

Paragon Mortgages Limited Declaration of Trust

DECLARATION OF TRUST

by

PARAGON MORTGAGES LIMITED, incorporated under the Companies Acts in England (Number 2337854) and having its registered office at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (the "**Originator**")

in favour of

PARAGON MORTGAGES (NO.15) PLC, incorporated under the Companies Acts in England (Number 6212267) and having its registered office at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (the "**Issuer**")

WHEREAS

- (A) Legal title to the Scottish Trust Property after mentioned is held by and vested in the Originator;
- (B) In terms of a mortgage sale agreement entered into among the Originator, the Issuer, Citicorp Trustee Company Limited (the "**Trustee**") and others dated 19 July 2007 (the "**Mortgage Sale Agreement**") the Originator agreed to sell and the Issuer has agreed to purchase *inter alia* the said Scottish Trust Property; and
- (C) In implement *pro tanto* of the Mortgage Sale Agreement the Originator has undertaken to grant this deed pending the taking of full legal title by the Issuer to the said Scottish Trust Property in accordance with the provisions of an administration agreement entered into among the Originator, the Issuer and others dated 19 July 2007 (the "**Administration Agreement**"):

NOW THEREFORE the parties **HEREBY AGREE AND DECLARE** as follows:

Interpretation

1. In this deed:

words and expressions shall (except where expressed to the contrary herein) have the same meanings respectively ascribed to them in the Mortgage Sale Agreement and in the Administration Agreement; and

- (a) "**Scottish Trust Property**" shall mean the Scottish Mortgages, brief particulars of which are detailed in the Schedule annexed and executed as relative hereto, and all principal, interest and expenses, including all further advances present and future, comprised therein and secured thereby, together with:

- (i) the whole matters pertaining thereto specified and referred to in Clause 3.4(A) of the Mortgage Sale Agreement; and
- (ii) the collateral security present and future for such Scottish Mortgages; and
- (iii) all monies, rights, interest, benefits and others pertaining thereto or deriving therefrom; and
- (iv) all powers and remedies for enforcing the same; and
- (v) all proceeds of sale deriving therefrom in the event of the enforcement of any of the Scottish Mortgages.

Declaration of Trust

2. The Originator hereby DECLARES that from and after the date hereof it holds and, subject to Clause 6 hereof, shall henceforth hold the Scottish Trust Property and its whole right, title and interest, present and future, therein and thereto in trust absolutely for the Issuer and its assignees (whether absolutely or in security) whomsoever.

Intimation

3. The Originator hereby intimates to the Issuer the coming into effect of the trust hereby declared and created and the Issuer by its execution hereof immediately subsequent to the execution of this deed by the Originator acknowledges such intimation.

Dealings with Scottish Trust Property and Negative Pledge

4. The Originator warrants and undertakes that:
- (i) as at the date hereof, it holds legal title to the Scottish Trust Property unencumbered by any fixed or floating charge, diligence or other Security Interest;
 - (ii) it shall not create or agree to create any fixed or floating charge or other Security Interest over or which may attach to or affect the whole or any part of the Scottish Trust Property or otherwise dispose of the same at any time when such property or part thereof remains subject to the trust hereby created; and
 - (iii) it shall deal with the Scottish Trust Property (including without prejudice to said generality the setting of any interest rate applicable thereto) in accordance with the provisions of the Mortgage Sale Agreement and the Administration Agreement and the specific written instructions (if any) of the Issuer and its foresaids and shall take, subject to Clause 6 hereof, any such action as may be necessary (including for the avoidance of doubt the raising or defending of any proceedings in any court of law whether in Scotland or elsewhere) to secure or

protect the title to the Scottish Trust Property, but only in accordance with the specific written instructions (if any) of the Issuer and its foresaids.

Power of Beneficiary

5. The provisions of Clauses 8.5 and 15 of the Mortgage Sale Agreement shall be deemed to be incorporated herein in so far as the same pertain to the Scottish Trust Property and during the continuance of the trust hereby declared and created the Issuer as beneficiary hereunder shall have the benefit of all rights and powers thereby conferred, including without limitation the right (subject to the provisions of the Administration Agreement) to call upon the Originator to execute and deliver to the Issuer valid assignments of the Scottish Trust Property or any part thereof, and that notwithstanding the winding up of the Originator, or the Originator entering administration, or the appointment of any receiver to all or any part of the Scottish Trust Property, and for further assuring the said rights and powers the Originator undertakes forthwith to execute and deliver to the Issuer a power of attorney substantially in the form set out in Part A of Schedule 5 to the Mortgage Sale Agreement.

Termination of Trust

6. If:
 - (ii) legal title to any part or parts of the Scottish Trust Property is taken by the Issuer or its foresaids in accordance with the provisions of Clause 4.4.2 of the Administration Agreement (which in the case of any Scottish Mortgage shall be constituted by the registration or recording of the title thereto of the Issuer or its foresaids at Registers of Scotland); or
 - (iv) any part or parts of the Scottish Trust Property forms the subject of a repurchase in accordance with the terms of Clause 8 of the Mortgage Sale Agreement,

the trust hereby declared and created shall (but only when either of the events or transactions before stated has been completed irrevocably, validly and in full) *ipso facto* fall and cease to be of effect in respect of such part or parts of the Scottish Trust Property but shall continue in full force and effect in respect of the whole remainder (if any) of the Scottish Trust Property.

Change of Trustee

7. Except with the prior written consent of the Issuer and (for so long as it retains any right or interest in the Scottish Trust Property) the Trustee, the Originator shall not be entitled to resign office as a trustee or assume a new trustee or trustees under this deed.

Variation

- 8. This deed and the trust hereby declared and created shall not be varied in any respect without the consent in writing of the Issuer and (for so long as it retains any right or interest in the Scottish Trust Property) the Trustee.

Assignment

- 9. The Issuer shall be entitled to assign (in security) in favour of the Trustee pursuant to the deed of sub-charge and assignment to be entered into among the Issuer, the Trustee and others on or after the date hereof its rights and interests under this deed and the trust hereby declared and created, and the Originator hereby undertakes, in the event of any such assignment being made by the Issuer, to execute and deliver all deeds and documents necessary for the purposes of receiving and acknowledging intimation of such assignment.

Governing Law

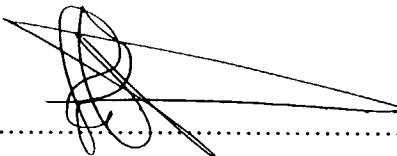
- 10. This deed shall be governed by and construed in accordance with the law of Scotland and each of the parties hereby prorogates the non-exclusive jurisdiction of the Scottish Courts so far as not already subject thereto and waives any right or plea of *forum non conveniens* in respect of such jurisdiction.

Registration

- 11. The parties hereto consent to the registration of these presents for preservation.

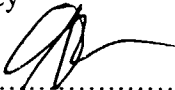
IN WITNESS WHEREOF these presents typewritten on this and the preceding three pages are together with the Schedule annexed hereto executed in London on 17 July 2007 as follows:

SUBSCRIBED for and on behalf of the said PARAGON MORTGAGES LIMITED

By:


Name:

Title: Attorney

Signature


Witness

Name: S PAMOUTAK
 Occupation: TRAINEE LAWYER
 Address:

CLIFFORD CHANCE LLP
10 Upper Bank Street
London E14 5JJ

SUBSCRIBED for and on behalf of the
said

PARAGON MORTGAGES (NO.15) PLC

By:

Name:

Title: Attorney

Signature

Witness

Name:

Occupation:

Address:

CLIFFORD CHANCE LLP
10 Upper Bank Street
London E14 5U