

MORTGAGE TRUST SERVICES PLC

as a Subordinated Lender

PARAGON FINANCE PLC

as a Subordinated Lender

PARAGON MORTGAGES (NO. 15) PLC

as the Issuer

and

CITICORP TRUSTEE COMPANY LIMITED

as the Trustee

SUBORDINATED LOAN AGREEMENT

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THIS SUBORDINATED LOAN AGREEMENT is made on 19 July 2007

BETWEEN

- (1) **MORTGAGE TRUST SERVICES PLC** (registered number 3940202) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE ("**MTS**");
- (2) **PARAGON FINANCE PLC** a public company incorporated under the laws of England, (registered number 1917566), with its registered office at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE ("**PFPLC**" and together with MTS, the "**Subordinated Lenders**" and each a "**Subordinated Lender**");
- (3) **PARAGON MORTGAGES (NO. 15) PLC** (registered number 6212267) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (the "**Issuer**"); and
- (4) **CITICORP TRUSTEE COMPANY LIMITED** (registered number 235914) whose registered office is at Citigroup Centre, 14th Floor, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**", which expression shall include such company and all other persons or companies for the time being acting as the trustee or trustees under the Trust Deed referred to below).

WHEREAS

- (A) Each of Paragon Mortgages Limited ("**PML**") and MTS in its capacity as a Seller have agreed to sell to the Issuer and the Issuer has agreed to purchase pursuant to a mortgage sale agreement (the "**Mortgage Sale Agreement**") dated the same date as this Agreement, certain mortgages and Standard Securities together with the benefit of certain collateral security for the same (the "**Mortgages and Collateral Security**").
- (B) The Issuer proposes to issue the Notes to be constituted by the Trust Deed. The proceeds of the issue of the Notes will be applied by the Issuer, among other things, in or towards the purchase of the Mortgages and Collateral Security from PML and MTS.
- (C) The Issuer proposes to enter into a deed of sub-charge and assignment on the same date as this Agreement (the "**Deed of Charge**") to charge to the Trustee, among other things, the Mortgages and Collateral Security and its rights under certain agreements as security for, among other things, its obligations in relation to the Notes.
- (D) PFPLC (in its capacity as an Administrator), MTS (in its capacity as an Administrator and a Seller), MTL, PML, the Issuer and the Trustee entered into an administration agreement on the same date as this Agreement (the "**Administration Agreement**") pursuant to which the Administrators (as such term is defined therein) will provide administration and management services in connection with, among other things, the Mortgages and Collateral Security and the business of the Issuer.

- (E) Each Subordinated Lender has agreed to make a loan or loans to the Issuer on the Closing Date pursuant to Clause 2.2 and to make further loans to the Issuer pursuant to Clauses 2.3, 2.4 and 2.5 in each case upon the terms and subject to the conditions hereinafter appearing, and wishes to record the terms and conditions upon which the Subordinated Lenders (or another lender) may in the future agree with the Issuer to lend further amounts to the Issuer (there being no agreement or commitment on the part of the Subordinated Lenders (or another lender) at the date hereof or pursuant to this Agreement to lend any such further amounts).

IT IS HEREBY AGREED as follows:

1. INTERPRETATION

- 1.1 Words and expressions defined in the Relevant Documents as defined in the Deed of Charge shall, unless otherwise defined herein or unless the context otherwise requires, have the same respective meanings in the recitals above and in this Agreement.
- 1.2 In this Agreement, except where the context otherwise requires, "**Lender**" means each of the Subordinated Lenders and such other company (within the charge to United Kingdom corporation tax) as may from time to time make an advance or advances to the Issuer pursuant to Clause 2 and "**Loan**" means the aggregate outstanding principal amount then owing by the Issuer to the Subordinated Lenders and each such other company (within the charge to United Kingdom corporation tax) as may from time to time have made an advance or advances to the Issuer pursuant to Clause 2.
- 1.3 References to MTS, PFPLC, each Lender, the Trustee, each Administrator and the Issuer include references to their successors, transferees and assigns and persons deriving title under them.
- 1.4 The clause headings in this Agreement shall not affect its interpretation and references to clauses, the Schedule and the Appendix shall be construed as references to clauses of, and the schedule and appendix to, this Agreement.
- 1.5 References to agreements are to those agreements as amended or modified from time to time.

