditional Purchaser in respect of such appointment or retention.

4. **COSTS AND EXPENSES**

Subject to Clause 2.3, the Issuer will reimburse the A1 Note Conditional Purchaser its properly and reasonably incurred legal and other expenses in connection with its entry into this Agreement.

5. **UNDERTAKINGS, COVENANTS, REPRESENTATIONS AND WARRANTIES**

5.1 **Representations and Warranties of the Issuer and A1 Note Conditional Purchaser**

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

- (a) it is a limited liability company duly organised and incorporated and validly existing under the laws of the jurisdiction of its organisation/incorporation and has full power, authority and legal right to execute, deliver and perform its obligations under this Agreement;
- (b) it has not taken any corporate action nor (to the best of its knowledge and belief) have any other steps been taken or legal proceedings been started or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver or similar officer of it or of any or all of its assets or revenues;
- (c) the execution, delivery and performance of this Agreement by it (i) has been duly authorised by all necessary action on the part of it, (ii) does not require it to obtain any consent or approval of, or effect any filing or registration with, any governmental or public regulatory body or authority (except such as have

been obtained or effected) and (iii) does not violate any law or regulation, or order or decree of any court or governmental authority, to which it is subject; and

- (d) this Agreement constitutes a legal, valid and binding obligation of it enforceable in accordance with its terms, except as enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganisation, moratorium or other similar laws relating to or affecting creditors' rights generally and (ii) general equitable principles.

**5.2 Representations and warranties of the Issuer**

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

**5.3 Representations and warranties of the Administrators**

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

**5.4 Representations and warranties of the Title Holders**

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

**5.5 Representations and Warranties of the A1 Note Conditional Purchaser**

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

- (a) that it will pay the A1 Note Mandatory Transfer Price (to the extent required pursuant to this Agreement) free and clear of any withholding tax, unless such tax is required under any applicable law to be deducted or withheld. If any such tax is required under any applicable law to be deducted or withheld, it will increase the A1 Note Mandatory Transfer Price to the extent necessary so that the recipients will receive the amount that would have been paid absent such deduction or withholding, provided, however, that in the event that a payment of principal by the Issuer in respect of any Note on the relevant A1 Note Mandatory Transfer Date is itself subject to withholding tax, the A1 Note Conditional Purchaser will not be required to increase its proportion of the A1 Note Mandatory Transfer Price in respect of any withholding tax to the extent it is also subject to withholding tax;
- (b) it shall not assign, transfer or dispose of any of its rights or obligations under this Agreement without the prior written consent of the Issuer or Administrator on behalf of the Issuer (such consent not to be unreasonably withheld or delayed);

- (c) it shall not enter into any arrangement, understanding or contract with any person (other than the Issuer) requiring it to consult with any person (other than the Issuer) or act on the instructions or recommendations of any person (other than the Issuer) in each case in connection with its rights or obligations under this Agreement. For the avoidance of doubt, nothing in this Clause 5.5(c) shall prevent the A1 Note Conditional Purchaser from seeking legal or any other professional advice in connection with its rights or obligations under this Agreement, the costs of which shall be borne by them;
- (d) it will notify in writing, as soon as is practicable, the Issuer, the Administrator and the Trustee (i) of any breach by it of any representation or warranty made in this Agreement, (ii) if any event occurs that would be likely to result in a breach of a representation or warranty made by it in this Agreement; or (iii) that it is unable to satisfy any of its obligations under this Agreement, and in each case such breach or potential breach would be likely to have a material adverse effect on the A1 Noteholders; and
- (e) it will maintain any consents and approvals of any court, government department or other regulatory body in any jurisdiction to which it is subject, required for the performance by it of its obligations under this Agreement.

**5.6 Covenants of the Issuer**

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

**5.7 Covenants of the Administrators**

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

**5.8 Covenants of the Title Holders**

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

**6. INDEMNIFICATION**

- 6.1 The A1 Note Conditional Purchaser enters into this Agreement on the basis of the representations, warranties and agreements on the part of the Issuer, PFPLC, MTS (in its capacity as Administrator) and the Title Holders (the "Representing Companies") in this Agreement with the intention that the same shall be true and accurate in all material respects on the Closing Date, in each case with reference to the facts and circumstances then subsisting, and each Representing Company undertakes with the A1 Note Conditional Purchaser that it will hold the A1 Note Conditional Purchaser and its directors and officers fully and effectually indemnified from and against any and all losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses or demands which they (or any of them) may incur or which may be made against them (or any of them) as a result of or arising out of, or in relation to, any misrepresentation or alleged misrepresentation or any breach or alleged breach of any of the aforesaid representations, covenants or agreements by any Representing Company unless such

losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses or demands arise out of or are the result of the negligence or wilful default of the A1 Note Conditional Purchaser whereupon the A1 Note Conditional Purchaser shall not receive the benefit of this Clause 6.1 with respect to such losses, liabilities, costs, claims, charges, actions, proceedings, damages, expenses or demands.

- 6.2 The indemnities set out in Clause 6.1 above shall, respectively, extend to include all costs, charges and expenses which the A1 Note Conditional Purchaser may pay or incur in investigating, disputing or defending any claim or action or other proceedings in respect of which any Representing Company has or may have a liability to indemnify under Clause 6.1 above. If any action, proceeding, claim or demand shall be brought or asserted against the A1 Note Conditional Purchaser in respect of which any Representing Company has or may have a liability to indemnify as provided in Clause 6.1 above, the A1 Note Conditional Purchaser shall promptly notify each Representing Company against whom such indemnity is to be sought in each case in writing, and the relevant Representing Company shall have the option to assume the defence thereof, including the employment of legal advisers selected by the relevant Representing Company and (in any case where such action, proceeding, claim or demand is made against the A1 Note Conditional Purchaser) approved by the A1 Note Conditional Purchaser (such approval not to be unreasonably withheld), subject to the payment by the relevant Representing Company of all fees and expenses relating thereto; provided that if the defendants in any such action, proceeding, claim or demand include the relevant Representing Company and the A1 Note Conditional Purchaser, and the A1 Note Conditional Purchaser shall have reasonably concluded that there may be legal defences available to it which are different from or additional to those available to the relevant Representing Company and in the event that the relevant Representing Company does not wish to assume or is prevented from assuming such different or additional legal defences on behalf of the A1 Note Conditional Purchaser, the A1 Note Conditional Purchaser shall have the right at the expense of the relevant Representing Company to select separate legal advisers to assume such legal defences and otherwise to participate in the defence of such action, proceeding, claim or demand on its behalf.
- 6.3 Upon receipt of notice from a Representing Company of its election so to assume the defence of any such action, proceeding, claim or demand in respect of which it has or may have a liability to indemnify as provided in Clause 6.1 above, and approval (where required by Clause 6.2 above) by the A1 Note Conditional Purchaser of legal advisers, the relevant Representing Company will not be liable to the A1 Note Conditional Purchaser under this Clause 6.3 for any fees or expenses otherwise incurred by the A1 Note Conditional Purchaser in connection with any such defence thereof unless:
- (a) the A1 Note Conditional Purchaser shall have employed legal advisers in connection with the assumption of legal defences in accordance with the proviso to Clause 6.2 above; or

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

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

- 6.4 If any such action, proceeding, claim or demand in respect of which a Representing Company has or may have a liability to indemnify as provided in Clause 6.1 above shall be settled with the consent of the relevant Representing Company (such consent not to be unreasonably withheld) or if there be a final judgment for the claimant in relation thereto, the relevant Representing Company agrees to indemnify and hold harmless the A1 Note Conditional Purchaser from and against any loss or liability by reason of such settlement or judgment (other than any fees or expenses incurred in circumstances where the relevant Representing Company is not to be liable therefor under Clause 6.3 above).

## 7. TERMINATION

- 7.1 Notwithstanding anything contained herein, this Agreement shall terminate upon the occurrence of the earlier of (a) an A1 Note Mandatory Transfer Termination Event, (b) the date that the A1 Note Conditional Purchaser otherwise ceases to be under an obligation to pay the A1 Note Mandatory Transfer Price by virtue of Clause 1.2(k); or (c) provided that a valid replacement Class A1 Note conditional purchaser has been appointed in accordance with the terms of this Agreement, on the last day of the then current Conditional Purchaser Commitment Period.
- 7.2 Upon a termination of this Agreement in accordance with Clause 7.1, this Agreement shall terminate and be of no further effect and no party shall be under any liability to any other in respect of this Agreement except that (i) the Issuer, the Administrators and the Tide Holders shall remain liable under Clause 6 to indemnify the A1 Note Conditional Purchaser in accordance with the terms thereof for any breach of any representation or warranty contained in Clause 5, (ii) the Issuer shall remain liable under Clause 5 for the payment of the costs and expenses already incurred or incurred in consequence of such termination and (iii) the A1 Note Conditional Purchaser and any subsequent transferees shall be required to comply with the provisions of Clause 1.2(n), Clause 1.3, Clause 2.3 and Clause 3.1.

## 8. UNDERTAKINGS

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

9 NOTICE

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

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

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

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

- (b) if to RBS as the A1 Note Conditional Purchaser and Remarketing Agent, to it at:

135 Bishopsgate  
London  
EC2M 3UR

Tel.: +44 (0)20 7085 3498  
Fax.: +44 (0)20 7085 5510  
Attention: Mike Slevin/Nick Rice, Securitisation

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

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

Attention: Agency & Trust  
Facsimile No. 020 7500 5248

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

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

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

A1 Note Conditional Purchase  
Agreement

(e) if to MTS, to it at:

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

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

(f) if to PML, to it at:

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

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

(g) if to MTL, to it at:

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

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

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

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

10. NON-PETITION

The A1 Note Conditional Purchaser undertakes to the Issuer that, until one year and one day has elapsed since the last day on which the Issuer has discharged all of its obligations in relation to the Notes, it will not petition or commence proceedings for



the administration or winding-up of the Issuer (nor join any person in such proceedings or commencement of proceedings) nor commence any legal proceedings against the Issuer.

11. **TIME OF ESSENCE**

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

12. **COUNTERPARTS**

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

13. **RIGHTS OF THIRD PARTIES**

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

14. **GOVERNING LAW AND JURISDICTION**

14.1 **Governing Law**

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

14.2 **Jurisdiction:**

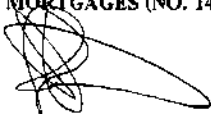
The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly any legal action or proceedings arising out of or in connection with this Agreement ("**Proceedings**") may be brought in such courts. The parties to this Agreement hereby irrevocably submit to the jurisdiction of such courts and waive any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the parties to this Agreement and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

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

**SIGNATURES**

**PARAGON MORTGAGES (NO. 14) PLC**

By:



**THE ROYAL BANK OF SCOTLAND PLC (as Remarketing Agent)**

By:

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

By:

**PARAGON FINANCE PLC**

By:



**MORTGAGE TRUST SERVICES PLC**

By:



**PARAGON MORTGAGES LIMITED**

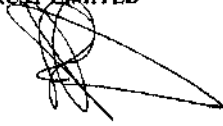
By:



At Note Conditional Purchase  
Agreement

**MORTGAGE TRUST LIMITED**

By:



**CITICORP TRUSTEE COMPANY LIMITED**

By:



**David Mene**  
**Director**

**SCHEDULE 1**  
**RELEVANT DOCUMENTS**

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

**SCHEDULE 2**  
**CONDITIONAL PURCHASE ACTIVATION NOTICE**

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

To: The Royal Bank of Scotland plc :  
135 Bishopsgate :  
London :  
EC2M 3UR :  
Tel no.: 020 7085 3498  
Fax no.: 020-7085 5510

Attention: Mike Stevin/Nick Rice, Securitisation

[ Date ]

Dear Sirs

All terms used herein shall have the meanings specified in or by reference to the A1 Note Conditional Purchase Agreement entered into on 22 March 2007 between, among others, the issuer, each Administrator, and The Royal Bank of Scotland plc (the "Agreement").

In respect of the A1 Note Mandatory Transfer Date arising on [\*] pursuant to Clauses 1.2(g) and 1.2(h) of the Agreement, we hereby:

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

Yours faithfully,

For and on behalf of  
[The Royal Bank of Scotland plc (if Clause 1.2(h)(i) is applicable) or  
Issuer/Administrator (if Clause 1.2(h)(ii) is applicable)]

**SCHEDULE 3**  
**FORM OF ACCESSION DEED**

To: Paragon Mortgages (No.14) PLC as Issuer

From: [\*], the Transferee

Date:

**THIS DEED** dated [\*], refers to the A1 Note Conditional Purchase Agreement (the "A1 Note Conditional Purchase Agreement") dated 22 March 2007 and made between, among others, the Issuer and the A1 Note Conditional Purchaser (as the same may from time to time be amended, restated, novated or supplemented).

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

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

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

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

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

**Execution**

Executed as a deed on behalf of

[\*]

in the presence of:

Director

Director/Secretary

**SCHEDULE 4**  
**FORM OF RENEWAL REQUEST**

[on letterhead of the issuer]

[DATE]

To: The Royal Bank of Scotland plc  
135 Bishopsgate  
London EC2 3UR

Tel.: +44 (0)20 7085 3498

Fax.: +44 (0)20 7085 5510

Attention: Mike Slevin/Nick Rice, Securitisation

Ladies and Gentlemen:

We refer to the A1 Note Conditional Purchase Agreement dated \_\_\_\_ March 2007(as amended from time to time, the "**Agreement**") among Paragon Mortgages (No.14) PLC, as Issuer, The Royal Bank of Scotland plc (the "**A1 Note Conditional Purchaser**" and the "**Remarketing Agent**") and Paragon Finance PLC, in its individual capacity and as Administrator. Terms and expressions defined herein shall bear the meanings ascribed to such terms in the Agreement or, if not defined therein, in the Remarketing Agreement referred to in the Agreement.

Pursuant to Clause 1.2(b) of the Agreement, we, as the Issuer, hereby irrevocably request the A1 Note Conditional Purchaser to renew the Conditional Purchaser Commitment Period to commence on [\*] and end on [\*].

Yours faithfully,

PARAGON MORTGAGES (No.14) PLC, as Issuer

By \_\_\_\_\_

Name:

Title:

**SCHEDULE 5**  
**FORM OF NOTICE OF RENEWAL**

(on letterhead of the A1 Note Conditional Purchaser)

To: Paragon Finance PLC, as Administrator  
St Catherine's Court  
Herbert Road  
Solihull  
West Midlands  
B91 3QE

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

To: The Royal Bank of Scotland plc  
135 Bishopsgate  
London EC2 3UR

Copy to: Paragon Mortgages (No. 14) PLC  
St. Catherine's Court  
Herbert Road  
Solihull  
West Midlands  
B91 3QE

Tel: 0121 712 2323  
Fax: 0121 712 2699  
Attention: Company Secretary

Ladies and Gentlemen:

We refer to the A1 Note Conditional Purchase Agreement dated 22 March 2007 (as amended from time to time, the "Agreement") among Paragon Mortgages (No.14) PLC, as Issuer, The Royal Bank of Scotland plc (the "A1 Note Conditional Purchaser" and "Remarketing Agent") and Paragon Finance PLC, in its individual capacity and as Administrator. Terms and expressions defined herein shall bear the meanings ascribed to such terms in the Agreement or, if not defined therein, in the Remarketing Agreement referred to in the Agreement.

Pursuant to Clause 1.2(c) of the Agreement, we, as the A1 Note Conditional Purchaser hereby consent to the Renewal Request dated [\*]. The new Conditional Purchaser Commitment Period shall commence on [\*] and end on [\*].

Yours faithfully,

THE ROYAL BANK OF SCOTLAND PLC, as A1  
Note Conditional Purchaser



A1 Note Conditional Purchase  
Agreement

By \_\_\_\_\_

Name:

Title: