

SCHEDULE TO THE MASTER AGREEMENT

in relation to the

Class A Notes and the Class Z Notes

dated as of

3 November 2011

between

- (1) **MACQUARIE BANK LIMITED, LONDON BRANCH ("Party A"):**
- (2) **PARAGON MORTGAGES (NO. 16) PLC ("Party B");** and
- (3) **CITICORP TRUSTEE COMPANY LIMITED** (the "**Trustee**", which expression shall include its successors and assigns and which has agreed to become a party to this Agreement solely for the purpose of taking the benefit of Part 5(b) and Part 5(l) of the Schedule to this Agreement).

Part 1 Termination Provisions

- (a) "**Specified Entity**" means

in relation to Party A for the purpose of:

Section 5(a)(v), none

Section 5(a)(vi), none

Section 5(a)(vii), none

Section 5(b)(iv), none

and in relation to Party B for the purpose of:

Section 5(a)(v), none

Section 5(a)(vi), none

Section 5(a)(vii), none

Section 5(b)(iv), none.

- (b) "**Specified Transaction**" will have the meaning specified in Section 14.
- (c) The "**Cross Default**" provisions of Section 5(a)(vi) will not apply to Party B and will apply to Party A. Where applicable, the following shall apply with respect to Section 5(a)(vi):
- (i) "**Specified Indebtedness**" shall have the meaning specified in Section 14, except that indebtedness or obligation in respect of deposits received in the

ordinary course of the banking business of such party shall not constitute Specified Indebtedness.

- (ii) "**Threshold Amount**" means, in relation to Party A, an amount equal to 3% of Party A's shareholders' equity (determined in accordance with generally accepted accounting principles in Party A's jurisdiction of incorporation or organization) as at the end of Party A's most recently completed fiscal year.
- (d) The "**Credit Event Upon Merger**" provisions of Section 5(b)(iv) will not apply to Party A and will not apply to Party B.
- (e) The "**Automatic Early Termination**" provision of Section 6(a) will not apply to Party A and will not apply to Party B.
- (f) **Payments on Early Termination.** For the purposes of Section 6(e) of this Agreement:
 - (i) Market Quotation will apply.
 - (ii) The Second Method will apply.
- (g) "**Termination Currency**" means Sterling.

Part 2 Tax Representations

- (a) ***Payer Representations.*** For the purpose of Section 3(e) of this Agreement, Party A and Party B will each make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement and deliveries, transfers and payments to be made pursuant to the Credit Support Annex) to be made by it to the other party under this Agreement. In making this representation, it may rely on:

- (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement,
- (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement; and
- (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement,

provided that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

- (b) ***Payee Representations.*** For the purpose of Section 3(f) of this Agreement, Party A and Party B will each make the following representation:

None.

Part 3 Agreement to Deliver Documents

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

(a) Tax forms, documents or certificates to be delivered are:

N/A

(b) Other documents to be delivered are:

<i>Party required to deliver document</i>	<i>Form Document Certificate</i>	<i>Date by which to be delivered</i>	<i>Covered by Section 3(d) Representation</i>
Party A and Party B	Evidence satisfactory to the other party as to the authority of its signatories to this Agreement and to each Confirmation including specimen signatures of such signatories	On signing of this Agreement and relevant Confirmation as applicable.	Yes
Party B	Certified copy of board resolution evidencing Party B's capacity to enter into this Agreement and all Transactions hereunder.	On signing of this Agreement	Yes
Party B	Certified copy of Memorandum and Articles of Association	On signing of this Agreement	Yes

Part 4 Miscellaneous

(a) *Addresses for Notices.* For the purpose of Section 12(a) of this Agreement:

Any notice relating to a particular Transaction shall be delivered to the address or email address or facsimile or telex number specified in the Confirmation of such Transaction. Any notice delivered for purposes of Section 5 and 6 of this Agreement shall be delivered to the following address:

Address for notices or communications to Party A (other than by facsimile):

Address: Macquarie Bank Limited
1 Martin Place
Sydney NSW 2000
Australia

Attention: Executive Director, Legal Risk Management Division.
Fixed income, Currencies and Commodities

Telephone No: (+61 2) 8232 3333

Facsimile No: (+61 2) 8232 4540

Email: for Section 5 and 6 Notices only: 'ficc.notices@macquarie.com'

with a copy to:

Address: Macquarie Bank Limited, London Branch
28 Ropemaker Street
London, EC2Y 9HD
England

Attention: Legal Risk Management, Fixed Income, Currencies and Commodities

Telephone No: (+44) 20 3037 2000

Facsimile No: (+44) 20 3037 5700

Address for notices or communications to Party B:

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

Attention: Swaps Administration, Finance Department

Facsimile No: 0121 712 2699

Email Address: Company_Secretary@Paragon-group.co.uk

With a copy to the Trustee:

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

Attention: Agency & Trust

Facsimile No: 020 7500 5248

- (b) **Process Agent.** For the purpose of Section 13(c) of this Agreement:

Party A will accept service of process at the London address specified in Part 4(a) above.

Party B appoints as its Process Agent: Not applicable.

- (c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.

- (d) **Multibranch Party.** For the purpose of Section 10(c) of this Agreement:

Party A is not a Multibranch Party.

Party B is not a Multibranch Party.

- (e) **Calculation Agent.** The Calculation Agent is Party A, provided that if and for as long as Party A is a Defaulting Party, Party B may, by giving written notice to Party A, appoint a leading market dealer to act as Calculation Agent.

- (f) **Credit Support Document**

Details of any Credit Support Document:

In respect of Party A: Any Third Party Credit Support Document (including any Eligible Guarantee).

In respect of Party B: None.

"Third Party Credit Support Document" means any agreement or instrument (including any guarantee or equivalent) entered into pursuant to Section 5(g) (Ratings Event), the terms of which provide for the guarantee of Party A's obligations under this Agreement by a third party and which is in form and substance acceptable to the Rating Agencies.

- (g) **Credit Support Provider**

Credit Support Provider means in relation to Party A, a party who is a credit support provider under any Third Party Credit Support Document.

Credit Support Provider means in relation to Party B, none.

- (h) **Governing Law.** This Agreement and any non-contractual obligations arising from it are governed by, and shall be construed in accordance with, English law.
- (i) "**Affiliate**" will have the meaning specified in Section 14 of this Agreement.
- (j) **Netting of Payments.** Subparagraph (ii) of Section 2(c) of this Agreement will apply to Transactions entered into under this Agreement.

Part 5 Other Provisions**(a) *No Set-Off***

- (i) All payments under this Agreement shall be made without set-off or counterclaim, except as expressly provided for in Section 2(c), Section 6 or this Schedule.
- (ii) The last sentence of the first paragraph in Section 6(e) shall be deleted and replaced with the words "Notwithstanding any other provision of this Section, if a Party (the "**Paying Party**") would, but for this sentence, be required to pay an amount pursuant to this Section, it may, by giving written notice to the other Party, cause the amount so payable to be reduced by the lesser of (i) such amount and (ii) the aggregate amount payable to the Paying Party pursuant to any demands made under Section 11 on or before the Early Termination Date".

(b) *Security Interest*

Notwithstanding Section 7, Party A hereby agrees and consents to the assignment by way of security by Party B of its interests under this Agreement (without prejudice to, and after giving effect to, any contractual netting provision contained in this Agreement) to the Trustee (or any successor thereto) pursuant to and in accordance with the Deed of Charge (as defined in Part 5 hereof) and acknowledges notice of such assignment. Each of the parties hereby confirms and agrees that the Trustee shall not be liable for any of the obligations of Party B hereunder.

(c) *Disapplication of certain Events of Default*

- (i) Section 5(a)(ii), Section 5(a)(iii), Section 5(a)(iv), Section 5(a)(v) and Section 5(a)(vii)(2), (7) and (9) will not apply in respect of Party B.

Section 5(a)(vii)(3) will not apply in respect of Party B to any assignment, arrangement or composition in relation to Party B which is effected purely pursuant to a contractual right in the Relevant Documents.

Section 5(a)(vii)(6) will not apply in respect of Party B to any appointment of any administrator or trustee appointed pursuant to an extra-curial process permitted by the Relevant Documents.

Section 5(a)(vii)(4) will not apply to Party B to the extent that it refers to proceedings or petitions instituted or presented by Party A or any of its Affiliates.

Section 5(a)(vii)(8) will not apply to Party B to the extent that it applies to Section 5(a)(vii)(2), (7) and (9), or to 5(a)(vii)(3), (4) and (6) as amended above.

(d) *Tax Event Upon Merger*

Section 5(b)(iii) shall apply to Party A and Party B, provided that Party A shall not be entitled to designate an Early Termination Date or effect a transfer pursuant to Section

6(b)(ii) by reason of a Tax Event Upon Merger in respect of which it is the Affected Party.

(e) ***Additional Event of Default***

The following shall constitute an additional Events of Default with respect to Party B (and Party B shall be the Defaulting Party):

- (i) an Event of Default in respect of the Notes has occurred (as understood by and defined in Condition 9 of the Notes).

(f) ***Additional Termination Events***

The following shall constitute Additional Termination Events with respect to Party B (with Party B as the sole Affected Party):

- (i) all classes of Notes are redeemed in full in accordance with Condition 5 of the Notes (and all Transactions shall be Affected Transactions); or
- (ii) on any Interest Payment Date (as defined in the Conditions), Party B notifies Party A that it wishes to terminate or reduce the notional amount of a Transaction to the extent of and as a consequence of redemption of the Fixed Rate Mortgages (and that Transaction shall be the Affected Transaction, and if the notional amount is being reduced, then that part of the Transaction shall be treated as an Affected Transaction); or
- (iii) the Revenue Priority of Payments, Principal Priority of Payments, the Enforcement Priority of Payments or any Relevant Document is amended in a manner materially prejudicial to Party A which will adversely impact the Issuer's ability to make payments under the Affected Transactions, in each case, without Party A's written consent; or
- (iv) any of the Relevant Documents become wholly void or unenforceable and such unenforceability is materially prejudicial to Party A.

In connection with these Additional Termination Events, except for (ii) above, all Transactions will be Affected Transactions and Party B will be the sole Affected Party.

(g) ***Ratings Events***

(i) **Moody's Ratings Events**

- (I) Each of the following shall constitute an Additional Termination Event with respect to Party A (with Party A as the sole Affected Party):
 - (A) **Moody's First Rating Trigger Collateral.** Party A has failed to comply with or perform any obligation to be complied with or performed by Party A in accordance with the Credit Support Annex to this Schedule and either (1) the Moody's Second Rating Trigger Requirements do not apply or (2) less than 30 Local Business Days

have elapsed since the last time the Moody's Second Rating Trigger Requirements did not apply.

- (B) **Second Rating Trigger Replacement.** (1) The Moody's Second Rating Trigger Requirements apply and 30 or more Local Business Days have elapsed since the last time the Moody's Second Rating Trigger Requirements did not apply and (2)(i) at least one Eligible Replacement has made a Firm Offer (that would, assuming the occurrence of an Early Termination Date, qualify as a Market Quotation (on the basis that paragraphs (ii) and (iii) in Part 5(p) below apply) where such Firm Offer remains capable of becoming legally binding upon acceptance). If Party B becomes aware of such a Firm Offer, it shall promptly inform party A of all relevant details.

For the avoidance of doubt, if (i) the Moody's Second Rating Trigger Requirements apply and 30 or more Local Business Days have elapsed since the last time the Moody's Second Rating Trigger Requirements did not apply, and (ii) both Party A or Party B are unable to obtain a Firm Offer from an Eligible Replacement which qualifies as a Market Quotation (as contemplated in Part 5(g)(i)(I)(B) above) then the Agreement will continue (subject to the continued posting of collateral as stipulated in the Credit Support Annex) and this will not constitute an Event of Default, Termination Event or Additional Termination Event with respect to either party.

- (II) For so long as the Moody's Second Rating Trigger Requirements apply, Party A will at its own cost use commercially reasonable efforts to, as soon as reasonably practicable, procure either (A) an Eligible Guarantee in respect of all of Party A's present and future obligations under this Agreement to be provided by a guarantor with the Moody's First Trigger Required Ratings and/or the Moody's Second Trigger Required Ratings or (B) a transfer in accordance with Part 5(q) below.

Notwithstanding any other provision of this Agreement, any failure by Party A to comply with or perform any obligation to be complied with or performed by Party A under the Credit Support Annex entered into between Party A and Party B in relation to this Agreement, shall not be an Event of Default unless (x) the Moody's Second Rating Trigger Requirements apply and at least 30 Local Business Days have elapsed since the last time Moody's Second Rating Trigger Requirements did not apply and (y) such failure is not remedied on or before the third Local Business Day after notice of such failure is given to Party A. For the avoidance of doubt, failure to abide by the terms of the Credit Support Annex shall be an Additional Termination Event as set out in this Schedule, and not an Event of Default under Section 5, unless (x) and (y) above also apply, in which case such failure shall constitute an Event of Default under Section 5.

For the purpose of this Agreement:

“**Eligible Guarantee**” means an unconditional and irrevocable guarantee that is provided by a guarantor as principal debtor rather than surety and is directly

enforceable by Party B, where (I) such guarantee provides that if a guaranteed obligation cannot be performed without an action being taken by Party A, the guarantor shall use its best efforts to procure that Party A takes such action, (II)(A) a law firm has given a legal opinion, confirming that none of the guarantor's payments to Party B under such guarantee will be subject to deduction or withholding for tax, and such opinion has been disclosed to Moody's, (B) such guarantee provides that, in the event that any of such guarantor's payments to Party B are subject to deduction or withholding for tax, such guarantor is required to pay such additional amount as is necessary to ensure that the net amount actually received by Party B (free and clear of any tax) will equal the full amount Party B would have received had no such deduction or withholding been required or (C) in the event that any payment (the "**Primary Payment**") under such guarantee is made net of deduction or withholding for tax, Party A is required under this Agreement to make such additional payment (the "**Additional Payment**") as is necessary to ensure that the net amount actually received by Party B from the guarantor (free and clear of any tax) in respect of the Primary Payment and the Additional Payment will equal the full amount Party B would have received had no such deduction or withholding been required (assuming that the guarantor will be required to make a payment under such guarantee in respect of the Additional Payment) and (III) the guarantor waives any right of set-off in respect of payments under such guarantee.

"Eligible Replacement" means an entity that could lawfully perform the obligations owing to Party B under this Agreement or its replacement (as applicable) (A) with the Moody's First Trigger Required Ratings and/or the Moody's Second Trigger Required Ratings or (B) whose present and future obligations owing to Party B are guaranteed pursuant to an Eligible Guarantee provided by a guarantor with the Moody's First Trigger Required Ratings and/or the Moody's Second Trigger Required Ratings. Any such Eligible Replacement will be (i) required to provide a tax opinion confirming that their performance of the obligations owing to Party B will not give rise to any withholding or deduction on account of any Tax and (ii) is (1) an entity which is beneficially entitled to all payments to Party A under any Transaction entered into under this Agreement and is (2) either:

- (A) a company resident in the United Kingdom for tax purposes; or
- (B) a company not so resident in the United Kingdom but which carries on a trade in the United Kingdom through a permanent establishment and which is required to bring such payments into account in computing its chargeable profits for UK Corporation Tax purposes.

"Firm Offer" means an offer which, when made, was capable of becoming legally binding upon acceptance.

"Moody's Short-term Rating" means a rating assigned by Moody's under its short-term rating scale in respect of an entity's short-term, unsecured and unsubordinated debt obligations.

The "**First Rating Trigger Requirements**" shall apply so long as no Relevant Entity has the Moody's First Trigger Required Ratings

"**Relevant Entities**" means Party A and any guarantor under an Eligible Guarantee in respect of all of Party A's present and future obligations under this Agreement.

An entity shall have the "**Moody's First Trigger Required Ratings**" (A) where such entity is the subject of a Moody's Short-term Rating, if such rating is "Prime-1" and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A2" or above by Moody's and (B) where such entity is not the subject of a Moody's Short-term Rating, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A1" or above by Moody's.

The "**Moody's Second Rating Trigger Requirements**" shall apply so long as no Relevant Entity has the Moody's Second Trigger Required Ratings.

An entity shall have the "**Moody's Second Trigger Required Ratings**" (A) where such entity is the subject of a Moody's Short-term Rating, if such rating is "Prime-2" or above and its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's and (B) where such entity is not the subject of a Moody's Short-term Rating, if its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's.

(ii) **Fitch Ratings Events**

(A) **Fitch Ratings Level 1 Event**

In relation to each occurrence of a Fitch Ratings Level 1 Event and for as long as such Fitch Ratings Level 1 Event is continuing:

- (1) Party A will, at Party A's own cost, use its reasonable efforts to procure that a Fitch Ratings Level 1 Cure Event occurs within the Fitch Ratings Level 1 Cure Period; and
- (2) if a Fitch Ratings Level 1 Cure Event does not occur within the Fitch Ratings Level 1 Cure Period:
 - (i) such non-occurrence shall not be or give rise to an Event of Default; but
 - (ii) an Additional Termination Event with respect to Party A shall be deemed to have occurred on the first Business Day immediately following the Fitch Ratings Level 1 Cure Period with Party A as the sole Affected Party and all Transactions shall be Affected Transactions;

provided that if a Fitch Ratings Level 2 Event or a Fitch Ratings Level 3 Event occurs on the same date as such Fitch Ratings Level 1 Event or

during such Fitch Ratings Level 1 Cure Period, such Fitch Ratings Level 1 Event shall be deemed not to have occurred.

(B) Fitch Ratings Level 2 Event

In relation to each occurrence of a Fitch Ratings Level 2 Event and for as long as such Fitch Ratings Level 2 Event is continuing:

- (1) Party A will, at Party A's own cost, use its reasonable efforts to procure that a Fitch Ratings Level 2 Cure Event occurs within the Fitch Ratings Level 2 Cure Period; and
- (2) if a Fitch Ratings Level 2 Cure Event does not occur within the Fitch Ratings Level 2 Cure Period:
 - (i) such non-occurrence shall not be or give rise to an Event of Default; but
 - (ii) an Additional Termination Event with respect to Party A shall be deemed to have occurred on the first Business Day immediately following the Fitch Ratings Level 2 Cure Period with Party A as the sole Affected Party and all Transactions shall be Affected Transactions.

provided that if a Fitch Ratings Level 3 Event occurs on the same date as such Fitch Ratings Level 2 Event or during such Fitch Ratings Level 2 Cure Period, such Fitch Ratings Level 2 Event shall be deemed not to have occurred.

(C) Fitch Ratings Level 3 Event

In relation to each occurrence of a Fitch Ratings Level 3 Event (except where a previous Fitch Ratings Level 3 Event is continuing):

- (1) Party A will, at Party A's own cost, use its reasonable efforts to procure that a Fitch Ratings Level 3 Cure Event occurs within the Fitch Ratings Level 3 Cure Period; and
- (2) pending the occurrence of a Fitch Ratings Level 3 Cure Event, Party A will continue to post Collateral in accordance with the terms of the Credit Support Annex; and
- (3) if a Fitch Ratings Level 3 Cure Event does not occur within the Fitch Ratings Level 3 Cure Period:
 - (i) such non-occurrence shall not be or give rise to an Event of Default; but
 - (ii) after the expiry of the Fitch Ratings Level 3 Cure Period, an Additional Termination Event with respect to Party A shall occur, with Party A as the sole Affected Party and all Transactions as Affected Transactions, for

as long as there is an open Qualifying Offer which has been (A) open for 2 Local Business Days and (B) remains capable of becoming legally binding on acceptance. If after the expiry of the Fitch Ratings Level 3 Cure Period, Party B procures or otherwise becomes aware of such a Qualifying Offer, it shall notify Party A of all relevant details pertaining to such offer (the "Referred Offer") as soon as practicable, and no Additional Termination Event shall occur under this Part 5(g)(ii)(C)(3)(ii), unless Party A has not accepted such Referred Offer (or a Fitch Ratings Level 3 Cure Event has not otherwise occurred) within 2 Local Business Days of such referral, Party B must agree to a transfer of Party A's rights and obligations under the Agreement pursuant to any Qualifying Offer.

For the avoidance of doubt, (i) if a Fitch Ratings Level 3 Cure Event does not occur within the Fitch Ratings Level 3 Cure Period and (ii) both Party A or Party B are unable to obtain a Qualifying Offer then the Agreement will continue (subject to the continued posting of collateral as stipulated in the Credit Support Annex) and this will not constitute an Event of Default, Termination Event or Additional Termination Event with respect to either party.

(D) **Fitch downgrade definitions**

In this Agreement:

"**Fitch**" means Fitch Ratings Ltd.

"**Fitch Minimum Rated Entity**" means at any time a person who satisfies all of the following:

- (1) its short term Issuer Default Rating is at that time at least as high as "F1" (or its equivalent) by Fitch; and
- (2) its long-term Issuer Default Rating is rated at that time at least as high as "A" (or its equivalent) by Fitch,

provided that if such person's short term Issuer Default Rating is "F1" (or its equivalent) by Fitch, or such person's long-term Issuer Default Rating is "A" (or its equivalent) by Fitch, and such rating is announced by Fitch as being on Ratings Watch Negative ("**RWN**"), such person will be deemed not to be a Fitch Minimum Rated Entity.

"**Fitch Ratings Level 1 Event**" means none of Party A, any Credit Support Provider or any co-obligor of Party A, is a Fitch Minimum Rated Entity and as a result the then current rating of the Relevant

Notes may in the reasonable opinion of Fitch be downgraded or placed on credit watch for possible downgrade.

"Fitch Ratings Level 1 Cure Event" means in relation to a Fitch Ratings Level 1 Event, one or more of the following:

- (1) **Collateral:** Party A delivers Eligible Credit Support pursuant to the Credit Support Annex to this Agreement in support of its obligations under this Agreement; or
- (2) **Non-Collateral:** a Fitch Ratings Non-Collateral Cure Event.

"Fitch Ratings Level 1 Cure Period" means (A) in relation to a Fitch Ratings Level 1 Event where the relevant Fitch Ratings Level 1 Cure Event is the posting of Collateral, the period of 14 days after (but excluding) the date upon which such Fitch Ratings Level 1 Event occurs; or (B) in relation to a Fitch Ratings Level 1 Event where the relevant Fitch Ratings Level 1 Cure Event is a Fitch Ratings Non-Collateral Cure Event, the period of 30 days after (but excluding) the date upon which such Fitch Ratings Level 1 Event occurs.

"Fitch Ratings Level 2 Minimum Rated Entity" means at any time a person who satisfies both of the following:

- (1) its short Issuer Default Rating is at that time at least as high as "F2" (or its equivalent) by Fitch; and
- (2) its long-term Issuer Default Rating is rated at that time at least as high as "BBB+" (or its equivalent) by Fitch,

provided that if such person's short term Issuer Default Rating is "F2" (or its equivalent) by Fitch, or such person's long-term Issuer Default Rating is "BBB+" (or its equivalent) by Fitch, and such rating is announced by Fitch as being on Ratings Watch Negative ("RWN"), such person will be deemed not to be a Fitch Minimum Rated Entity

"Fitch Ratings Level 2 Event" means none of Party A, any Credit Support Provider or any co-obligor of Party A, is a Fitch Ratings Level 2 Minimum Rated Entity and as a result the then current rating of the Relevant Notes may in the reasonable opinion of Fitch be downgraded or placed on credit watch for possible downgrade.

"Fitch Ratings Level 2 Cure Event" means in relation to a Fitch Ratings Level 2 Event one or more of the following:

- (1) **Collateral:** Party A delivers Eligible Credit Support pursuant to the Credit Support Annex to this Agreement in support of its obligations under this Agreement; or
- (2) **Non-Collateral:** Fitch Ratings Non-Collateral Cure Event occurs.

"Fitch Ratings Level 2 Cure Period" means (A) in relation to a Fitch Ratings Level 2 Event where the relevant Fitch Ratings Level 2 Cure Event is the posting of Collateral, the period of 14 days after (but excluding) the date upon which such Fitch Ratings Level 2 Event occurs; or (B) in relation to a Fitch Ratings Level 2 Event where the relevant Fitch Ratings Level 2 Cure Event is a Fitch Ratings Non-Collateral Cure Event, the period of 30 days after (but excluding) the date upon which such Fitch Ratings Level 2 Event occurs.

"Fitch Ratings Level 3 Minimum Rated Entity" means at any time a person who satisfies both of the following:

- (1) its short term Issuer Default Rating is at that time at least as high as "F3" by Fitch; and
- (2) its long-term Issuer Default Rating is rated at that time at least as high as "BBB-" by Fitch,

provided that if such person's short term Issuer Default Rating is "F3" (or its equivalent) by Fitch, or such person's long-term Issuer Default Rating is "BBB-" (or its equivalent) by Fitch, and such rating is announced by Fitch as being on Ratings Watch Negative ("RWN"), such person will be deemed not to be a Fitch Minimum Rated Entity

"Fitch Ratings Level 3 Event" means none of Party A, any Credit Support Provider or any co-obligor of Party A, is a Fitch Ratings Level 3 Minimum Rated Entity and as a result the then current rating of the Relevant Notes may in the reasonable opinion of Fitch be downgraded or placed on credit watch for possible downgrade.

"Fitch Ratings Level 3 Cure Event" means in relation to a Fitch Ratings Level 3 Event a Fitch Ratings Non-Collateral Cure Event occurs.

"Fitch Ratings Level 3 Cure Period" means in relation to a Fitch Ratings Level 3 Event, the period of 30 days after (but excluding) the date upon which such Fitch Ratings Level 3 Event occurs.

"Fitch Ratings Non-Collateral Cure Entity" means at any time a person (who may, without limitation, be an Affiliate of Party A) who (or whose Credit Support Provider) is a Fitch Minimum Rated Entity at that time.

"Fitch Ratings Non-Collateral Cure Event" means the first date upon which the following occurs:

- (1) **Transfer:** Subject to Part 5(q), Party A transfers all of its rights and obligations with respect to this Agreement to a replacement third party which is a Fitch Ratings Non-Collateral Cure Entity; or

- (2) **Co-obligor or guarantor:** Party A procures another person which is a Fitch Ratings Non-Collateral Cure Entity to become co-obligor or guarantor in respect of the obligations of Party A under this Agreement, provided that, in all cases, such action does not result in any requirement for deduction or withholding for or on account of any Tax.

"Issuer Default Rating" means the issuer default rating ascribed to an entity by Fitch.

"Qualifying Offer" means a written offer by a Fitch Minimum Rated Entity to enter into novation or assignment of Party A's rights and obligations under this Agreement, where such offer is open for at least three (3) Local Business Days, and which is capable of becoming legally binding upon acceptance.

(h) ***Modifications to Representations***

- (i) Section 3 is amended by the addition at the end thereof of the following additional representations:
- "(a) ***No Agency.*** Party A and Party B represent, warrant and undertake that it is entering into this Agreement and each Transaction as principal and not as agent of any person.
- (b) ***Pari Passu.*** Party A represents, warrants and undertakes to Party B that Party A's obligations under this Agreement rank pari passu with all of its other unsecured, unsubordinated obligations except those obligations preferred by operation of law.
- (c) Party A represents, warrants and undertakes (which representation, warranty and undertaking will be deemed to be repeated at all times until the termination or expiry of all Transactions) that in relation to each Transaction, it is not acting as agent or nominee for any other person or persons and that:
- (a) it is resident in the United Kingdom for United Kingdom tax purposes; or
- (b) it is resident in a jurisdiction that has a double taxation convention or treaty with the United Kingdom under which provision, whether for relief or otherwise, in relation to interest (as defined in the relevant convention or treaty) is made; or
- (c) it has entered into the relevant Transaction solely for the purposes of a trade or part of a trade carried on by it in the United Kingdom through a branch or agency or permanent establishment and will continue so to treat the relevant Transaction".

- (ii) Section 3(a)(v) shall be amended by the addition of the words "with the exception of the payment of Stamp Tax as provided for in Section 11)" after the words "this Agreement".
- (iii) The representations set out in Section 3 (as amended as aforesaid) shall (in addition to the repetitions for which provision is made in Section 3) be deemed to be repeated by each party on each day on which a payment or delivery is required to be made under Section 2(a)(i).

(i) ***Recording of Conversations***

Each party consents to the recording of the telephone conversations of trading and marketing personnel of the parties. Party A agrees to obtain any necessary consent of, and give notice of such recording to, such personnel of it.

(j) ***Relationship between the Parties***

The Agreement is amended by the insertion after Section 14 of an additional Section 15, reading in its entirety as follows:

"15. Relationship between the Parties

Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

- (a) ***Non Reliance.*** It is acting for its own account, and it has made its own decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. It has not received from the other party any assurance or guarantee as to the expected results of that Transaction.
- (b) ***Assessment and Understanding.*** It is capable of assessing the merits of and understanding (through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the financial and other risks of that Transaction.
- (c) ***Status of Parties.*** The other party is not acting as a fiduciary or an adviser for it in respect of that Transaction."

(k) ***Tax***

- (i) In Section 2(d)(i)(4) of the Agreement the words in the first line of the paragraph "if such Tax is an Indemnifiable Tax" shall be deleted in their entirety and the words "but only where Party A is X" will be inserted in substitution therefor.

- (ii) Party B will, on each Interest Payment Date (as defined in the Terms and Conditions relating to the Notes), subject to and in accordance with the order of priority of payments, as further agreed between Party A and Party B pursuant to the Deed of Charge, pay to Party A an amount or amounts ("**Withholding Compensation Amounts**") which are, following any withholding or deduction made by Party B pursuant to Section 2(d) in respect of such payment, equal to:
- (A) any Additional Amounts paid by Party A to Party B on such Interest Payment Date together with, to the extent not paid on any previous Interest Payment Date, an amount equal to any Additional Amounts paid by Party A under this Agreement on any previous Interest Payment Date, and
 - (B) any Withheld Amount in respect of such Interest Payment Date, together with, to the extent not paid on any previous Interest Payment Date, an amount equal to any Withheld Amount in respect of any previous Interest Payment Date.

"**Additional Amounts**" in Part 5(k) shall mean additional amounts (if any) paid by Party A to Party B in accordance with Section 2(d)(i)(4) of this Agreement.

"**Withheld Amount**" in Part 5(k) shall mean, in respect of each Interest Payment Date, an amount equal to any withholding or deduction Party B is required by any applicable law (as modified by the practice of any governmental revenue authority) to make for or on account of any Tax from any amounts payable by it under this Agreement on such Interest Payment Date, in accordance with Section 2(d) of this Agreement.

This paragraph is the "Withholding Compensation Amounts Provision" referred to in certain of the Relevant Documents (as defined in the Deed of Charge).

- (iii) Where Party B pays a Withholding Compensation Amount, Party A undertakes as follows:
- (A) to the extent that Party A obtains any Tax credit, allowance, set-off or repayment from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to such payment, it shall forthwith pay to Party B so much of the cash benefit (as calculated below) relating thereto which it has received as will leave Party A in substantially the same position as Party A would have been in if no such deduction or withholding had been required;
 - (B) the "cash benefit" shall, in the case of a credit, allowance or set-off, be the additional amount of Tax which would have been payable by Party A but for the obtaining by it of the said Tax credit, allowance or set-off and, in the case of a repayment, shall be the amount of the repayment together, in either case, with any related interest or similar payment obtained by it and shall be taken to be received, in the case of

a Tax credit, allowance or set-off, on the date when Party A becomes entitled to the Tax credit, allowance or set-off if Party A has made a provision for the additional amount of Tax otherwise payable which provision is able to be released on that date or on the date when the additional amount of Tax would have been payable if no such provision has been made and, in the case of a repayment, on the date when the repayment is made;

- (C) it will use all reasonable endeavours to obtain any Tax credit, allowance, set-off or repayment as soon as is reasonably practicable and shall supply Party B with a reasonably detailed explanation of its calculation of the amount of any such Tax credit, allowance, set-off or repayment and of the date on which it becomes entitled to the same, or in the case of repayment, the same is received; and
- (D) it will use all reasonable endeavours to utilise in accordance with its accounting policies any Tax credit, allowance or set-off which would otherwise be unutilised.

Where Party B pays a Withholding Compensation Amount as a result of the withholding of a Withheld Amount, Party B undertakes to use reasonable endeavours to identify to Party A the withholding or deduction that has given rise to such payment.

(l) ***Security, Enforcement and Limited Recourse***

- (i) Party A agrees with Party B and the Trustee to be bound by the terms of the Deed of Charge and, in particular, confirms that:
 - (A) no sum shall be payable by or on behalf of Party B to it except in accordance with the provisions of the Deed of Charge;
 - (B) unless an Enforcement Notice has been served or unless the Trustee, having become bound to do so, fails to serve an Enforcement Notice and/or to take any steps or proceedings pursuant to the Deed of Charge to enforce the security thereby created:
 - (1) it shall not take any steps whatsoever to direct the Trustee to enforce any security created by or pursuant to the Deed of Charge; and
 - (2) it shall not take any steps for the winding up, dissolution or reorganisation, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of Party B or of any or all of its revenues and assets nor participate in any *ex parte* proceedings nor seek to enforce any judgment against Party B, subject to the provisions of the Deed of Charge.

Notwithstanding the above, the provisions of this Part 5(l)(i) in no way intend to alter the terms set out in the Deed of Charge and to the extent that any

conflict arises between the terms of the Deed of Charge and this Part 5(l)(i), the Deed of Charge shall prevail.

- (ii) In relation to all sums due and payable by Party B to Party A, Party A agrees that it shall have recourse only to funds available for the purpose pursuant and subject to the order of priority of payments set out in the Deed of Charge.
- (iii) Notwithstanding the provisions of Section 6 of this Agreement, any notice given by Party A designating an Early Termination Date, which date shall be no earlier than ten Business Days following the giving of notice, shall be given to the Trustee in respect of the Deed of Charge, with a copy to Party B. In the event that service of an Enforcement Notice occurs following the date of giving of such notice but prior to the date which would otherwise have been the Early Termination Date, the effective date of such Enforcement Notice shall be the Early Termination Date.
- (iv) If, on any date, Party B does not pay the full amount it would otherwise owe under any Transaction, including any default interest under Section 2(e) accruing in respect of a Withholding Compensation Amount (other than pursuant to Section 6) (after the application of Section 2(c) to such Transaction) because of the limitation contained in Part 5 (l)(i) or Part 5 (l)(ii) above, then
 - (A) payment by Party B of the shortfall will not then fall due but will instead be deferred until the first Party A Payment Date thereafter on which sufficient funds are available to Party B (subject to Part 5 (l)(i) or Part 5 (l)(ii) above); and
 - (B) failure by Party B to make the full payment under such Transaction (after the application of Section 2(c) to such Transaction) shall not constitute an Event of Default for the purpose of Section 5(a)(i) or Section 5(a)(ii).
- (v) For the avoidance of doubt, if an Early Termination Date results from an Event of Default or an Additional Termination Event, any amounts otherwise payable under this Agreement (the payment of which was deferred or not paid in the circumstances described under Part 5 (l)(iv) above) by Party A and by Party B, will be deemed to be Unpaid Amounts (except that any Withholding Compensation Amount shall not constitute an Unpaid Amount for the purposes of this Agreement, but instead shall constitute a separate and independent obligation of the relevant party).
- (vi) Following the calculation thereof, Party B shall notify Party A at least two Business Days in advance of the relevant Payment Date of the amount of any shortfall, the payment of which by Party B is deferred in accordance with Part 5 (l)(iv) above.
- (vii) If any payment of any amounts by Party B is deferred in accordance with Part 5 (l)(iv) above then the amount so deferred (the “**Deferred Amount**”) shall, subject to the terms of this Agreement, be payable on the next Mortgage Rate Payment Date (together with an additional amount, being the interest

accrued on the Deferred Amount for the period of such deferral at the applicable Mortgage Rate) and the Mortgage Rate Amount due on such date shall be deemed to include such amounts.

(m) ***Condition Precedent***

Section 2(a)(iii) shall be amended by the deletion of the words "or Potential Event of Default" in respect only of the obligations under Section 2(a)(i) of Party A.

(n) ***Representations***

Section 3(b) shall be amended by the deletion of the words "or Potential Event of Default" in respect of the representation given by Party B only. For the purpose of Section 3(c), Party A shall be deemed to have no Affiliates.

(o) ***Additional Definitions***

(i) ***Definition of "Notes"***

For the purpose of this Agreement, "**Class A Notes**", "**Class B Notes**", "**Class C Notes**", "**Class D Notes**" and "**Notes**" have the same meaning as indicated in the Deed of Charge (as defined below).

"**Relevant Notes**" means the Class A Notes and the Class Z Notes (as defined in the Deed of Charge).

(ii) ***Definition of "Deed of Charge"***

For the purpose of this Agreement "**Deed of Charge**" means the Deed of Sub-Charge and Assignment dated on or about the Closing Date between, among others, Party A, Party B and the Trustee.

(iii) ***Definitions***

This Agreement, the Confirmations and each Transaction hereunder are subject to the 2006 ISDA Definitions (as published by the International Swap and Derivatives Association, Inc.) (the "**Definitions**") and will be governed in all respects by the provisions set forth in the Definitions, without regard to any amendments subsequent to the date of this Agreement.

The provisions of the Definitions are incorporated by reference in and shall be deemed to be part of this Agreement and each Confirmation as if set forth in full in this Agreement and in each such Confirmation.

In the event of any inconsistency between the provisions of this Agreement and the Definitions, this Agreement will prevail.

Words and expressions used in this Schedule which are not defined herein or in the Definitions shall have the same meanings as are given to them in the Confirmation.

Terms defined or referred to in the Conditions (as defined in the Deed of Charge) and the Relevant Documents (as defined in Condition 3 of those Conditions) shall, where the context permits, bear the same respective meanings in this Agreement. In the event of any conflict between those Conditions and the definitions in the Relevant Documents, the definitions in the Conditions shall prevail.

(p) **Calculations**

Upon the occurrence of an Event of Default in respect of which Party A is the Defaulting Party or an Additional Termination Event in respect of which Party A is the Affected Party, Party B will be entitled (but not obliged in the event that it does not designate an Early Termination Date) to proceed in accordance with Section 6 of the Agreement subject to the following:

- (i) For the purposes of Section 6(d)(i), Party B's obligation with respect to the extent of information to be provided with its calculations is limited to information Party B has already received in writing which Party B is able to release without breaching the provisions of any law applicable to Party B.
- (ii) The definition of "Market Quotation" where Party B is the non-Defaulting Party or non-Affected Party shall be as set out below:

"Market Quotation" means, with respect to one or more Terminated Transactions, a Firm Offer which is:

- (1) made by an Eligible Replacement;
- (2) for an amount that would be paid to Party B (expressed as a negative number) or by Party B (expressed as a positive number) in consideration of an agreement between Party B and such Eligible Replacement to enter into a transaction (the "**Replacement Transaction**") that would have the effect of preserving for Party B the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under this Agreement in respect of such Terminated Transactions or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date;
- (3) made on the basis that Unpaid Amounts in respect of the Terminated Transaction or group of Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included; and
- (4) made in respect of a Replacement Transaction with terms that are, in all material respects, no less beneficial for Party B than those of this Agreement (save for the exclusion of provisions relating to

Transactions that are not Terminated Transactions, as determined by Party B."

- (iii) If Party B elects to determine whether or not a Firm Offer satisfies the condition in sub-paragraph (4) of Market Quotation, it shall do so in a commercially reasonable manner.
- (iv) The definition of "Settlement Amount" where Party B is the non-Defaulting Party or non-Affected Party shall be as follows:

"Settlement Amount" means, with respect to any Early Termination Date:

- (1) if, on or prior to such Early Termination Date, a Market Quotation for the relevant Terminated Transaction or group of Terminated Transactions is accepted by Party B so as to become legally binding, the Termination Currency Equivalent of the amount (whether positive or negative) of such Market Quotation;
 - (2) if, on such Early Termination Date, no Market Quotation for the relevant Terminated Transaction or group of Terminated Transactions has been accepted by Party B so as to become legally binding and one or more Market Quotations have been communicated to Party B and remain capable of becoming legally binding upon acceptance by Party B, the Termination Currency Equivalent of the amount (whether positive or negative) of the lowest of such Market Quotations (for the avoidance of doubt (i) a Market Quotation expressed as a negative number is lower than a Market Quotation expressed as a positive number and (ii) the lower of two Market Quotations expressed as negative numbers is the one with the largest absolute value); or
 - (3) if, on such Early Termination Date, no Market Quotation for the relevant Terminated Transaction or group of Terminated Transactions has been accepted by Party B so as to become legally binding and no Market Quotations have been communicated to Party B and remain capable of becoming legally binding upon acceptance by Party B. Party B's Loss (whether positive or negative and without reference to any Unpaid Amounts) for the relevant Terminated Transaction or group of Terminated Transactions."
- (v) If Party B requests Party A in writing to obtain Market Quotations, Party A shall use its reasonable efforts to do so before the Early Termination Date.
 - (vi) At any time on or before the Early Termination Date at which two or more Market Quotations remain capable of becoming legally binding upon acceptance, Party B shall be entitled to accept only the lowest of such Market Quotations (for the avoidance of doubt, (a) a Market Quotation expressed as a negative number is lower than a Market Quotation expressed as a positive number and (ii) the lower of two Market Quotations expressed as negative numbers is the one with the larger absolute value).

- (vii) For the purpose of determining Unpaid Amounts, any payment or delivery obligation which was (or would have been but for Section 2(a)(iii) required to be performed pursuant to paragraph 2 of the Credit Support Annex shall be disregarded.

(q) **Transfers**

Transfers by Party A:

Section 7 of this Agreement shall not apply to Party A:

Without prejudice to Section 6(b)(ii), Party A may transfer all its interest and obligations in and under this Agreement upon providing no less than five Business Days' prior written notice to the Trustee (save that where a transfer has taken place pursuant to Part 5(g) notice may be contemporaneous with transfer), to any other entity (a "**Transferee**") provided that:

- (i) (A) the Transferee or its Credit Support Provider is a Fitch Minimum Rated Entity and (B) the Transferee or its Credit Support Provider is an Eligible Replacement; and
- (ii) the Transferee contracts with Party B on terms that (x) have the same effect as the terms of this Agreement in respect of any obligations (whether absolute or contingent) to make payment or delivery after the effective date of such transfer and (y) insofar as they do not relate to payment or delivery obligations, are, in all material respects, no less beneficial for Party B than the terms of this Agreement immediately before such transfer;
- (iii) unless either (I) such transfer is effected either (x) for the purpose of Section 6(b)(ii) or (y) at a time when either (A) the First Rating Trigger Requirements apply or (B) a Fitch Ratings Level 1, 2 or 3 Event has occurred and is continuing, or (II) the Transferee contracts with Party B either through a novation (with the Transferee assuming Party A's rights and obligations from or around the date of such novation) or on terms that are substantially identical to the terms of this Agreement (and for the avoidance of doubt, any amendments that are necessary to reflect, or are a natural consequence of, the fact that the Transferee is to be substituted for Party A are permitted), Party B has determined that the condition in (ii)(y) above is satisfied and communicated such determination to Party A in writing. Any such determination shall be made in a commercially reasonable manner, and if Party B has not communicated such determination within 20 Local Business Days of such request, it shall be deemed to have been made in favour of the proposed transfer, provided that such transfer is effected for the purpose of Section 6(b)(ii) or at a time when the First Rating Trigger Requirements apply.
- (iv) as of the date of such transfer the Transferee will not, as a result of such transfer, be required to withhold or deduct any amount on account of Tax from any payments made under this Agreement (unless the Transferee is required to pay an additional amount in respect of such Tax pursuant to Section 2(d)(i)(4));

- (v) (judged as of the time of transfer) a Termination Event or an Event of Default will not immediately occur under this Agreement as a result of such transfer:
and
- (vi) (except where agreed otherwise by Party B) no additional amount will be payable by Party B to Party A or the Transferee on the next succeeding Interest Payment Date as a result of such transfer.

Following such transfer all references to Party A shall be deemed to be references to the Transferee.

Save as otherwise provided for in this Agreement and notwithstanding Section 7, Party A shall not be permitted to transfer (by way of security or otherwise) this Agreement nor any interest or obligation in or under this Agreement without the prior written consent of the Trustee.

Transfers by Party B:

Neither this Agreement nor any interest in or under this Agreement or any Transaction may be transferred by Party B to any other entity save with Party A's prior written consent except that such consent is not required in the case of a transfer, charge or assignment to the Trustee as contemplated in the Deed of Charge. For the avoidance of doubt, Party A hereby agrees and consents to the assignment by way of security by Party B of its interests under this Agreement to the Trustee (or any successor thereto) pursuant to and in accordance with the Deed of Charge and acknowledges notice of such assignment.

Any transfer by Party B shall be subject to the consent of the Trustee.

(r) ***Expenses***

Section 11 shall be deleted in its entirety and replaced by the following: "A Defaulting Party or an Affected Party (if such Affected Party is Party A) will, on demand, indemnify and hold harmless the other party for and against the Termination Currency Equivalent of all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which such Defaulting Party or Affected Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection and costs incurred in connection with procuring a replacement for this Agreement (other than any amount paid or payable to a replacement counterparty). If, following the making of one or more demands under this Section 11, a reduction is effected pursuant to the last sentence of the first paragraph in Section 6(e), the aggregate amount payable in respect of such demands shall be deemed to be discharged to the extent of the amount of such reduction."

(s) ***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 provided

that this shall not affect any rights of any third party which may be granted in respect of this Agreement pursuant to the terms of the Deed of Charge.

(t) ***Principal Paying Agent Payment***

Party A hereby undertakes with Party B that, unless otherwise agreed between the parties, it will make all payments of all sums payable in respect of this Agreement directly to the Principal Paying Agent. Party B agrees that payment by Party A made in accordance with this provision of an amount due to Party B shall discharge the liability of Party A to the extent of such payment.

(u) ***Successors***

References in this Agreement to Party A and Party B shall (for the avoidance of doubt) include, where appropriate, any permitted successor or assign thereof.

(v) ***Benefit of Agreement***

Any legal entity into which Party A is merged or converted or any legal entity resulting from any merger or conversion to which Party A is a party shall, to the extent permitted by applicable law, be a party to this Agreement in place of Party A without any further act or formality.

(w) ***Change of Account***

Section 2(b) is hereby amended to read in its entirety as follows:

"Change of Account. Party A may change its account for receiving payment or delivery by giving notice to Party B at least ten Local Business Days prior to the first scheduled date for payment or delivery to which such change applies unless Party B gives timely notice of a reasonable objection to such change. Party B may change its account for receiving payment or delivery by giving notice to Party A at least ten Local Business Days prior to the first scheduled date for payment or delivery to which such change applies unless Party A gives timely notice of a reasonable objection to such change."

(x) ***Severability***

Any provision of this Agreement which is prohibited (for reasons other than those constituting an illegality) or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of the Agreement or affecting the validity or enforceability of such provision in any other jurisdiction unless the severance shall substantially impair the benefits of the remaining portions of this Agreement or change the reciprocal obligations of the parties.

(y) ***Optional Termination***

Party B may at any time, in the event of the sale prior to the final redemption of the Notes or the early redemption of or the enforcement of any mortgage which has been hedged by a Transaction under this Agreement, give not less than three Business Days' notice of its intention to terminate, in whole or in part, that Transaction. Such

termination shall be effective on the date (the "**Optional Termination Date**") which is the next Party A Interest Payment Date after the date on which such notice is given by Party B (or, if such notice is given less than three Business Days before such next Party A Interest Payment Date, the following Party A Interest Payment Date), such notice to specify the Transaction and the percentage of the Notional Amount thereof (the "**Relevant Transaction**") to be so terminated (the "**Terminated Portion**"), provided that the parties hereto may at any time agree that the Optional Termination Date of a Relevant Transaction shall be earlier than the date which would otherwise be applicable under this paragraph. In this event, notwithstanding the provisions of Section 5 and Section 6 of the Agreement, Party A shall determine the "**Market Value**" (as defined below) with respect to the Terminated Portion and the following provisions shall apply:

- (i) If the Market Value so determined is a negative number, Party B shall pay the absolute value of that amount to Party A on the first Party B Interest Payment Date falling after the Optional Termination Date, provided that any such payment shall be made in accordance with the order of priority of payments, as agreed between Party B and Party A pursuant to the Deed of Charge.
- (ii) If the Market Value so determined is a positive number, notwithstanding anything to the contrary in the Agreement or this Schedule, Party A will not be obliged to pay any amount in respect of the Terminated Portion to Party B on the Optional Termination Date but the following shall occur:
 - (A) in the event that the Terminated Portion of the Relevant Transaction is less than 100% of the Notional Amount, Party A will be obliged to pay Annuity Payments (as defined below) to Party B on each Party A Interest Payment Date specified for the original Transaction following the Optional Termination Date; or
 - (B) in the event that, the Relevant Transaction has terminated in whole, Party A will be obliged to pay Annuity Payments on each Party A Interest Payment Date which would have occurred under the Relevant Transaction had it not been terminated in whole in accordance with this paragraph(s);

IT BEING FURTHER PROVIDED THAT, despite the Relevant Transaction having been terminated in whole or in part, the remaining obligations of the parties as specified in this sub-paragraph (ii), shall survive and shall be deemed to constitute a Transaction from the Optional Termination Date (for which this sub-paragraph (ii) constitutes the Confirmation).

"**Annuity Payment**" means such amounts as Party B and Party A may agree. If Party B and Party A cannot so agree, Party A shall at or about 11.00 a.m. London time two Business Days prior to the Optional Termination Date in accordance with customary market practice request four leading banks in the market for Transactions in sterling to provide their quotes for the annuity payments which they would make on each Party A Interest Payment Date which would fall during the period commencing on (and including) the first Party A Interest Payment Date which falls after the Optional Termination Date and ending on (and including) the Party A Interest Payment Date on which the Relevant Transaction would otherwise have expired if it had not been

terminated (in whole or in part) pursuant to this paragraph(s) in consideration of a payment of an amount equal to the Market Value of the Terminated Portion on the Optional Termination Date which would have been payable to Party B if upon termination Party A had made a termination payment in the form of one payment on the Optional Termination Date equal to Market Value. The highest quote (or, if there is more than one such highest quote, one only of such quotes) and lowest quote (or if there is more than one such lowest quote, one only of such quotes) will be disregarded and the "Annuity Payments" to be made by Party A shall be the arithmetic mean of the remaining quotes.

Upon the Optional Termination Date subject to paragraph(s) (i) and (ii) above, the obligations of both parties with respect to the Terminated Portion of the Relevant Transaction shall be discharged in full (subject to reinstatement should any sums subsequently be recovered by, or on behalf of, the party making the payment) and the Notional Amount of the Transaction outstanding shall be reduced accordingly.

"Market Value" shall be agreed by the parties hereto. In the event that the parties cannot so agree, Party A shall request, at or about 11.00 a.m. London time two Business Days prior to the Optional Termination Date, in accordance with customary market practice, from four leading banks in the market for Transactions in Sterling, the mid-market value in Sterling (to Party B) of a transaction on substantially the same terms as the Terminated Portion of the Relevant Transaction commencing on the Optional Termination Date. The highest quote (or, if there is more than one such highest quote, one only of such quotes) and lowest quote (or, if there is more than one such highest quote, one only of such quotes) and lowest quote (or if there is more than one such lowest quote, one only of such quotes) will be disregarded and "Market Value" shall be the arithmetic means of the remaining quotes.

Signed for and behalf of:
on: 3 November 2011
by:


Macquarie Bank Limited, London Branch

By:

Name:
Title:

Signed for and behalf of:
on: 3 November 2011
by:

Paragon Mortgages (No.16) PLC

By: 

Name: *STEPHEN BOWCOTT*
Title: *ATTORNEY*

Signed for and behalf of:
on: 3 November 2011
by:

Citicorp Trustee Company Limited

By:

Name:
Title:

Signed for and behalf of:
on: 3 November 2011
by:

Macquarie Bank Limited, London Branch

By:

Name:
Title:

Signed for and behalf of:
on: 3 November 2011
by:

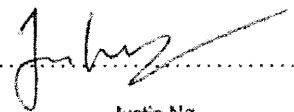
Paragon Mortgages (No.16) PLC

By:

Name:
Title:

Signed for and behalf of:
on: 3 November 2011
by:

Citicorp Trustee Company Limited

By: 

Name: Justin Ng
Title: Vice President

Witnessed by: 

Name: Andrea Meucci
Title: Vice President

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Canary Wharf
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