2. FACILITY

- 2.1 Any advances made under this Clause 2 will be made in the proportions of 55 per cent. from MTS and 45 per cent. from PFPLC.
- 2.2 On the Closing Date (simultaneously with the completion of the issue of the Notes), the Subordinated Lenders will make an advance to the Issuer:
- (i) by paying to the Issuer to the credit of the Transaction Account £19,021,521.91, being an amount equal to 1.90 per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Notes (to be credited to the First Loss Ledger) which will be applied by the Issuer in establishing a contingency fund (the "**First Loss Fund**"), to be applied in making certain

payments and provisions as set out in the Deed of Charge and the Administration Agreement;

- (ii) by paying to the Issuer to the credit of the Transaction Account, £5,032,464 (to be credited to the Margin Reserve fund Ledger), which will be applied by the Issuer in establishing a fund (the "**Margin Reserve Fund**") to be applied in making certain payments and provisions as set out in the Deed of Charge and the Administration Agreement.
 - (iii) such further amount to enable the Issuer to pay that part of the purchase price represented by any FRS 26 Adjustment on the Closing Date; and
 - (iv) such further amount (if any) as is necessary to achieve the initial ratings of the Notes.
- 2.3 The Subordinated Lenders will advance to the Issuer further amounts upon the terms and subject to the conditions hereof if, and to the extent that, the Issuer does not have sufficient Available Redemption Funds to enable the Issuer to make any Mandatory Further Advances which it is required to make pursuant to the terms of the relevant Mortgages and in accordance with clause 8.3.3(b) of the Administration Agreement, subject to the provisions of Clause 7.
- 2.4 The Subordinated Lenders will advance to the Issuer further amounts upon the terms and subject to the conditions hereof if and to the extent that, the Issuer does not have sufficient funds on any Interest Payment Date to pay any Hedge Provider Subordinated Amounts payable on such Interest Payment Date, pursuant to clause 6.1.2(k) of the Deed of Charge. The amount which the Subordinated Lenders will be obliged to advance to the Issuer will be an amount equal to the unpaid portion of such Hedge Provider Subordinated Amounts and such amount shall be paid directly to the Hedge Provider in accordance with clause 4.11.3 of the Administration Agreement.
- 2.5 The Subordinated Lenders will advance to the Issuer further amounts upon the terms and subject to the conditions hereof if and to the extent that, the Issuer or the Administrator on the Issuer's behalf waives any right to any Prepayment Charges, such further amounts being equal to the relevant Waived Prepayment Charge Amounts (as defined in the Administration Agreement).
- 2.6 The Subordinated Lenders will advance to the Issuer to the credit of the Transaction Account on each relevant Non-Verified Mortgage Purchase Date 0.62 per cent. (or such other percentage as may be required by the Rating Agencies from time to time) of the purchase price payable for the relevant Non-Verified Mortgages on such Non-Verified Mortgage Payment Date, to increase the Margin Reserve Fund.
- 2.7 The Subordinated Lenders will advance to the Issuer such further amounts on each Non-Verified Mortgage Purchase Date to enable the Issuer to pay that part of the purchase price payable for the relevant Non-Verified Mortgages represented by any FRS 26 Adjustment on such Non-Verified Mortgage Purchase Date.

- 2.8 The Subordinated Lenders may, but shall not be obliged to, advance to the Issuer further amounts upon the terms and subject to the conditions hereof:
- 2.8.1 if, and to the extent that the Issuer does not have sufficient Available Redemption Funds to enable the Issuer to make Discretionary Further Advances which it is entitled to make pursuant to the terms of the relevant Mortgages; and
- 2.8.2 without prejudice to the provisions of Clause 2.3 above, to enable the Issuer to make any Mandatory Further Advances if and to the extent that the Issuer so opts instead of using Available Redemption Funds which would otherwise be applied in making such Mandatory Further Advances.
- 2.9 The Subordinated Lenders may, but shall not be obliged to, advance further amounts to the Issuer upon the terms and subject to the conditions hereof to enable the Issuer to establish or increase a shortfall fund to meet, among other things, shortfalls arising from the difference between the interest rate on the Mortgages and the interest rate on the Notes or to purchase, on the Closing Date or on conversion of a Mortgage, Caps or other hedging arrangements (and any related guarantees, as may be required pursuant to the Administration Agreement) to hedge the Issuer's interest rate exposure upon acquisition on the Closing Date of any Fixed Rate Mortgage or conversion of any Mortgage into a Fixed Rate Mortgage or a Capped Rate Mortgage subject to the provisions of Clause 2.10.1 below and of Clause 7.
- 2.10 The Subordinated Lenders may, but shall not be obliged to, advance to the Issuer further amounts upon the terms and subject to the conditions hereof:
- 2.10.1 if, and to the extent that, at any time there is a balance of less than zero on the Principal Deficiency Ledger, in an amount sufficient to restore any such debit balance to zero and thus enable the Issuer (subject to the other conditions applicable to the making of Discretionary Further Advances) to make any Discretionary Further Advances;
- 2.10.2 if, and to the extent that, at any time the amount of the First Loss Fund is less than the Required Amount, in an amount sufficient, when such amount is credited to the First Loss Ledger, to replenish the First Loss Fund to the Required Amount and thus enable the Issuer (subject to the other conditions applicable to the making of Discretionary Further Advances) to make any Discretionary Further Advances; and/or
- 2.10.3 to enable the Issuer to make any Discretionary Further Advances when the restrictions set out in clauses 8.6.1, 8.6.2, 8.6.3, 8.6.4 or 8.6.6 of the Administration Agreement apply.
- 2.11 The Subordinated Lenders and/or any other company (within the charge to United Kingdom corporation tax) may, but shall not be obliged to, from time to time make advances to the Issuer in such sums, and the Issuer may borrow the same, upon such terms and subject to such conditions (subject to the provisions of this Agreement) as

the Subordinated Lenders and/or such other company (within the charge to United Kingdom corporation tax) (as the case may be) and the Issuer may from time to time agree, subject, however, to the provisions of Clause 2.12 and of Clause 7.

- 2.12 Where any advance is to be made to the Issuer by any Lender (other than the Subordinated Lenders) in accordance with Clauses 2.6, 2.7, 2.8 or 2.9, 2.10, 2.11 it shall be evidenced by an agreement in the form of the Appendix hereto duly completed and signed by the Issuer and the relevant Lender.

3. **INTEREST**

- 3.1 Subject to Clause 7, the Issuer shall pay to each Lender interest on the Loan (or on the part thereof advanced by such Lender) in the amount calculated in accordance with the Schedule to this Agreement. Interest will accrue from day to day and will be calculated on the basis of the number of days elapsed and a year of 365 (or 366 in the case of a leap year) days and, in respect of each Interest Period, subject to Clause 7, will be payable in arrear on, or (with the prior agreement of the relevant Lender) after the first Business Day after, each Interest Payment Date during the term of the Loan (or such part) (each a "**Payment Date**") commencing on the Interest Payment Date falling on 17 December 2007, provided that any Lender may, at its discretion, defer the payment of all or part of any interest payable to it on any Payment Date to a subsequent Payment Date and, for the avoidance of doubt, Clause 7 shall apply to any such deferred payment of interest.
- 3.2 Any payments made by the Issuer under this Agreement to any Lender shall be paid after deduction or withholding for, or on account of, tax where such deduction or withholding is required by law and the Issuer shall account promptly, if and when required so to do, to H.M. Revenue & Customs in respect of any such amount which is deducted or withheld and, if H.M. Revenue & Customs determines that any amount or additional amount should have been deducted or withheld from any previous payment made, that amount may be deducted or withheld from any subsequent payment made to such Lender.

Each Lender confirms that as at each date on which a payment of interest is due to be paid to it, it is beneficially entitled to the interest then due to it and it will be within the charge to, and not entitled to an exemption from, United Kingdom corporation tax, as respects that payment of interest.

- 3.3 A statement by any Lender as to any amount of interest payable to it pursuant to this Clause 3 shall, in the absence of manifest error, be conclusive.

4. **REPAYMENT**

Subject to Clause 7:

- 4.1 on each Interest Payment Date, the Issuer shall repay to the Lenders pro rata according to the part of the Loan advanced by them respectively:

- (A) a part of the Loan outstanding on such date equal to any amount in excess of the Required Amount which is released from the First Loss Fund and debited to the First Loss Ledger on such Interest Payment Date pursuant to clause 6.4 of the Deed of Charge; and
- (B) after making the repayment referred to in (A) above, a part of the Loan outstanding on such date equal to the amount which is the lesser of (i) the Loan outstanding on such date less the Required Amount and (ii) the maximum amount which is available to the Issuer on that Interest Payment Date to be applied in making the provision referred to in paragraph (q) of clause 6.1.2 of the Deed of Charge, having made in full all other payments and provisions referred to in paragraphs (a) to (p) inclusive of such clause (without such provision (or the consequent debit to the Revenue Ledger) causing the Transaction Account to become overdrawn or the Revenue Ledger to have a debit balance) on the assumption that all other payments and provisions as aforesaid are also withdrawn on that Interest Payment Date,

provided always that the Lender and the Issuer may from time to time agree that any such repayment be waived or deferred in whole or in part.

- 4.2 The Issuer shall repay to each Lender the amount of the Loan (or the part thereof advanced by such Lender) which is outstanding (plus accrued interest thereon) in one instalment on the earlier of (i) the day following the Interest Payment Date falling in December 2039 and (ii) the first day on which none of the Notes is outstanding.

5. PREPAYMENT

- 5.1 Except in the circumstances referred to in Clause 4 and Clause 5.2, the Issuer may not repay or prepay the whole or any part of the Loan to any Lender on any date before all of the Notes have been redeemed in full.
- 5.2 The Issuer may, with the consent of the Trustee (such consent not to be unreasonably withheld), prepay to any Lender the whole of the Loan (or the part thereof advanced by such Lender) at any time where such prepayment is made solely out of the proceeds of a loan made to the Issuer after the date hereof by a subsidiary (as defined in section 736 of the Companies Act 1985 as amended from time to time) of The Paragon Group of Companies PLC and such loan is on and subject to the same terms, *mutatis mutandis*, as this Agreement.

6. EVENTS OF DEFAULT

- 6.1 If any of the following shall occur:
 - 6.1.1 **Non-payment:** the Issuer fails to pay any amount due under this Agreement within three Business Days of its due date; or
 - 6.1.2 **Breach of obligations:** 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, such failure is not remedied within seven Business Days after any Lender has notified the Issuer of the failure; or

- 6.1.3 **Cessation of business:** the Issuer changes or threatens to change the nature or scope of its business or suspends or threatens to suspend a substantial part of its business operations and the result of any of the foregoing will, in the determination of any Lender, materially and adversely affect the financial condition of the Issuer or its ability to observe or perform its obligations under this Agreement; or
- 6.1.4 **Appointment of receiver, legal process:** an encumbrancer takes possession of, or a trustee or administrative receiver or other receiver or similar officer is appointed in respect of, all or any part of the business or assets of the Issuer, or distress or any form of execution or diligence is levied or enforced upon or sued out against any such assets and is not discharged within 21 days of being levied, enforced or sued out, or any Security Interest which may for the time being affect any of its assets becomes enforceable; or
- 6.1.5 **Insolvency:** the Issuer is deemed unable to pay its debts within the meaning of section 123(1)(a) or (b) of the Insolvency Act 1986 (ignoring for the purpose of the calculation of the Issuer's liabilities pursuant to section 123 any liabilities of the Issuer to any Lender hereunder) or becomes unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether of principal or interest) with respect to all or any class of its debts; or
- 6.1.6 **Composition, winding-up:** the Issuer convenes a meeting of its creditors (other than any class of Noteholders) or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors (other than any class of Noteholders) or a petition is presented or a meeting is convened for the purpose of considering a resolution or other steps are taken for the appointment of an administrator or the making of an administration order against or for the winding-up of the Issuer (other than for the purposes of and followed by a reconstruction previously approved in writing by the Trustee, unless during or following such reconstruction the Issuer becomes or is declared to be insolvent),

then any Lender may by notice given to the Issuer declare the Loan (or, where it has advanced part only of the Loan, declare the part thereof advanced by such Lender) to be immediately due and payable, whereupon the principal amount of the Loan (or the part thereof advanced by such Lender) together with accrued interest thereon and all other sums due hereunder shall be deemed to have become due and payable as of the date of such event without further demand, subject however to the provisions of Clause 7.

7. **ENFORCEMENT AND SUBORDINATION**

7.1 Each Lender agrees with the Trustee and the Issuer to be bound by the terms of the Deed of Charge and, in particular, no sum (whether in respect of principal or interest or otherwise relating to the Loan (or the part thereof advanced by such Lender)) shall be payable by the Issuer except in accordance with the provisions of clauses 6, 7 and 8 of the Deed of Charge unless and until all sums thereby required to be paid or provided for in priority thereto have been paid or provided for in full. Each Lender further agrees that only the Trustee may enforce the security created in favour of the Trustee by or pursuant to the Deed of Charge in accordance with the provisions thereof and such Lender shall not take any steps for the purpose of recovering any debts whatsoever owing to it by the Issuer or enforcing any rights arising out of this Agreement against the Issuer or procuring the winding-up, administration or liquidation of the Issuer in respect of any of its liabilities whatsoever except to the extent expressly permitted by the provisions of the Deed of Charge.

7.2 Each Lender agrees that, notwithstanding any other provision herein contained:

7.2.1 payments of principal and interest under this Agreement are and shall at all times be conditional upon the Issuer being solvent at the time for payment by the Issuer and for the purposes of this Clause 7, the Issuer shall be "solvent" at a particular time if (i) it is able to pay its debts as they fall due and (ii) the value of its assets is not less than the amount of its liabilities taking into account its contingent and prospective liabilities;

7.2.2 no principal or interest shall be or become due or payable hereunder except to the extent that the Issuer could make the relevant payment and still be solvent immediately thereafter; and

7.2.3 its rights against the Issuer under this Agreement are limited to the extent that such Lender will not take any action or proceedings against the Issuer to recover any amounts payable by the Issuer to such Lender under this Agreement except to the extent expressly permitted by the provisions of the Deed of Charge and save to the extent that the Issuer has assets sufficient to meet any claim by such Lender hereunder in full, having taken into account all other liabilities both actual and contingent of the Issuer which rank *pari passu* with or in priority to its liabilities to such Lender under this Agreement.

7.3 Without prejudice to the foregoing provisions of this Clause 7, each Lender hereby undertakes with the Issuer and the Trustee that if, whether in the liquidation of the Issuer or otherwise (and notwithstanding the provisions of this Clause 7.3), any payment is received by it in respect of the Loan (or the part thereof advanced by such Lender) or any interest thereon other than in accordance with clauses 6, 7 and 8 of the Deed of Charge, the amount so paid shall be received and held by such Lender upon trust for the Trustee and shall be paid over to the Trustee forthwith upon receipt provided, however, that this Clause 7.3 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.

- 7.4 Each Lender hereby undertakes with the Trustee that it will not set-off or claim to set-off the Loan 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.
- 7.5 Notwithstanding any other provision of this Agreement, each Lender hereby agrees that if the security for the Notes is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority (pursuant to clause 8.2 of the Deed of Charge) to amounts outstanding under this Agreement, to pay in full all amounts due to such Lender under the terms of this Agreement, then such Lender hereby acknowledges that it shall have no further claim against the Issuer in respect of any such unpaid amounts.

8. **PAYMENTS**

All payments to be made hereunder shall be made in sterling in immediately available funds. If any sum falls due hereunder on a day which is not a Business Day, it shall be paid on the next Business Day and no additional interest will be payable in respect of such delay.

9. **ASSIGNMENT**

- 9.1 Neither the Loan nor any of the rights or obligations of the Issuer or any Lender hereunder may be assigned or transferred by the parties hereto to any other person otherwise than pursuant to the provisions of the Deed of Charge and subject to the right of the Trustee to assign its rights or obligations hereunder to any successor trustee under the Trust Deed, provided that:
- (A) the Subordinated Lenders may charge their rights hereunder whether pursuant to the Debenture dated 14 December, 1998 to JPMorgan Chase Bank (the entity which resulted from the merger of Morgan Guaranty Trust Company of New York and The Chase Manhattan Bank) as trustee for the Beneficiaries (as defined therein) under a Security Trust Agreement dated 14 December, 1998 (in each case as the same may be amended and restated from time to time) or otherwise;
 - (B) any Lender shall be entitled to make a Permitted Transfer to any Permitted Person provided that prior to such Permitted Transfer the Permitted Person has executed and delivered an acknowledgement and undertaking to the Issuer and the Trustee in such form as the Trustee may require acknowledging that Permitted Person's rights in respect of this Agreement shall be subject to the provisions of the Deed of Charge; and
 - (C) where any Lender has made a Permitted Transfer in respect of rights under this Agreement to a Permitted Person, such Permitted Person may in its sole

discretion assign, charge or create any form of security interest in respect of all or any of the rights in respect of this Agreement for the purpose of securing credit or indebtedness incurred or to be incurred by that Permitted Person.

In this Clause, "**Permitted Person**" means at any time any person which is at that time a direct or indirect subsidiary or subsidiary undertaking (each as defined in the Companies Act 1985) of The Paragon Group of Companies PLC and each Permitted Person, on each date on which interest is due to be paid, is within the charge to, and not entitled to exemption from, United Kingdom corporation tax in respect of any payment of interest to be made by the Issuer under this Agreement; and "**Permitted Transfer**" means in respect of a Lender an assignment, transfer or creation of any trust or interest in (whether by way of security or otherwise howsoever) or other disposal of all or any of its rights under this Agreement.

10. **VARIATION**

No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each of the parties.

11. **INVALIDITY AND WAIVER**

11.1 If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

11.2 No failure or delay by any party to this Agreement in exercising any right, power or privilege hereunder shall impair the same, nor shall such failure or delay operate as or result in a waiver or release thereof, nor shall any single or partial exercise of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights and remedies provided by law.

12. **EXCLUSION OF THIRD PARTY RIGHTS**

The parties to this Agreement do not intend that any term of this Agreement should be enforced, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

13. **GOVERNING LAW**

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

IN WITNESS WHEREOF this Agreement has been duly executed the day and year first before written.

Executed for and on behalf of:

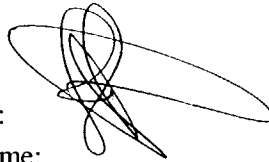
Mortgage Trust Services PLC

By:

By:

Name:

Title:



Executed for and on behalf of:

Paragon Finance PLC

By:

By:

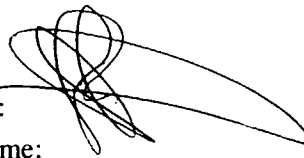
Name:

Title:




Executed for and on behalf of:
By:

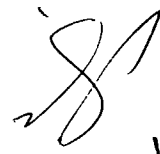
Paragon Mortgages (No. 15) PLC

By: 
Name:
Title:

Executed for and on behalf of:
By:

Citicorp Trustee Company Limited

By: 
Name: **David Meres**
Title: **Director**

By: 
Name:
Title: **Viola Janaul**
Director

THE SCHEDULE

The quarterly amount of interest payable on the Loan, or on any part thereof advanced by a Lender, in either case on the Payment Date falling next after any Interest Period (the "Relevant Interest Period") shall be:

$$\frac{(\text{LIB}_3 + X) \times L}{4}$$

For this purpose:

LIB₃ shall mean the interest rate determined by the Lender to be the interest rate for sterling deposits for a period of three months or, in the case of the first Relevant Interest Period, on the basis of a linear interpolation between the interest rates for sterling deposits for a period of four months and sterling deposits for a period of five months, in each case quoted on the Reuters Service page LIBOR01 (or any other page on which Reuters is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the first day of the Relevant Interest Period being, if more than one rate is quoted and the rates so quoted are not the same, the arithmetic mean (rounded downwards to five decimal places) of the rates so quoted. Provided that if, on any such day, no such rate is being quoted on the Reuters Service page LIBOR01 (or such other appropriate page) at such time and such date, **LIB₃** shall mean such rate as the Lender shall determine to be the rate at which it is offered sterling deposits of £10,000,000 in London for same day value on the first day of the Relevant Interest Period for a period approximately equal thereto in each case expressed as a percentage;

L shall mean the Loan (or such part thereof advanced by such Lender); and

X 4 per cent. or such other fair commercial rate as may be agreed from time to time between the Lender and the Issuer.

APPENDIX

**FORM OF MEMORANDUM OF AGREEMENT TO EVIDENCE ADVANCE
PURSUANT TO CLAUSE 2**

THIS AGREEMENT is made as of [____]

BETWEEN

1. [LENDER] whose registered office is at [____] (the "Provider") of the first part; and
2. **PARAGON MORTGAGES (NO. 15) PLC** whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (the "Issuer") of the second part.

WHEREAS the Provider wishes to advance to the Issuer the sum of £[____] on the terms that it shall constitute part of the Loan (as defined in a subordinated loan agreement (the "**Subordinated Loan Agreement**") dated on or about 19 July 2007 between Paragon Finance PLC, Mortgage Trust Services PLC, the Issuer and Citicorp Trustee Company Limited).

NOW IT IS HEREBY AGREED as follows:-

1. The said sum of £[____] (receipt of which is hereby acknowledged) shall be borrowed by the Issuer from the Provider in accordance with and as contemplated by the provisions of clause 2 of the Subordinated Loan Agreement on the basis that it shall constitute part of the Loan (as defined in the Subordinated Loan Agreement).
2. It is accordingly hereby agreed and declared that the said sum of £[____] shall be advanced in all respects upon the terms and subject to the conditions of the Subordinated Loan Agreement, including (without limitation) clause 7 thereof, as if the Provider had been an original party thereto, except that the provisions set out in the Schedule hereto (if any) shall apply and to the extent that they are inconsistent with any of the provisions of the Subordinated Loan Agreement shall override them. Provided that no such provision shall override, but shall be subject and without prejudice to, the provisions of clauses 4, 5, 7 and 9 of the Subordinated Loan Agreement.
3. The Provider represents, warrants and undertakes that while sums advanced to the Issuer pursuant to clause 2 of the Subordinated Loan Agreement remain outstanding and as at each date on which a payment of interest is due to be paid to it, it is and will remain beneficially entitled to interest then due to it and it is and will remain a company within the charge to and not entitled to an exemption from United Kingdom corporation tax.

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

AS WITNESS the hands of the parties the day and year first before written.

SCHEDULE TO THE APPENDIX

[Here insert any special provisions]

[full name of Provider]

By:

Name:

Title:

PARAGON MORTGAGES (NO. 15) PLC

By:

Name:

Title: