

CITICORP TRUSTEE COMPANY LIMITED
AS THE TRUSTEE

PARAGON FINANCE PLC
AS PFPLC

AND

PARAGON MORTGAGES (NO.16) PLC
AS THE ISSUER

FORTIETH SUPPLEMENTAL VAT
DEED OF DECLARATION OF TRUST
RELATING TO
A RESIDENTIAL MORTGAGE SECURITISATION
INVOLVING PARAGON MORTGAGES (NO.16) PLC
10 NOVEMBER 2011

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THIS FORTIETH SUPPLEMENTAL VAT DEED OF DECLARATION OF TRUST is made on 10 November 2011

BETWEEN

- (1) **CITICORP TRUSTEE COMPANY LIMITED** whose principal place of business is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**");
- (2) **PARAGON FINANCE PLC** whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE ("**PFPLC**"); and
- (3) **PARAGON MORTGAGES (NO.16) PLC** (registered number 6352605) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (the "**New Future Beneficiary**").

WHEREAS

- (A) This Deed is supplemental to a PFPLC Declaration of Trust dated 19 March, 1993 (the "**Original Declaration of Trust**") made by PFPLC in favour of the Issuers and any Future Beneficiary (both as defined therein) as amended, restated and supplemented, *inter alia*, by:
- (a) a Supplemental Deed of Declaration of Trust made on 6 October, 1994;
 - (b) a Second Supplemental Deed of Declaration of Trust made on 26 January, 1995;
 - (c) a Third Supplemental Deed of Declaration of Trust made on 18 December, 1995;
 - (d) a Fourth Supplemental Deed of Declaration of Trust made on 26 January, 1996;
 - (e) a Fifth Supplemental Deed of Declaration of Trust made on 28 June, 1996;
 - (f) a Sixth Supplemental Deed of Declaration of Trust made on 28 October, 1996;
 - (g) a Seventh Supplemental Deed of Declaration of Trust made on 29 November, 1996;
 - (h) an Eighth Supplemental Deed of Declaration of Trust made on 3 April, 1997;
 - (i) a Ninth Supplemental Deed of Declaration of Trust made on 30 June, 1997;
 - (j) a Tenth Supplemental Deed of Declaration of Trust made on 27 January, 1998;
 - (k) an Eleventh Supplemental Deed of Declaration of Trust made on 17 March, 1998;
 - (l) a Twelfth Supplemental Deed of Declaration of Trust made on 17 March, 1998;
 - (m) a Thirteenth Supplemental Deed of Declaration of Trust made on 16 June, 1998;
 - (n) a Fourteenth Supplemental Deed of Declaration of Trust made on 30 September, 1998;

- (o) a Fifteenth Supplemental Deed of Declaration of Trust made on 12 October, 1998;
- (p) a Sixteenth Supplemental Deed of Declaration of Trust made on 11 June, 1999;
- (q) a Seventeenth Supplemental Deed of Declaration of Trust made on 29 February, 2000;
- (r) an Eighteenth Supplemental Deed of Declaration of Trust made on 17 October, 2000;
- (s) a Nineteenth Supplemental Deed of Declaration of Trust made on 8 November, 2001;
- (t) a Twentieth Supplemental Deed of Declaration of Trust made on 12 December, 2001;
- (u) a Twenty First Supplemental VAT Deed of Declaration of Trust made on 27 March, 2002;
- (v) a Twenty Second Supplemental VAT Deed of Declaration of Trust made on 29 May, 2002;
- (w) a Twenty Third Supplemental Deed of Declaration of Trust made on 30 April, 2003;
- (x) a Twenty Fourth Supplemental Deed of Declaration of Trust made on 26 June, 2003;
- (y) a Twenty Fifth Supplemental Deed of Declaration of Trust made on 14 October, 2003;
- (z) a Twenty Sixth Supplemental Deed of Declaration of Trust made on 29 January, 2004;
- (aa) a Twenty Seventh Supplemental Deed of Declaration of Trust made on 26 May, 2004;
- (bb) a Twenty Eighth Supplemental Deed of Declaration of Trust made on 27 October, 2004;
- (cc) a Twenty Ninth Supplemental Deed of Declaration of Trust made on 14 December 2004;
- (dd) a Thirtieth Supplemental Deed of Declaration of Trust made on 19 May 2005;
- (ee) a Thirty First Supplemental Deed of Declaration of Trust made on 19 July 2005;
- (ff) a Thirty Second Supplemental Deed of Declaration of Trust made on 17 November 2005;

- (gg) a Thirty Third Supplemental Deed of Declaration of Trust made on 23 March 2006;
- (hh) a Thirty Fourth Supplemental Deed of Declaration of Trust made on 20 July 2006;
- (ii) a Thirty Fifth Supplemental Deed of Declaration of Trust made on 26 October 2006;
- (jj) a Thirty Sixth Supplemental Deed of Declaration of Trust made on 25 January 2007;
- (kk) a Thirty Seventh Supplemental Deed of Declaration of Trust made on 22 March 2007;
- (ll) a Thirty Eighth Supplemental Deed of Declaration of Trust made on 19 July 2007; and
- (mm) a Thirty Ninth Supplemental Deed of Declaration of Trust made on 27 September 2010,

(the Original Declaration of Trust as amended, restated and supplemented by each of those Supplemental Deeds being the "**Declaration of Trust**").

- (B) PFPLC notified the Trustee (with a copy to Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. and to Moody's Investors Service Limited) on 2 October 2007 that the New Future Beneficiary joined the Paragon VAT Group.
- (C) The New Future Beneficiary, pursuant to PFPLC filing the appropriate forms with H.M. Revenue & Customs provisionally became a member of the Paragon VAT Group on 29 August 2007.
- (D) The New Future Beneficiary is entering into this Deed to record its agreement to comply with its obligations as a Future Beneficiary under the Declaration of Trust and to give to the Trustee a power of attorney in the form of the power of attorney contained in Clause 9(B) thereof *mutatis mutandis*.

NOW THIS FORTIETH SUPPLEMENTAL VAT DEED OF DECLARATION OF TRUST WITNESSES as follows:

1. DEFINITIONS

Terms used in this Deed (but not otherwise defined herein) have the same meanings when used in this Deed as in the Declaration of Trust.

2. CONFIRMATIONS BY THE TRUSTEE

The Trustee confirms that:

- 2.1.1 pursuant to a sale and purchase agreement dated 26 June 1998 between the Trustee and Morgan Guaranty Trust Company of New York ("**MGT**"), the

Trustee is the successor to MGT as the trustee in respect of the Trust Account under the Declaration of Trust; and

2.1.2 the Trust Account is an account held on trust by the Trustee and is currently the account numbered 56177496 with National Westminster Bank Plc.

3. **FUTURE BENEFICIARY**

The New Future Beneficiary agrees to comply with the obligations of a Future Beneficiary under the Declaration of Trust.

4. **APPOINTMENT OF ATTORNEY**

The New Future Beneficiary hereby appoints, irrevocably and by way of security, the Trustee to be its attorney on its behalf and in its name or otherwise to execute any document or do any act or thing which it is obliged to do (but has not done) under Clause 9(A) of the Declaration of Trust or otherwise under the Declaration of Trust.

5. **ONE AGREEMENT**

The Declaration of Trust is hereby confirmed and shall remain in full force and effect. This Deed and the Declaration of Trust shall be read and construed as one document and this Deed shall be considered to be part of the Declaration of Trust and, without prejudice to the generality of the foregoing, where the context so allows, references in the Declaration of Trust to the Declaration of Trust, howsoever expressed, shall be read and construed as references both to the Declaration of Trust as amended by this Deed and to this Deed.

6. **COVENANTS OF PFPLC**

6.1 If any Degrouping Event (as defined in the Declaration of Trust) has occurred and Citicorp Trustee Company Limited (as trustee thereunder) has served a notice pursuant to clause 9(A) of the Declaration of Trust on PFPLC requiring it to procure that an application is made pursuant to section 43 of the Value Added Tax Act 1994 (as amended) for the Issuer to cease to be a member of the Paragon VAT Group, PFPLC agrees that it shall assist in the making of the necessary application to H.M. Revenue & Customs.

6.2 In the event of H.M. Revenue & Customs making a demand upon the Issuer to meet the VAT liability of the Paragon VAT Group, PFPLC shall on behalf of the Issuer and pursuant to clause 6.5 of the Deed of Charge give notice to PFPLC, as party to the VAT Declaration of Trust, and to Citicorp Trustee Company Limited (as successor to Morgan Guaranty Trust Company of New York (as it then was)) in its capacity as trustee under the VAT Declaration of Trust, (with a copy to the Trustee) of such VAT liability having arisen and provide evidence reasonably satisfactory to Citicorp Trustee Company Limited as trustee under the VAT Declaration of Trust, (with a copy to PFPLC), that such demand has been made and shall provide directions to PFPLC as to payment to satisfy such demand. PFPLC shall procure that Citicorp Trustee Company Limited, gives notice, pursuant to the provisions of the VAT Declaration of Trust, to the Operating Bank specifying that a withdrawal is to be

permitted from the VAT Account to meet such demand and provides the Operating Bank with instructions as to payment.

7. COUNTERPARTS

This Deed may be executed in any number of counterparts and by different parties on separate counterparts and all such counterparts together shall constitute one and the same instrument.

8. DEED

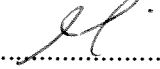
Each of the parties to this Deed intends it to be a deed. The execution of this Deed by or on behalf of a party shall constitute an authority to the solicitors, or an agent or employee of the solicitors, acting for that party in connection with this Deed to deliver it as a deed on behalf of that party.

9. GOVERNING LAW

This Deed and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

IN WITNESS WHEREOF the parties have caused this Deed to be signed on their respective behalves on the day and year first before written.

Executed by:
as its deed as follows:
Signed for and on its behalf by one
of its duly authorised attorneys

Signature: 

Witness Name: M. Sharahi

Occupation: Trainee Solicitor

Address: 10 Upper Bank St
.....
.....

**CITICORP TRUSTEE COMPANY
LIMITED**

By: 

Name: Georgia Mitchell
Vice President

Title: Attorney

Executed by:
as its deed as follows:
Signed for and on its behalf by one
of its directors

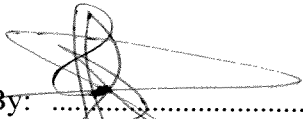
Signature: 

Witness Name: ADAM CHAL

Occupation: Solicitor

Address: 10 UPPER BANK ST,
LONDON E14 5SS
.....
.....


PARAGON FINANCE PLC

By: 

Name: J HARVEY

Title: Director

Executed by:
as its deed as follows:
Signed for and on its behalf by one
of its directors

Signature: 

Witness Name: ADAM CHADW

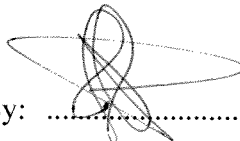
Occupation: CONSTRUCTOR

Address: 10 UPPER BANIL ST.

LONDON E14 5SS

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PARAGON MORTGAGES (NO.16) PLC

By: 

Name: S HARVEY

Title: Director