

DATED 18 MARCH 2014

PARAGON MORTGAGES (2010) LIMITED
AS AN ADMINISTRATOR AND A SELLER

PARAGON FOURTH FUNDING LIMITED
AS THE MBL WAREHOUSER

MORTGAGE TRUST LIMITED
AS A SELLER

PARAGON FIFTH FUNDING LIMITED
AS THE LLOYDS WAREHOUSER

MORTGAGE TRUST SERVICES PLC
AS AN ADMINISTRATOR

PARAGON MORTGAGES (NO.19) PLC
AS THE ISSUER

AND

CITICORP TRUSTEE COMPANY LIMITED
AS THE TRUSTEE

MORTGAGE SALE AGREEMENT

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THIS MORTGAGE SALE AGREEMENT is made by way of deed on 18 March 2014

BETWEEN:

- (1) **PARAGON MORTGAGES (2010) LIMITED** (registered number 6595834) whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ in its capacity as a Seller (a "**Seller**") and an Administrator (an "**Administrator**") under this Agreement ("**PML**");
- (2) **PARAGON FOURTH FUNDING LIMITED** (registered number 05390155) whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ ("**PFFL1**" and the "**MBL Warehouser**");
- (3) **MORTGAGE TRUST LIMITED**, (registered number 2048895) whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ ("**MTL**" in its capacity as a Seller and together with PML, the "**Sellers**");
- (4) **PARAGON FIFTH FUNDING LIMITED** (registered number 08081264) whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ ("**PFFL2**" and the "**Lloyds Warehouser**" and together with PFFL1, the "**Warehousers**" and each a "**Warehouser**");
- (5) **MORTGAGE TRUST SERVICES PLC**, (registered number 3940202) whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ ("**MTS**" in its capacity as an Administrator and together with PML the "**Administrators**");
- (6) **PARAGON MORTGAGES (NO.19) PLC** (registered number 8603520) whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (the "**Issuer**", which term where the context permits shall include its successors and permitted assigns); and
- (7) **CITICORP TRUSTEE COMPANY LIMITED** (registered number 235914) whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**", which term where the context permits shall include such company and all other persons or companies for the time being acting as the trustee or trustees under the Trust Deed).

IT IS HEREBY AGREED AS FOLLOWS:

1. DEFINITIONS

- 1.1 The expressions defined in the Relevant Documents shall, unless otherwise defined in this Clause 1.1, have the same meanings in this Agreement and, in this Agreement, except in so far as the context otherwise requires:

"**Accrued Arrears**" means, in respect of any Mortgage, the amount of all sums which have accrued as due and payable by the Borrower in respect of such Mortgage in respect of the period up to but excluding the relevant Purchase Date and which remain due and payable at the relevant Purchase Date (**provided that** the principal moneys payable under any such Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for redemption of the relevant Mortgage has passed as at the relevant Purchase Date).

"Additional Mortgage Requests" means a PML Additional Mortgage Request or an MTL Additional Mortgage Request.

"Additional Mortgages" means the PML Additional Mortgages and the MTL Additional Mortgages.

"Additional Payment" means the purchase price payable by the Issuer, if applicable, for any Additional Mortgage and, for the avoidance of doubt, includes any necessary FRS 26 Adjustment Amount.

"Adjusted Current Balance" means at any time, in relation to any Mortgage, the sum of: (a) the Maximum Principal Balance of such Mortgage; (b) any Mandatory Further Advance granted in respect of such Mortgage but not yet funded by the Issuer; and (c) any Discretionary Further Advances funded by the Issuer since the Closing Date.

"Administration Agreement" means the agreement to be executed on or before the Closing Date between, *inter alios*, PML, MTS, the Issuer, and the Trustee relating to, amongst other things, the administration of the Mortgages.

"Administration Manual" has the same meaning as in the Administration Agreement.

"Administrator" has the same meaning as in the Administration Agreement.

"Annexures" means:

- (a) in the case of this Agreement, the annexure to this Agreement containing brief particulars of the PML Original Mortgages and signed by or on behalf of the parties hereto for the purposes of identification; and
- (b) in the case of any Additional Mortgage Request, if applicable, the schedule referred to in that Additional Mortgage Request containing brief particulars of certain Additional Mortgages,

such annexure and schedules to be provided in either hard copy form or in electronic format.

"Arrears Mortgage" means a Mortgage in respect of which, on the Purchase Date, as applicable, the Accrued Arrears exceeds in aggregate an amount equal to one current monthly payment under that Mortgage.

"Assured Shorthold Tenancy" means in respect of Property located in England and Wales, a tenancy to which s.19(A) and s.20 of the Housing Act 1988, as amended, applies.

"Borrower", in relation to each Individual Mortgage, means the person defined as the "Borrower" in the Mortgage Conditions applicable to that Individual Mortgage and, in relation to each Corporate Mortgage, means the company defined as the "Company" or the "Borrower" in the Mortgage Conditions applicable to that Corporate Mortgage.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are generally open for business in London.

"**Closing Date**" means 18 March 2014.

"**Corporate Mortgages**" means mortgages and the loans secured thereby where the borrower thereunder is a limited liability company.

"**Current Balance**" has the same meaning as in the Deed of Charge.

"**Deed of Charge**" means a deed of sub-charge and assignment to be entered into on the Closing Date between, *inter alios*, the Issuer, the Trustee, PML, MTS and the Hedge Providers and includes, where the context so admits, any further or supplemental charge or security granted pursuant thereto.

"**Deferred Purchase Consideration**" means the amounts payable by the Issuer to the relevant Sellers on each Interest Payment Date subject to and as specified in the relevant priority of payments, comprising an amount equal to the remaining balance, if any, of the moneys available on such Interest Payment Date for application in accordance with the relevant priority of payments as agreed between PML, MTL and the Issuer.

"**Discretionary Further Advance**" has the same meaning as in the Administration Agreement.

"**Enforcement Notice**" has the same meaning as in the Deed of Charge.

"**FF4**" means First Flexible No 4 plc, a company incorporated as a public limited company and registered in England and Wales with registered number 4176542.

"**FF4 Notes**" means the £460,000,000 Class A Mortgage Backed Floating Rate Notes due 2036, the £35,000,000 Class M Mortgage Backed Floating Rate Notes due 2036 and the £5,000,000 Class B Mortgage Backed Floating Rate Notes due 2036, issued by FF4 on 26 July 2001.

"**Final Pool Balance**" means, at any time, the sum of: (a) £350 million; and (b) the amount of any Mandatory Further Advances granted in respect of any Mortgages in the Mortgage Portfolio but not yet released and any Discretionary Further Advances funded by the Issuer since the Closing Date.

"**First Loss Fund**" means the amount standing to the credit of the First Loss Ledger from time to time.

"**First Loss Ledger**" means the ledger so referred to in clause 6.2.1 of the Administration Agreement.

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

"**Five-year Interest-only Mortgage**" means a Mortgage where only interest is paid monthly, with no scheduled payment of principal until the fifth anniversary of the Mortgage, upon which the monthly instalment requires both interest and principal to be paid by the Borrower.

"**FRS 26 Adjustment**" means the postings required to adjust the carrying value of a mortgage to that calculated under the "amortised cost basis" (as defined by Financial

Reporting Standard 26 under UK GAAP) and as calculated by the Administrator on the relevant Purchase Date.

"FRS 26 Adjustment Amount" means any amount advanced to the Issuer by the Subordinated Lender under the Subordinated Loan Agreement to enable the Issuer to pay that part of the consideration for any Mortgages which constitutes the FRS 26 Adjustment.

"Further Purchase Date" means, if applicable, in relation to any sale and purchase of Additional Mortgages, each date on which a sale and purchase is completed subject to, and in accordance with, the terms of this Agreement.

"Hedge Agreement" has the same meaning as in the Trust Deed.

"Hedge Provider" means each of Macquarie Bank Limited and Lloyds Bank plc.

"Individual Mortgages" means mortgages and the loans secured thereby where the borrower thereunder is an individual.

"Initial Principal Amount" has the same meaning as in the Administration Agreement.

"Insurance Contracts" means the contracts of insurance specified in Schedule 1 to the extent therein specified.

"Interest Payment Date" has the same meaning as in the Administration Agreement.

"Lending Guidelines" means the lending guidelines set out in Schedule 5 or such other guidelines which (to the extent that they differ from those set out in Schedule 5) PML (as Administrator) has certified, in its reasonable opinion, will not have an adverse effect on the then current ratings of the Notes (and a copy of which has been supplied to the Trustee).

"Loan" means mortgage loans originated or acquired by the Sellers, the beneficial interests in which are sold to the Issuer pursuant to this Agreement.

"Lloyds Warehouse Deed of Charge" means the deed of sub charge and assignment (as amended) dated 26 September 2012 between, inter alios, the Lloyds Warehouse, PML and Citicorp Trustee Company Limited (in its capacity as Security Trustee under and as defined in that deed of sub charge and assignment).

"MAAL" means Moorgate Asset Administration Limited.

"Mandatory Further Advance" has the same meaning as in the Administration Agreement.

"Margin Reserve Fund" means the amount standing to the credit of the Margin Reserve Fund Ledger from time to time.

"Margin Reserve Fund Ledger" means the ledger so referred to in clause 6.2.1 of the Administration Agreement.

"Maximum Principal Balance" means:

- (a) in respect of any Mortgage (other than an Additional Mortgage), the Current Balance of such Mortgage as of the Closing Date; and
- (b) in respect of any Additional Mortgage, the Current Balance of such Mortgage as of its Purchase Date.

"MBL Warehouse Deed of Charge" means the deed of sub-charge and assignment (as amended) dated 28 September 2010 (as amended and restated on 29 June 2012) between, *inter alios*, the MBL Warehouse, PML, MAAL and Citicorp Trustee Company Limited (in its capacity as Security Trustee under and as defined in that deed of sub-charge and assignment).

"Moody's" means Moody's Investors Service Limited.

"Mortgage Conditions" means the terms and mortgage conditions applicable to the Mortgages and which are comprised in the Mortgage Documentation.

"Mortgage Documentation" means, in the case of any Individual Mortgage and any Corporate Mortgage, the documents listed in Schedule 2 or such other documents as may have been used in connection with such Mortgages, the use of which PML as Administrator shall have certified to the Trustee that, in its reasonable opinion, would not adversely affect the then current ratings of the Notes.

"Mortgagee" means each relevant Seller and each relevant Warehouse as mortgagee, chargee or heritable creditor, as the context requires.

"Mortgage Portfolio" means the portfolio of loans, mortgages and all moneys derived therefrom sold to the Issuer by PML on the Closing Date and thereafter on any Purchase Date by the Sellers in accordance with the terms of the Mortgage Sale Agreement.

"Mortgages" means the PML Original Mortgages and, if applicable, the Additional Mortgages.

"MTL Additional Mortgage Request" means, if applicable, a letter, addressed to the Issuer, in substantially the same form as that set out in Schedule 8.

"MTL Additional Mortgages" means the Individual Mortgages and the Corporate Mortgages to be sold by MTL to the Issuer according to and to the extent permitted by the Administration Agreement and this Agreement, brief details of which are to be set out in the Annexure to the MTL Additional Mortgage Request.

"MTL Current Pre-Funding Amount" has the same meaning as in the Administration Agreement.

"MTL Eligible Mortgages" means the Individual Mortgages and Corporate Mortgages to be sold by FF4 to MTL on the date of the redemption of the FF4 Notes and comprised in the MTL Provisional Mortgage Pool (other than those that have been redeemed in full prior to the relevant Further Purchase Date or which do not otherwise comply with the terms of this Agreement at the Further Purchase Date).

"MTL Provisional Mortgage Pool" means the provisional mortgage pool comprising MTL Additional Mortgages referred to in the Prospectus prepared in connection with the Notes having an aggregate provisional balance of £67,619,399.12.

"Notes" has the same meaning as in the Administration Agreement.

"Optional Repayment Mortgage" means a Mortgage where the Issuer or Administrator can convert the Mortgage from an Interest-only Mortgage to a Repayment Mortgage after the initial fixed rate or the LIBOR based initial margin period, subject to a 28 day notice period.

"PML Additional Mortgage Request" means, if applicable, a letter, addressed to PML, in substantially the same form as that set out in Schedule 7.

"PML Additional Mortgages" means the Individual Mortgages and the Corporate Mortgages to be sold by PML to the Issuer according to and to the extent permitted by the Administration Agreement and this Agreement, brief details of which are to be set out in the Annexure to the PML Additional Mortgage Request.

"PML Mortgages" means the PML Original Mortgages and the PML Additional Mortgages.

"PML Original Mortgages" means the Individual Mortgages and the Corporate Mortgages to be sold by the Warehouse to PML and by PML to the Issuer on the Closing Date pursuant to this Agreement, brief details of which are set out in Part B of the Annexure to this Agreement.

"PML Initial Pre-Funding Amount" has the same meaning as in the Administration Agreement.

"Porting Right" means the right exercisable by a Borrower pursuant to the Mortgage Conditions of certain MTL Additional Mortgages to transfer an MTL Additional Mortgage from one Property to another.

"Power of Attorney" means a power of attorney to be granted by each Seller in favour of the Issuer, the Trustee and the Administrators in the form set out in Schedule 4.

"Pre-Funding Reserve Ledger" means, if applicable, the ledger so referred to in clause 6.2.1 of the Administration Agreement.

"Principal Determination Date" has the same meaning as in the Administration Agreement.

"Product Switch" has the meaning given to it in the Administration Agreement.

"Property" means, in relation to each Mortgage, the residential property upon which the relevant loan is secured.

"Prospectus" means the prospectus dated 13 March 2014 in relation to the issue by the Issuer of the Notes.

"Provisional Mortgage Pool" means the provisional mortgage pool comprising mortgages and the loans secured thereby referred to in the Prospectus prepared in connection with the Notes having an aggregate provisional balance of £274,929,976.86.

"Purchase Date" means:

- (a) in relation to the sale and purchase of the PML Original Mortgages, the Closing Date; and
- (b) in relation to any sale and purchase of Additional Mortgages, if any, the relevant Further Purchase Date.

"Registered Land Transfer" means a transfer of Mortgages in the form set out in the Land Registry of England and Wales' form TR4 (as may be amended or replaced from time to time).

"Relevant Documents" has the same meaning as in the Deed of Charge.

"Relevant Mortgage" has the same meaning as in Clause 8.6.

"Relevant Second Mortgage" has the same meaning as in Clause 8.7.

"Retained Pre-Closing Accruals and Arrears" means, in respect of any Mortgage, the Accrued Arrears in respect of such Mortgage and the amount of any interest (including capitalised interest (if any)) or other sum due to be paid or accrued in respect of any period up to the Purchase Date under or in respect of such Mortgage.

"Reversionary Period" means in respect of Fixed Rate Mortgages, LIBOR-Linked Mortgages or any Discretionary Further Advance, the applicable initial fixed rate period or, as the case may be, the LIBOR based initial margin period which applies until the rate of interest chargeable in relation thereto becomes: (a) the Standard Rate or (b) the reversionary rate of interest which the Borrower is required to pay at a variable margin over the three month London Interbank Offered Rate for sterling deposits determined quarterly.

"S&P" means Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited.

"Sale Document" means this Agreement (in the case of the purchase of the PML Original Mortgages) and, if applicable, each Additional Mortgage Request (in the case of the purchase of any Additional Mortgages).

"Subordinated Lender" has the same meaning as in the Administration Agreement.

"Subordinated Loan Agreement" has the same meaning as in the Administration Agreement.

"Transaction Account" has the same meaning as in the Administration Agreement.

"Transfer" means a Registered Land Transfer and/or an Unregistered Land Transfer.

"Trust Deed" has the same meaning as in the Administration Agreement.

"Unregistered Land Transfer" means a transfer of Mortgages in the form set out in Schedule 3.

"Waived Prepayment Charge Amount" has the same meaning as in the Administration Agreement.

"Warehouse Further Release" means:

- (a) means in relation to Mortgages being sold by PFFL1 and purchased by PML, a release, dated on or before the relevant Further Purchase Date, duly executed by Citicorp Trustee Company Limited (in its capacity as Security Trustee under, and as such term is defined in, the MBL Warehouse Deed of Charge) of its security interests in the Additional Mortgages specified therein (and the collateral or related security therefor) in a form acceptable to the Trustee; and
- (b) means in relation to Mortgages being sold by PFFL2 and purchased by PML, a release, dated on or before the relevant Further Purchase Date, duly executed by Citicorp Trustee Company Limited (in its capacity as Security Trustee under, and as such term is defined in, the Lloyds Warehouse Deed of Charge) of its security interests in the Additional Mortgages specified therein (and the collateral or related security therefor) in a form acceptable to the Trustee.

"Warehouse Original Release" means:

- (a) means in relation to Mortgages being sold by PFFL1 and purchased by PML on the Closing Date a release, dated on or before the Closing Date, duly executed by Citicorp Trustee Company Limited (in its capacity as Security Trustee under, and as such term is defined in, the MBL Warehouse Deed of Charge) of its security interests in the PML Original Mortgages (and the collateral or related security therefor) in a form acceptable to the Trustee; and
- (b) means in relation to Mortgages being sold by PFFL2 and purchased by PML on the Closing Date a release, dated on or before the Closing Date, duly executed by Citicorp Trustee Company Limited (in its capacity as Security Trustee under, and as such term is defined in, the Lloyds Warehouse Deed of Charge) of its security interests in the PML Original Mortgages (and the collateral or related security therefor) in a form acceptable to the Trustee.

"Warehouse Release" means a Warehouse Original Release or a Warehouse Further Release, as the case may be.

- 1.2 The headings and contents pages in this Agreement shall not affect its interpretation. References in this Agreement to Clauses and Schedules shall, unless the context otherwise requires, be construed as references to Clauses of and schedules to, this Agreement and references to sub-clauses shall, unless the context otherwise requires, be construed as references to sub-clauses of the Clause in which the references appear.
- 1.3 Words denoting the singular number only shall include the plural number also and vice versa, words denoting one gender only shall include the other genders and words denoting persons only shall include firms and corporations and vice versa.

- 1.4 References in this Agreement to any agreement or other document shall be deemed also to refer to such agreement or document as amended, modified, novated or replaced from time to time.
- 1.5 The terms of the Relevant Documents are incorporated herein to the extent required for any contract for the disposition of an interest in land (as defined in Section 2(6) of the Law of Property (Miscellaneous Provisions) Act 1989) contained herein to be a valid agreement in accordance with Section 2(1) of that Act.
- 1.6 References to PML, MTL, MTS, a Warehouse, the Issuer, the Trustee or any other person include references to their successors, transferees and assigns and persons deriving title under or through them respectively. References in this Agreement to any statute or statutory provision shall be deemed also to refer to any statutory modification or re-enactment thereof and to any statutory instruments, orders or regulations made thereunder or under any such re-enactment.
- 1.7 Each of the parties to this Agreement acknowledges and agrees that there will be no Five-year Interest-only Mortgages and that no Five-year Interest-only Mortgages will be purchased from the Sellers by the Issuer on or after the Closing Date. Accordingly, it is agreed that notwithstanding any other provision of this Agreement or any of the other Relevant Documents, no Five-year Interest-only Mortgages will be purchased by the Issuer from the Sellers.

2. **SALE BY THE WAREHOUSERS TO PML**

- 2.1 Subject to the terms and conditions of this Agreement, the Warehouse and PML agree that the Warehouse shall sell and PML shall purchase the PML Original Mortgages on the Closing Date.
- 2.2 At any time after the Closing Date and from time to time up to (and including) the first Principal Determination Date, a Warehouse may deliver a PML Additional Mortgage Request to PML, the Trustee and the Issuer requiring PML to purchase the PML Additional Mortgages specified therein.
- 2.3 Subject to the terms and conditions of this Agreement (other than Clause 3.3), the Warehouse and PML agree that, following the delivery of a PML Additional Mortgage Request, if any, in accordance with Clause 2.2, the relevant Warehouse shall (if applicable) sell and PML shall purchase the PML Additional Mortgages, on the date specified in the relevant Additional Mortgage Request **provided that** such date is a Business Day falling on or prior to the first Principal Determination Date after the Closing Date.

2.4 In connection with each sale and purchase referred to in Clauses 2.1 and 2.3, subject to the terms and conditions of this Agreement, the Warehouseurs agree to sell with full title guarantee and PML agrees to purchase on the relevant Purchase Date:

- (a) subject to the subsisting rights of redemption of Borrowers, those Mortgages which are or will be set out in the Annexure to the relevant Sale Document pursuant to which such Mortgages are to be purchased on that Purchase Date including for the avoidance of doubt:
 - (i) all sums of principal, interest or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal moneys payable under such Mortgages or the unpaid part thereof and the interest due or to become due thereon and the other sums due under such Mortgages including the Accrued Arrears in respect of any such Mortgage and the amount of any interest (including capitalised interest (if any)) or other sums due to be paid or accrued in respect of any period up to such Purchase Date under or in respect of any Mortgage (**provided that** the principal moneys payable under any such Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for redemption of the relevant Mortgage has passed); and
 - (ii) the benefit of all securities for such principal moneys and interest and the benefit of and the right to sue on all obligations, undertakings and covenants with, or vested in, the Mortgagee in each such Mortgage and the right to exercise all the Mortgagee's powers in relation to such Mortgages and, in the case of Individual Mortgages only, the benefit of all consents to mortgage signed by the occupiers of the Properties; and
 - (iii) all the estate and interest in the Properties vested in the Mortgagee subject to redemption or cesser; and
 - (iv) all causes and rights of action against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any such Mortgage or affecting the decision to make the relevant advance; and
 - (v) the benefit of any guarantee or surety vested in the Mortgagee relating to any such Mortgage and any other collateral security relating to such Mortgage; and
- (b) all its right, title, interest and benefit (whether present or future) in relation to the Insurance Contracts including the right to receive the proceeds of any claim insofar only as they relate to such Mortgages.

2.5 If, on or at any time after the relevant Purchase Date, a Warehouseur holds, or there is held to its order, or it receives, or there is received to its order any property, interest, right or benefit hereby agreed to be sold to PML and/or the proceeds thereof, it undertakes to PML that it will hold such property, interest, right or benefit and/or the proceeds thereof upon trust for PML as the beneficial or contractual owner thereof or

as PML may direct and in the case of proceeds shall forthwith pay such proceeds to PML to be dealt with as provided herein.

3. SALE BY THE SELLERS TO THE ISSUER

- 3.1 Subject to the terms and conditions of this Agreement, PML agrees with the Issuer and the Issuer agrees with PML that PML shall sell, and the Issuer shall purchase, the PML Original Mortgages on the Closing Date.
- 3.2 If a Warehouser delivers a PML Additional Mortgage Request in accordance with Clause 2.2, if applicable, the Issuer shall, following the purchase of such PML Additional Mortgages by PML, be required to purchase the PML Additional Mortgages specified therein from PML.
- 3.3 Subject to each sale and purchase referred to in Clause 2.3 and the terms and conditions of this Agreement, PML and the Issuer agree that PML shall sell and the Issuer shall purchase the PML Additional Mortgages on the date specified in the relevant Additional Mortgage Request **provided that** such date is a Business Day falling on or prior to the first Principal Determination Date after the Closing Date.
- 3.4 Subject to the terms and conditions of this Agreement, the Issuer and MTL agree that, following the delivery of an MTL Additional Mortgage Request to the Issuer by MTL, if any, MTL shall (if applicable) sell and the Issuer shall purchase the MTL Additional Mortgages, on the date specified in the relevant MTL Additional Mortgage Request **provided that** such date is a Business Day falling on or prior to the first Principal Determination Date.
- 3.5 Subject to the terms and conditions of this Agreement, the relevant Seller severally agrees to sell with full title guarantee and the Issuer agrees to purchase on each Purchase Date and subject to the terms and conditions of this Agreement, the relevant Seller hereby sells and the Issuer hereby purchases on the relevant Purchase Date:
- (a) subject to the subsisting rights of redemption of Borrowers, those Mortgages which are or will be set out in the Annexure to the relevant Sale Document pursuant to which Mortgages are to be purchased on that Purchase Date including for the avoidance of doubt:
 - (i) all sums of principal, interest or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal moneys payable or to become payable under such Mortgages or the unpaid part thereof and the interest due or to become due thereon and the other sums due under such Mortgages, in each case other than Retained Pre-Closing Accruals and Arrears which the relevant Seller shall not transfer but shall retain for its own benefit; and
 - (ii) the benefit of all securities for such principal moneys and interest, and the benefit of and the right to sue on all obligations, undertakings and covenants with, or vested in, the Mortgagee in each such Mortgage and the right to exercise all the Mortgagee's powers in relation to such Mortgages and, in the case of Individual Mortgages only, the benefit of all consents to mortgage signed by occupiers of the Properties; and

- (iii) all the estate and interest in the Properties vested in the Mortgagee subject to redemption or cesser; and
 - (iv) all causes and rights of action against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any such Mortgage or affecting the decision to make any relevant advance; and
 - (v) the benefit of any guarantee or surety vested in the Mortgagee relating to any such Mortgage and any other collateral security relating to such Mortgage; and
- (b) all its right, title, interest and benefit (whether present or future) in relation to the Insurance Contracts including the right to receive the proceeds of any claim insofar only as they relate to such Mortgages but not insofar as they relate to any amount comprising Retained Pre-Closing Accruals and Arrears.

3.6 Each sale and purchase referred to in Clauses 3.1, 3.3, 3.4 and 3.5 shall be completed as follows:

- (a) in the case of Properties in England or Wales which comprise land registered at the Land Registry of England and Wales or the Land Registry of England and Wales (including any Property which is the subject of an application for first registration), by a transfer in the form of the Registered Land Transfer; and
- (b) in the case of Properties in England or Wales which comprise land which is not registered at the Land Registry of England and Wales (excluding that which is the subject of an application for first registration), by a transfer in the form of the Unregistered Land Transfer; and

provided always that neither the Issuer nor the Trustee shall be entitled to require the relevant Seller to execute and deliver any of the documents referred to in paragraphs (a) or (b) of this Clause 3.6 until after the occurrence of any of the events referred to in clauses 4.4.2(a) to (e) of the Administration Agreement or such other time as the parties may agree, or unless it is entitled to do so in accordance with clause 4.4.3 of the Administration Agreement.

Each Mortgagee acknowledges to the Issuer and the Trustee that, in consideration for the provision of funds for that purpose by or on behalf of the Issuer and/or Trustee, each Discretionary Further Advance and each Mandatory Further Advance made by or on behalf of and in the name of the Seller to a Borrower under and on the security of a Mortgage using such funds is at all times included in and forms part of the relevant Mortgage sold to the Issuer under Clauses 3.1, 3.3, 3.4 and 3.5 of this Agreement and will be secured thereby and the relevant Seller acknowledges that it retains no right, title, interest or benefit (whether present or future) in any Discretionary Further Advance and/or each Mandatory Further Advance so funded.

3.7 If on or at any time after the relevant Purchase Date a Seller holds, or there is held to its order, or it receives, or there is received to its order (otherwise than following a repurchase under Clause 8 or a re-assignment under Clause 9) any property, interest,

right or benefit hereby agreed to be sold to the Issuer and/or the proceeds thereof, it undertakes with the Issuer that it will hold such property, interest, right or benefit and/or the proceeds thereof upon trust for the Issuer as the beneficial owner thereof or as the Issuer may direct and in the case of proceeds shall forthwith pay such proceeds to the Issuer to be dealt with as provided herein. If on or at any time after the relevant Purchase Date the Issuer holds, or there is held to its order, or it receives, or there is received to its order, any property, interest, right or benefit which is repurchased by a Seller under Clause 8 or re-assigned to a Seller under Clause 9 of which a Seller retains the benefit as expressly provided herein and/or the proceeds of any thereof, the Issuer undertakes that it will hold such property, interest, right or benefit and/or the proceeds thereof upon trust for the relevant Seller as beneficial owner thereof.

4. **CONDITIONS TO FURTHER SALES**

The parties to this Agreement agree that neither the Warehouseors nor the Sellers will be entitled to, and that they will not, sell, and the Issuer will not be entitled to, and that it will not, purchase, any Additional Mortgages unless permitted by the Administration Agreement, this Agreement, and each of the following conditions is satisfied on each Further Purchase Date:

- (a) S&P, Moody's and Fitch have confirmed in writing that the proposed purchase of Additional Mortgages on such Further Purchase Date shall not adversely affect any of the then current ratings of the Notes;
- (b) the Issuer and each party which is selling an Additional Mortgage (including any Warehouseor or, in the case of the sale of MTL Additional Mortgages to the Issuer, FF4) shall have delivered to the Trustee on such Further Purchase Date:
 - (i) a solvency certificate dated that Further Purchase Date and signed by a director of the relevant company in or substantially in the form set out in Schedule 6;
 - (ii) in the case of any PML Additional Mortgages, a certificate of a director of PML confirming that each of the Additional Mortgages to be purchased on such Purchase Date was originated on the same Lending Guidelines as those which applied to similar PML Original Mortgages; and
 - (iii) an audit on the Additional Mortgages being prepared by an internationally recognised accounting firm substantially in the form provided in respect of the Mortgages on the Closing Date;
- (c) no Enforcement Notice has been served;
- (d) if such purchase were completed, the maximum aggregate Current Balance of all PML Additional Mortgages purchased by the Issuer is no greater than the PML Initial Pre-Funding Amount;
- (e) with respect to the purchase of an MTL Additional Mortgage, the relevant Mortgage is an MTL Eligible Mortgage;

- (f) if such purchase were completed, the maximum aggregate Current Balance of all Arrears Mortgages purchased by the Issuer (whether at or after the Closing Date) (when aggregated with any other Arrears Mortgages previously purchased) is £1,000,000 at the time of purchase;
- (g) there being no Event of Default under (and as defined in) Condition 9 or any Termination Event under (and as defined in) the Administration Agreement which, in any such case, is continuing;
- (h) the Reversionary Period in respect of any Additional Mortgage shall not exceed a period of 5.25 years from the Closing Date;
- (i) the reversionary rate in respect of any PML Additional Mortgage (other than those PML Additional Mortgages reverting to the standard variable rate) following expiry of the Reversionary Period must be equal to or greater than 4.50 per cent. over the three month London Interbank Offered Rate for sterling deposits determined quarterly;
- (j) if such purchase were completed, each of the following conditions (the "**Mortgage Condition Tests**") are satisfied:
 - (i) the aggregate Adjusted Current Balance of Mortgages in respect of which Properties are located in Greater London, South East, South West and East Anglia and have a value greater than £500,000 (determined in accordance with the Administrators' current procedures) must be less than 13.0 per cent. of the Final Pool Balance;
 - (ii) the aggregate Adjusted Current Balance of Mortgages in respect of which Properties are not located in Greater London, the South East, South West or East Anglia and have a value greater than £300,000 must be less than 4.0 per cent. of the Final Pool Balance;
 - (iii) the aggregate Adjusted Current Balance of Interest-only Mortgages and Optional Repayment Mortgages that have an original term of less than 10 years must be less than 3.0 per cent. of the Final Pool Balance;
 - (iv) based on the Adjusted Current Balance of each Mortgage, the weighted average interest coverage ratio (determined in accordance with the Administrators' current procedures) on the Mortgage Portfolio must not be less than 165.0 per cent.;
 - (v) based on the Adjusted Current Balance of each Mortgage, the weighted average current loan to value ratio (determined in accordance with the Administrators' current procedures) must not exceed 71.25 per cent.;
 - (vi) the aggregate Adjusted Current Balance of Mortgages which have a current loan to value ratio (determined in accordance with the Administrators' current procedures) of greater than 76 per cent. must be equal to or less than 28.5 per cent. of the Final Pool Balance
 - (vii) the aggregate Adjusted Current Balance of Mortgages which have a current loan to value ratio (determined in accordance with the

- (viii) the current loan to value ratio of any PML Mortgage (determined in accordance with the Lending Guidelines) following the release of any Mandatory Further Advance or the funding of any Discretionary Further Advance in respect of such PML Mortgage must be equal to or less than 79.0 per cent.; and
- (ix) the aggregate Current Balance of the Mortgages of the 20 largest borrowers must not exceed £25,000,000,

and disregarding, for the purposes of these Mortgage Condition Tests, any repayment or prepayment of principal or interest by the relevant Borrower and any default and/or repurchase by either Seller in respect of any Mortgage (which in the case of any Mortgage that has been subject to a repurchase by the Seller shall be treated as remaining in the portfolio for the purposes of these Mortgage Condition Tests);

- (k) the aggregate amount of Mandatory Further Advances which the lenders are committed to make under the Additional Mortgages which are to be purchased by the Issuer on the relevant Purchase Date shall not, when aggregated with:

- (i) the aggregate amount of all Discretionary Further Advances (other than by way of capitalisation of arrears) which have been made since the Closing Date or which are proposed to be made on or before that Further Purchase Date;
- (ii) the aggregate amount of all Mandatory Further Advances which have been made since the Closing Date or which are to be made on or before that Further Purchase Date,

the purchase of, which in the case of each of sub-paragraphs (i) and (ii) above, have been or are to be funded by the Issuer out of principal received or recovered or deemed to have been received or recovered in respect of the Mortgages and not out of the proceeds of any advance under the Subordinated Loan Agreement made or to be made for such purpose; and

- (iii) the aggregate amount of all other Mandatory Further Advances, in respect of Mortgages which the Issuer has purchased or will have purchased before the relevant Purchase Date, which are to be made after the relevant Purchase Date,

exceed a combined aggregate cumulative limit of 8 per cent. of the Initial Principal Amount of the Notes;

- (l) in the case of any PML Additional Mortgages, the satisfaction of the obligations set out at Clause 7.3 and in the case of any MTL Additional Mortgages, the satisfaction of the obligations set out at Clause 7.6(d);

- (m) the relevant Seller has delivered to the Trustee, on the relevant Purchase Date, a certificate dated on the relevant Purchase Date confirming that the conditions set out in this Clause 4 have been satisfied; and
- (n) none of the Additional Mortgages are Five-year Interest-only Mortgages.

5. CONSIDERATION

5.1 The total consideration payable by PML for the PML Mortgages to a Warehouse for any sale by that Warehouse referred to in Clauses 2.1, 2.3 and 2.4 shall be the Warehouse Consideration payable as specified in this Agreement. In this Agreement "**Warehouse Consideration**" shall be a sum equal to:

- (a) the principal balances in respect of the Mortgages sold by that Warehouse as at such Purchase Date shown in the Annexure to the relevant Sale Document pursuant to which such Mortgages are to be purchased on that Purchase Date where such amount in the case of each such Mortgage is described as the "**Current Principal Balance**"; *plus*
- (b) the amount of Accrued Arrears in respect of such Mortgages; *plus*
- (c) the amount of interest and other sums accrued in respect of any period ending before the relevant Purchase Date under or in respect of such Mortgages which in each case have not fallen due for payment; *plus*
- (d) the amount (if any) in respect of such Mortgages shown in such Annexure and described as "**FRS 26 Adjustments**"; *plus*
- (e) in respect of PML Mortgages sold by PFFL2, a premium as agreed between PML and PFFL2;

less

- (f) in respect of each Arrears Mortgage, the amount of any provision which has been made against the recovery of amounts due under that Arrears Mortgage as at the relevant Purchase Date,

and, for the avoidance of doubt, no consideration will be payable under this Clause 5.1 in respect of the sale of the items referred to in paragraphs (a)(iv), (a)(v) and (b) of Clause 2.4.

5.2 The total consideration payable by the Issuer to a Seller for the sale by that Seller of the Mortgages referred to in Clauses 3.1, 3.3, 3.4 and 3.5 shall be the Issuer Initial Consideration and the Deferred Purchase Consideration each payable as specified in this Agreement. In this Agreement "**Issuer Initial Consideration**" shall be a sum equal to:

- (a) the principal balance in respect of the Mortgages sold by that Seller as at the relevant Purchase Date as shown in the Annexure to the relevant Sale Document on such Purchase Date where such amount in the case of each such Mortgage is described as the "**Current Principal Balance**"; *plus*

- (b) the amounts (if any) in respect of such Mortgages shown in the Annexure and described as "**FRS 26 Adjustments**"; *less*
- (c) in respect of each Arrears Mortgage, the amount of any provision which has been made against the recovery of amounts due under that Arrears Mortgage as at the relevant Purchase Date,

and, for the avoidance of doubt, no consideration will be payable under this Clause 5.2 in respect of the sale of the items referred to in paragraphs (a)(iv), (a)(v) and (b) of Clauses 3.5.

- 5.3 To the extent that any transfer or assignment of any Mortgages does not occur as a result of non-satisfaction of any term or condition of this Agreement and the Issuer Initial Consideration or the Warehouser Consideration, as the case may be, therefor has been paid to the relevant Seller or the relevant Warehouser, as the case may be, such transfer or assignment shall take effect as if such term or condition had in fact been satisfied without prejudice to any other rights, remedies or obligations that arise as a result of the non-satisfaction of such term or condition.

6. **OBLIGATIONS**

- 6.1 Each Mortgagee severally undertakes with the Issuer and the Trustee that it will provide all reasonable co-operation to the Issuer and the Trustee during the term of this Agreement and without prejudice to the generality of the foregoing shall:
- (a) upon reasonable notice and during normal office hours permit the Issuer and the Trustee and their authorised employees and agents and other persons nominated by either of them to review its files in relation to the Mortgages and any related books of account and records; and
 - (b) give promptly all such information, facilities and explanations relating to its business and any of the Mortgages and all other property, interest, right, benefit or obligation hereby agreed to be sold as any such person may reasonably request.
- 6.2 Prior to the relevant Purchase Date, no Mortgagee shall make any announcement in relation to any of the Mortgages, other than an adjustment of the rate or rates of interest on the Mortgages, without the prior approval of the Issuer and the Trustee (such approval not to be unreasonably withheld or delayed) of the terms of such announcement.
- 6.3 Without prejudice to the other provisions of this Clause, prior to the relevant Purchase Date, the Issuer shall procure that the Administrators shall continue to administer the Mortgages on the same basis as for all other mortgages and charges of a similar type administered by it.
- 6.4 On the Closing Date, each Warehouser shall sell to PML and PML shall each sell to the Issuer pursuant to Clauses 2 and 3 (as the case may be) all the PML Original Mortgages comprised in the Provisional Mortgage Pool (other than those which have been redeemed in full prior to the Closing Date or which do not otherwise comply with the terms of this Agreement as at the Closing Date) together with other PML

Original Mortgages complying with the terms of this Agreement as at the Closing Date.

7. COMPLETION

7.1 The sales and purchases referred to in Clauses 2 and 3 shall be conditional on:

- (a) the issue by the Issuer of the Notes and the drawing by the Issuer under the Subordinated Loan Agreement of the amounts referred to in clause 2.1 of the Subordinated Loan Agreement on the Closing Date;
- (b) the Relevant Documents having been executed and delivered by the parties thereto on or before the Closing Date;
- (c) the delivery by the Issuer, each relevant Seller and each relevant Warehouse of a solvency certificate dated the date of such purchase in or substantially in the form set out in Schedule 6, signed by an authorised officer of the relevant company; and
- (d) (1) in the case of the sale and purchase of the PML Original Mortgages, the delivery of each Warehouse Original Release, (2) in the case of the sale and purchase of Additional Mortgages, if applicable, the delivery of the relevant Warehouse Further Release relating to those Additional Mortgages and (3) in the case of the sale and purchase of MTL Additional Mortgages, the satisfaction of the conditions specified in Clause 7.6(d) below.

Completion of the purchase of the PML Original Mortgages shall take place on the Closing Date immediately upon satisfaction of conditions (a), (b), (c) and (d)(1) referred to in this Clause 7.1, when the steps listed in Clause 7.2 shall take place, each of which shall be deemed to take place simultaneously and simultaneously with the satisfaction of conditions (a), (b), (c) and (d)(1) referred to in this Clause 7.1, immediately following which the steps listed in Clauses 7.5, 7.6 and 7.7 shall take place, each of which shall be deemed to take place simultaneously and payment shall be made in accordance with Clause 7.8.

7.2 On the Closing Date, the Warehouseurs shall deliver to PML in the case of the PML Original Mortgages:

- (a) paper copies of the title deeds to the Properties in respect of the PML Original Mortgages;
- (b) electronic copies of the PML Original Mortgages registered at the Land Registry of England and Wales;
- (c) its files relating to each of the PML Original Mortgages; and
- (d) one copy of the Annexure to this Agreement, signed by the parties hereto for the purposes of identification,

and each of the Warehouseurs and PML shall deliver the relevant Warehouse Original Release (as appropriate to effect a release of any security interest over the legal and beneficial interests therein).

The items referred to in (a), (b), (c) and (d) above shall be delivered on the Closing Date to the offices of PML in Solihull or the relevant Warehouse shall confirm to PML in an agreed form of letter that following the Closing Date such items will be held by the relevant Warehouse to the order of PML and PML agrees that compliance with this provision shall constitute good delivery of the relevant documents for the purposes of this Clause.

7.3 On each Further Purchase Date, if applicable, the relevant Warehouse shall deliver to PML in the case of the PML Additional Mortgages:

- (a) paper copies of the title deeds to the Properties in respect of the relevant Additional Mortgages;
- (b) electronic copies of the Additional Mortgages registered at the Land Registry of England and Wales;
- (c) its files relating to each of the relevant Additional Mortgages; and
- (d) one copy of each of the Additional Mortgage Requests delivered pursuant to Clauses 2.2 and 3.2,

and each of that Warehouse and PML shall deliver a Warehouse Further Release (as appropriate to effect a release of any security interest over the legal and beneficial interests therein).

7.4 The items referred to in (a), (b), (c) and (d) in Clause 7.3 above shall be delivered on each Further Purchase Date at the offices of PML in Solihull or the relevant Warehouse shall confirm to PML in an agreed form of letter that following such Further Purchase Date such items will be held by the relevant Warehouse to the order of the PML and PML agrees that compliance with this provision shall constitute good delivery of the relevant documents for the purposes of this Clause.

7.5 On each Purchase Date, subject to the relevant Warehouse having performed its obligations under Clause 7.2 in the case of the PML Original Mortgages and Clause 7.3 in the case of the Additional Mortgages, if any, as the case may be, PML shall procure the payment of the Warehouse Consideration payable to the relevant Warehouse in accordance with Clause 5.1 for value on the relevant Purchase Date.

7.6 On each Purchase Date, each Seller shall deliver or procure that there are delivered to the Issuer:

- (a) in the case of the Closing Date only, a duly executed power (in duplicate) in the form of the Power of Attorney;
- (b) in the case of the Closing Date only, a certified copy of each of the relevant Insurance Contracts set out in Schedule 1 and in the case of a Further Purchase Date, a certificate stating that there has been no material change to the Insurance Contracts set out in Schedule 1 (or if there has been a material change, a certified copy of the relevant Insurance Contract);
- (c) the documents referred to in Clause 7.2 or Clause 7.3 on the relevant Purchase Date as the case may be;

- (d) in the case of any MTL Additional Mortgages purchased by the Issuer on a Further Purchase Date:
- (i) paper copies of the title deeds to the Properties in respect of the MTL Additional Mortgages;
 - (ii) electronic copies of the MTL Additional Mortgages registered at the Land Registry of England and Wales;
 - (iii) its files relating to each of the MTL Additional Mortgages;
 - (iv) one copy of the MTL Additional Mortgage Request delivered pursuant to Clause 3.4 and
 - (v) in relation to the sale of MTL Additional Mortgages to the Issuer following the Closing Date, (i) a mortgage sale agreement duly executed by FF4 and MTL documenting the sale of the MTL Additional Mortgages from FF4 to MTL substantially in the form of Part A of Schedule 9 (*Form of FF4 Documentation*) to this Agreement, and (ii) a release of security which is effective to release any security interest over the legal and beneficial interests in the MTL Additional Mortgages dated on or before the relevant Further Purchase Date, duly executed by The Bank of New York Mellon, London Branch (in its capacity as security trustee in respect of the FF4 Notes) and substantially in the form of Part B of Schedule 9 (*Form of the FF4 Documentation*) to this Agreement,

and PML shall deliver the relevant Warehouse Release in respect of the PML Additional Mortgages (as appropriate to effect a release of any security interest over the legal and beneficial interests therein).

The items referred to in Clauses 7.2 and 7.3, items (a), (b), (c) and (d) (in each case) shall be delivered on the relevant Purchase Date at the offices of PML (in its capacity as an Administrator), as Administrator in Solihull, or PML shall confirm to the Issuer and the Trustee in an agreed form of letter that as of the relevant Purchase Date such items will be held by PML to the order of the Trustee. The Issuer agrees that compliance with this provision shall constitute good delivery of the relevant documents to the Issuer for the purposes of this Clause.

- 7.7 In the case of the Closing Date only, the Issuer shall deliver, or procure that there are delivered, to PML, and MTS as Administrators, powers of attorney duly executed by the Issuer and the Trustee in accordance with clause 10.1 of the Administration Agreement.
- 7.8 On the relevant Purchase Date, subject to each of the relevant Warehouse and each Seller having satisfied and performed their respective obligations herein, the Issuer shall satisfy and discharge the Issuer Initial Consideration payable under Clause 5.2. On each Interest Payment Date after the Closing Date the Issuer shall satisfy and discharge the Deferred Purchase Consideration payable to the relevant Seller under Clause 5.2 in accordance with the applicable priority of payments.

- 7.9 Within ten days after the relevant Purchase Date, the relevant Warehouser will lodge appropriate forms at Companies House to register the satisfaction of the security effected by the Warehouse Releases insofar as the same affects any Mortgage sold on the relevant Purchase Date.
- 7.10 Each Seller undertakes that it will use all reasonable efforts to obtain, as soon as practicable, and in any event within six months after the relevant Purchase Date, details of the title numbers applicable to Properties in England or Wales comprising registered land or land which is the subject of an application for first registration in respect of Mortgages which have been sold by it. Six months from the relevant Purchase Date each Seller shall report in writing to the Issuer and the Trustee such title numbers relating to the Mortgages as are then known to it together with such other information relating thereto as the Trustee may reasonably request. If all such title numbers are not then known to that Seller, that Seller shall, within such period of time thereafter (not being less than two weeks) as the Trustee may specify to the relevant Seller, obtain details of the missing title numbers and report the same in writing to the Trustee. Where any of the Annexures contain details of Mortgages over registered land in England or Wales, the relevant Seller will identify (if so requested to do so by the Chief Land Registrar) the District Registry responsible for the area in which each of the Properties is situated.

8. WARRANTIES, REPRESENTATIONS AND UNDERTAKINGS

- 8.1 Each Seller acknowledges that the warranties and representations given or made by it and set out in this Clause 8 are made with a view to inducing the Issuer and the Trustee to enter into this Agreement and to inducing the Issuer to purchase Mortgages pursuant to this Agreement and that the Issuer and the Trustee have entered into this Agreement in reliance thereon and have relied and will rely upon such warranties and representations notwithstanding any information in fact possessed or discoverable by the Issuer or the Trustee or otherwise disclosed to either of them.
- 8.2 Each Seller severally warrants and represents to each of the Issuer and the Trustee in the following terms as at each Purchase Date with respect to the Mortgages to be purchased from it by the Issuer on such Purchase Date by reference to the facts and circumstances existing immediately prior to the completion of the purchase of the relevant Mortgages by the Issuer in accordance with Clause 3:
- (a) the particulars of each Mortgage set out in the Annexures to this Agreement are complete, true and accurate in all material respects;
 - (b) subject to the completion of any registration or recording of the Mortgage which may be pending at the Land Registry of England and Wales, each Mortgage is legally owned by the relevant Seller;
 - (c) the Seller is the beneficial owner of each Mortgage;
 - (d) the first payment due from the Borrower in respect of the Mortgage has been received in full;
 - (e) each Loan constitutes a valid and binding obligation of the Borrower;

- (f) subject to the completion of any registration or recording of the Mortgage which may be pending at the Land Registry of England and Wales, each Mortgage constitutes a valid and subsisting legal mortgage over the relevant Property which is either:
 - (i) a first legal mortgage in respect of all monies outstanding under the related Loan; or
 - (ii) a second or subsequent legal mortgage over which no mortgage which is not a Mortgage has priority in respect of all monies outstanding under the related Loan;
- (g) the Mortgages and the other estates and interests sold by the Seller under this Agreement are free and clear of all mortgages, securities, charges, liens, encumbrances, diligences, claims and equities but subject:
 - (i) to the terms of this Agreement and the Deed of Charge; and
 - (ii) in the case of the Mortgages registration or recording of which is pending at the Land Registry of England and Wales to the completion of such registration or recording;
- (h) each Mortgage is secured on a freehold or leasehold residential, or mixed commercial/residential property which is situated in England or Wales;
- (i) all steps necessary with a view to perfecting the relevant Seller's legal title to each Mortgage were duly taken at the appropriate time or are in the process of being taken without undue delay on its part or on the part of those within its control;
- (j) no lien or right of set-off (or analogous right) or counterclaim or compensation has been created or arisen or now exists between the Mortgagee and any Borrower which would entitle such Borrower to reduce the amount of any payment otherwise due under a Mortgage;
- (k) prior to making the initial advance to a Borrower:
 - (i) the relevant originator received from solicitors or licensed or qualified conveyancers acting for it a report on title or certificate of title to the relevant Property (the benefit of which is available to the owner for the time being of the relevant Mortgage) which either initially or after further investigation disclosed nothing which would cause a reasonably prudent lender to decline to proceed with the initial advance on the proposed terms; or
 - (ii) where the mortgage loan made in relation to a Property is secured by a Mortgage which was made without there being a contemporaneous purchase of such Property by the Borrower, the relevant originator carried out such written searches and investigations of title to the Property which a reasonably prudent mortgage lender would carry out in relation to the remortgaging of a property, which searches and investigations either initially or on further investigation disclosed

nothing which would cause a reasonably prudent mortgage lender to decline to proceed with the initial advance on the proposed terms;

- (l) prior to making a Loan, a valuation was undertaken on behalf of the relevant originator by a valuer approved by that originator (being a fellow or associate of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers) which either initially or after further investigation disclosed nothing which would cause a reasonably prudent mortgage lender to decline to proceed with taking the mortgage or charge on the proposed terms;
- (m) subject to registration or recording at the Land Registry of England and Wales where required, at the date of the Mortgage each Property was held by the Borrower free from any encumbrance which would materially adversely affect either the title to the Property or the value of the Property for security purposes set out in any valuation report carried out for the relevant originator;
- (n) if the Property is not registered at the Land Registry of England and Wales and is not required to be registered, the relevant Borrower has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or, if the Property is registered or is unregistered but is subject to first registration at the Land Registry of England and Wales, it has been registered or is in the course of registration with title absolute, in the case of freehold property, or absolute or good leasehold title, in the case of leasehold property and if the Property is not registered and is not required to be registered, it is comprised in either a fee simple absolute (if freehold) or a term of years (if leasehold) of not less than 30 years beyond the term of the Mortgage relating to such Property and is free from any encumbrance which would affect such title, and if the Property is registered, it has been registered with title absolute (if freehold) or good leasehold estate title of the requisite term (if leasehold) or is in the process of being so registered;
- (o) prior to making each initial advance or Discretionary Further Advance in respect of the PML Mortgages, the Lending Guidelines were satisfied so far as applicable (having regard to any further advance which could fall to be made) subject to such waivers as might be within the discretion of a reasonably prudent lender;
- (p) each advance has been made in all material respects on the terms of the Mortgage Documentation current at the date of the advance and such documents have not been subsequently varied in any material respect;
- (q) the relevant Borrower's consent is not required for the transfer or assignation of any Mortgage;
- (r) interest is charged on each Mortgage at such rate as may be from time to time determined in accordance with the provisions of the Mortgage Conditions;
- (s) as at the relevant Purchase Date, the maximum aggregate Current Balance of all Arrears Mortgages which may be purchased by the Issuer is £1,000,000;

- (t) other than in the case of an Arrears Mortgage or Mortgage on a Property where the Borrower has been written to in respect of an unauthorised letting, there are no outstanding claims in respect of any material breaches of the terms of any Mortgage;
- (u) the relevant originator took (or instructed its solicitors to take) on or prior to the date of completion of each Mortgage all reasonable steps to ensure that any Property (which in the case of a PML Mortgage was not insured under the Block Buildings Policies maintained by it) was insured under a policy with an insurance company against all risks usually covered by a comprehensive insurance policy to an amount not less than the full reinstatement value determined by the valuer acting for it and that it was either a named insured or its interest was noted by the insurers;
- (v) no Mortgage is or will be repayable later than 31 July 2039;
- (w) since the registration of each Mortgage in the name of the relevant Seller, full and proper accounts, correspondence files, books and records showing all transactions, payments, receipts, proceedings and notices relating to that Mortgage have been kept and all such accounts, books and records are up to date and in the possession of the Mortgagee or held to their order;
- (x) the Mortgagee has not received written notice of any claim calling into question in any material way its title to any Mortgage;
- (y) all the title deeds to the Properties and the Mortgages are held by or to the order of the Mortgagee or have been lodged by the Mortgagee at the Land Registry of England and Wales;
- (z) in the case of Individual Mortgages only, no Borrower is a current employee of a Paragon Group Company and each Borrower of an Individual Mortgage purchased pursuant to this Agreement is an individual;
- (aa) other than in the case of any Arrears Mortgage or any Mortgage on a Property where the Borrower has been written to in respect of an unauthorised letting, the Mortgagee has not knowingly waived or acquiesced in any breach of any of its rights under or in relation to a Mortgage other than such waivers as a reasonably prudent lender might make in accordance with the guidance set out in the Administration Manual;
- (bb) no agreement for any Individual Mortgage is unenforceable in whole or in part as a result of any non compliance with the Consumer Credit Act 1974 (as amended) or the Financial Services and Markets Act 2000 (as amended), or is cancellable in whole or in part as a result of any non-compliance with the Financial Services (Distance Marketing) Regulations 2004 (as amended);
- (cc) for so long as there is a breach of the applicable Mortgage Conditions no Mortgage will require the making of any Mandatory Further Advance;
- (dd) in relation to any Loan where the obligations of the Borrower are guaranteed by a guarantor, each guarantee or surety obligation in respect of such Loan

constitutes a valid and binding obligation of such guarantor and the benefit of such guarantee may be assigned to the Issuer and charged by the Issuer to the Trustee;

- (ee) there is no obligation on the part of the Mortgagee of a Mortgage to make any further advances except in accordance with the relevant Mortgage Conditions;
- (ff) the Insurance Contracts as set out in Schedule 1 will apply to each of the Mortgages and to the extent that they apply to such Mortgages the Issuer will have the benefit of each such Insurance Contract and, as between the assignor and the assignee, any assignment or transfer of the rights and benefits under each such Insurance Contract by the Issuer to the Trustee will be valid and binding without notification to, or request for consent from, the relevant insurer;
- (gg) so far as each Seller is aware, no term of any Individual Mortgage to which the Unfair Terms in Consumer Contract Regulations 1994 or 1999 apply is an unfair term for the purposes of such regulations;
- (hh) in the case of each Corporate Mortgage, the prescribed particulars of the Corporate Mortgage and any floating charge together with the instrument by which they were created were delivered to the Registrar of Companies for registration within 21 days after their creation in accordance with section 859 of the Companies Act 2006 and a certificate of registration has been received in respect of such registration;
- (ii) in the case of Corporate Mortgages only, each Borrower is a private company incorporated with limited liability in England and Wales;
- (jj) in the case of Corporate Mortgages only, the Mortgagee has not received written notice of any steps having been taken for the liquidation or winding-up of, or the making of an administration order in relation to, any Borrower or of any steps having been taken to enforce any security over the assets of any Borrower;
- (kk) in the case of Corporate Mortgages only, a search was conducted at Companies House in relation to the Borrower, which revealed that no notices of appointment of a liquidator, administrator, administrative receiver or receiver had been filed and that no resolution had been passed to wind up the Borrower;
- (ll) that the Mortgages, loans secured thereby, related security and Insurance Contracts neither are or include any "stock" or "marketable securities" within the meaning of section 125 of the Finance Act 2003, "chargeable securities" (for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (for the purposes of section 48 of the Finance Act 2003);
- (mm) the underlying Mortgage Documentation used in respect of each Loan is governed by and subject to the laws of England and Wales;

- (nn) in the case of Individual Mortgages only, at origination, the relevant Borrower is resident in England and Wales; and
- (oo) in the case of Individual Mortgages only, no Loan relates to Property which is not a residential Property and all Properties are in England, Wales or Scotland,

provided always that:

- (i) none of the above representations or warranties is (or shall be treated or deemed to be) in respect of the future credit-worthiness of any Borrower;
- (ii) without prejudice to paragraph (gg) of Clause 8.2, each Seller does not, and nothing herein shall be taken to imply that the Seller does, expressly or impliedly represent or warrant that as at the relevant Purchase Date no term of any Mortgage is incapable of being found by a court of competent jurisdiction or considered by the Office of Fair Trading to be an unfair term for the purposes of the Unfair Terms in Consumer Contracts Regulations 1994 or 1999 or that any pre-payment charge relating to a redemption of a Mortgage is enforceable; and
- (iii) notwithstanding anything to the contrary in any of the Relevant Documents the representations and warranties given in this Clause 8.2 shall only be given, in relation to the sale and purchase of the PML Original Mortgages, on the Closing Date or, in relation to the sale and purchase of the Additional Mortgages, if applicable, on a Further Purchase Date in respect thereof, by reference to the facts and circumstances existing immediately prior to the completion of such purchase by the Issuer on such date and shall not be, or be deemed to be, given or repeated at any other time whatsoever.

8.3 Each Seller warrants and represents to the Issuer and the Trustee that as at the date hereof the Prospectus contains all information with regard to it and its business, the Mortgages, the Properties, the Lending Guidelines, and the Insurance Contracts which is material in the context of the issue of the Notes and that such information is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed therein relating to it and its business, the Mortgages, the Properties, the Lending Guidelines, and the Insurance Contracts are honestly held, that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading in any material respect and that each Seller has made all reasonable enquiries to ascertain all facts material for the purposes aforesaid.

8.4 Each Seller confirms, for the avoidance of doubt, that if, after the relevant Purchase Date, any Mortgage in respect of which it has given warranties pursuant to Clause 8.2 is converted into any other type of Mortgage in accordance with the Administration Agreement, such conversion shall not by itself affect the warranties already given as aforesaid but such warranties shall not be, or be deemed to be, given or repeated at the time of such conversion and the accuracy (or otherwise) of such warranties shall only be measured by reference to the facts and circumstances existing at the date on which

such warranties were given. This confirmation is only given in respect of the Mortgages (if any) converted as aforesaid and not in respect of any other Mortgage (unless such other Mortgage is also so converted, in which case the said confirmation shall apply to such other Mortgage in the same terms as the preceding sentence, *mutatis mutandis*).

8.5 Each Mortgagee severally undertakes in respect of each Mortgage sold by it that it will proceed with all due diligence to do and complete all such acts and things, and to execute any necessary deeds and documents, as may be requested by the Issuer and/or the Trustee to perfect the title of the Issuer to the relevant Mortgage and the other benefits and rights agreed to be sold hereunder, subject to clause 4.4 of the Administration Agreement.

8.6 In the event that:

- (a) there is as at the relevant Purchase Date a material breach of any of the representations and warranties of a Seller contained in Clause 8.2 (other than paragraph 8.2(gg) thereof to which the provisions of paragraph (d) of Clause 14 will apply) in respect of or concerning any Mortgage which (being capable of being remedied) the relevant Seller shall fail to remedy within 28 days (or such longer period not exceeding 35 days as the Issuer and the Trustee may agree) of receipt of written notice of such breach from the Issuer or the Trustee, or which is not capable of being remedied;
- (b) had the references in the representations and warranties given by the Seller as at the relevant Purchase Date in paragraph 8.2(aa) of Clause 8.2 to "Mortgagee" been references instead to PML or MTS in their capacity as Administrator (*mutatis mutandis*), there would have been as at the relevant Purchase Date a material breach ("**deemed breach**") of such representations and warranties as at the relevant Purchase Date in respect of or concerning any Mortgage and either the relevant Seller shall have failed to remedy such deemed breach (if capable of being remedied) within 28 days (or such longer period not exceeding 35 days as the Issuer and the Trustee may agree) of receipt of written notice of such deemed breach from the Issuer or the Trustee or such deemed breach shall not be capable of being remedied;
- (c) a term of any Individual Mortgage is at any time on or after the Closing Date found by a competent court whether on the application of a Borrower, the Office of Fair Trading or otherwise to be an unfair term for the purposes of the Unfair Terms in Consumer Contracts Regulations 1994 or 1999; or
- (d) any pre-payment charge relating to a redemption of a Mortgage is at any time on or after the Closing Date found by a competent court whether on the application of a Borrower or otherwise to be unenforceable against the Borrower upon redemption of such Mortgage and the relevant Seller does not, by not later than seven days after the expiry of the 28 days' (or other longer) notice period referred to in Clause 8.8, pay an amount equal to such pre-payment charge to the Issuer for application in accordance with clause 6.4.2 of the Administration Agreement as if such amount were a Waived Prepayment Charge Amount;

- (e) if the first two payments due in respect of any Mortgage has fallen due and have not been received in full;
- (f) if PML or MTS in their capacity as Administrator intends to accept an application in respect of, or issue an offer for, a Product Switch to any Borrower in respect of a Mortgage, following: (i) the giving of notice by the relevant Administrator in writing of such intention to the Issuer and the relevant Seller and the proposed date of the repurchase by the relevant Seller; and (ii) receipt of confirmation from the relevant Seller that it will repurchase the relevant Mortgage; or
- (g) if MTS receives notice from any Borrower in respect of an MTL Additional Mortgage, that such Borrower wishes to exercise a Porting Right pursuant to the Mortgage Conditions thereof,

the Issuer shall sell and the relevant Seller shall repurchase the Mortgage concerned (whether or not such Mortgage in fact exists or is valid and binding and/or enforceable) (the "**Relevant Mortgage**" which expression shall, where the context so admits, include any other Mortgage secured upon the Property) together with (if applicable) the benefit of the Insurance Contracts to the extent they relate to the Relevant Mortgage and if applicable the benefit of any Hedge Agreement to the extent that it relates thereto.

- 8.7 If at any time a Seller is obliged to repurchase a Mortgage pursuant to Clause 8.6 and such Mortgage is in respect of a Property which is also subject to a second mortgage which also constitutes a Mortgage (the "**Relevant Second Mortgage**"), then, that Seller will also at the same time be obliged to repurchase or procure the repurchase of, the Relevant Second Mortgage as though there had also been a breach of warranty in respect of the Relevant Second Mortgage (whether or not there has in fact been a breach of warranty in respect of the Relevant Second Mortgage). In such circumstances, references in this Clause 8 to the Relevant Mortgage shall be read and construed as references to both the Relevant Mortgage (as defined above) and the Relevant Second Mortgage.
- 8.8 Completion of any repurchase pursuant to Clause 8.6 shall take place not later than 10 days after the expiry of such 28 days' (or other longer) notice period as is referred to in paragraph (a), (b) or (d) of Clause 8.6 or, if the relevant breach referred to in paragraph (a) of Clause 8.6 is not capable of remedy or if the repurchase is a result of the circumstance in paragraphs (c) and (e) of Clause 8.6, after receipt by the relevant Seller of written notice of such breach or circumstance from the Issuer or the Trustee or if the repurchase is a result of the circumstance in paragraph (f) of Clause 8.6 on the date set out in the notice delivered to the Issuer and that Seller by the relevant Administrator pursuant to paragraph (f) of Clause 8.6, when that Seller shall pay into the Transaction Account or as the Trustee shall direct an amount equal to the aggregate of the outstanding principal amount of the Relevant Mortgage as at the date of the repurchase of the Relevant Mortgage together with interest accrued from the relevant Purchase Date (but which has not been paid) and costs up to (but excluding) the date of completion of the repurchase of the Relevant Mortgage.
- 8.9 Against payment and/or, as the case may be, transfer on completion of any repurchase pursuant to Clause 8.6, the Issuer and the Trustee shall at the expense of the relevant

Seller complete such documentation as is necessary to perfect a release of their respective interests in the Relevant Mortgage and its collateral security (including the benefit of the Insurance Contracts) to the extent they relate to the Relevant Mortgage and, if applicable, such Hedge Agreement to the extent that it relates to the Relevant Mortgage. The Issuer and the Trustee hereby confirm that the powers of attorney set out in Schedule 5 and Schedule 6 the Administration Agreement, as applicable, (once executed) shall subsist to the extent applicable in relation to Relevant Mortgages and (if applicable) the benefit of a Hedge Agreement which the relevant Seller has repurchased notwithstanding the termination of PML's and/or MTS's appointment as Administrator under that agreement and the Trustee shall in addition to the said power of attorney give such further or other authority as may be reasonably requested by that Seller for the purpose of releasing its interest in the Relevant Mortgage and (if applicable) the benefit of a Hedge Agreement which that Seller has repurchased. Any such repurchase by that Seller or any person which that Seller shall nominate shall constitute a full discharge and release from any claims which the Issuer or the Trustee may have against it arising from any breach of representation or warranty in relation to the Relevant Mortgage only and shall not affect any rights arising from a breach of representation or warranty in relation to any other Mortgage.

8.10 Each Seller hereby undertakes with the Issuer and the Trustee:

- (a) if and for so long as it has an interest in a Mortgage (not being a Mortgage that has been repurchased pursuant to Clause 8.6) by virtue of its remaining the legal or beneficial owner or heritable creditor of such Mortgage, it shall not sell, transfer, charge, dispose of or otherwise deal with such interest save in the event of redemption in full by the relevant Borrower and it shall not consent to the creation of any mortgage or other security interest in or over the relevant Property without using its reasonable endeavours to ensure that such mortgage or other security interest and all sums secured thereby will rank after such Mortgage in point of priority;
- (b) that, in respect of any Mandatory Further Advance or any Discretionary Further Advance other than of the kind referred to in clause 8.2.3 of the Administration Agreement to be made after the date hereof, it shall not waive the Lending Guidelines other than in respect of any waiver which may have been made by a reasonably prudent mortgage lender;
- (c) promptly to notify them if it receives after the date hereof written notice of any litigation or claim calling into question in any material way the title to any such Mortgage or if it becomes aware of any material breach of any of its representations, warranties, undertakings and other obligations under this Agreement;
- (d) if reasonably required so to do by the Issuer or the Trustee, to participate or join in and to procure that any other Mortgagee participates and joins in any legal proceedings to the extent necessary in defending or contesting any litigation calling into question in any material way the title to any such Mortgage or in any legal proceedings against the Borrower or in relation to the enforcement of any Mortgage;

- (e) if reasonably required so to do by the Issuer or the Trustee, to pursue all claims against the Land Registry of England and Wales under the Land Registration Act 2002 with respect to any such Mortgage and to account promptly to the Issuer for any amounts recovered by it pursuant to any such claim; and
- (f) to maintain its registered office in England and Wales.

8.11 Each Seller confirms that as at each date on which a payment of Deferred Purchase Consideration is due to be paid to it, it is beneficially entitled to such Deferred Purchase Consideration, it is a UK resident company and it will be within the charge to, and not entitled to an exemption from, UK corporation tax, with respect to such Deferred Purchase Consideration.

9. **RE-ASSIGNMENT OF RIGHTS OF THE ISSUER**

If a Seller makes any full payment (not involving a repurchase under Clause 8.6) to the Issuer pursuant to any claim made in relation to any representation, warranty or undertaking set out in Clause 8, the Issuer and the Trustee shall at the expense of that Seller re-assign to it all such rights as it may reasonably request against any third party which may enable it to recover all or part of any such payment. If a Seller pays to the Issuer or the Trustee an amount in respect of any claim under this Agreement and the Issuer or the Trustee subsequently recovers from a third party any sum in respect of the liability for such claim, the Issuer and the Trustee shall forthwith repay to it so much of the amount paid by it as does not exceed the sum recovered from the third party less all reasonable costs, charges and expenses incurred by the Issuer or the Trustee in recovering that sum from the third party.

10. **MERGER**

Any term of this Agreement to which effect is not given on a Purchase Date (including in particular the liability of each Seller under the representations, warranties and undertakings contained in Clause 8) shall not merge and shall remain in full force and effect notwithstanding the completion and delivery of the Transfers.

11. **NO AGENCY OR PARTNERSHIP**

Nothing in this Agreement shall be construed as giving rise to any relationship of agency or partnership between any of the parties and in fulfilling its obligations hereunder, each party shall be acting entirely for its own account.

12. **PAYMENTS**

All payments to be made pursuant to this Agreement shall be made in sterling in immediately available funds and shall be deemed to be made when they are received by the payee.

13. **TAXATION**

13.1 All payments made by the Issuer under this Agreement shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless such withholding or deduction is

required by applicable law. In that event the Issuer shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. The Issuer will not be obliged to make any additional payments to the Seller or any assignee under Clause 18 of this Agreement.

- 13.2 All payments by the Issuer under this Agreement shall be deemed to be inclusive of VAT, if any, chargeable on any supply for which consideration (in whole or in part) for VAT purposes is provided and section 89 of the Value Added Tax Act 1994 shall not apply to affect the amount of such sum (or other consideration) payable (or provided).

14. **LIABILITY**

The Issuer and the Trustee severally acknowledge to each Seller and agree that:

- (a) no breach of any of the representations and warranties in, nor any act or omission in respect of, the provisions of Clause 8.2 shall give rise to any claim for damages on the part of the Issuer or the Trustee against any Mortgagee or any remedy whatsoever against the Mortgagee and the sole remedy of each of the Issuer and the Trustee in respect thereof (with the exception of the representation and warranty in paragraph 8.2(gg) of Clause 8.2 to which the provisions of paragraph (d) below will apply) shall be to take such action under Clause 8.6 as may be available to it and that no breach of, nor any act or omission in respect of, any warranty or representation other than those representations and warranties contained in Clause 8.2 (but not paragraph 8.2(gg) thereof) shall entitle the Issuer or the Trustee to require that Seller to repurchase any Mortgage in accordance with Clause 8.6 or otherwise **provided that** this paragraph (a) shall not limit the remedies available to the Issuer and/or the Trustee (or the exercise thereof) against that Seller if it, having become bound to repurchase a Mortgage in accordance with Clause 8.6, fails to do so;
- (b) subject and without prejudice to paragraph (a), no Mortgagee shall have any liability or responsibility (whether, in either case, contractual, tortious or delictual, express or implied) for any loss or damage for or in respect of any breach of, or any act or omission in respect of, any of the obligations on the part of the Borrower under any Mortgage suffered by the Issuer or the Trustee by reason of such breach, act or omission;
- (c) if, after the Closing Date, the terms of any Mortgage are varied or waived in any way with the consent of the Issuer and the Trustee (which shall include but not be limited to any rescheduling of the amounts secured by such Mortgage or renegotiation of such terms), the Issuer and the Trustee shall be subject to, and bound by, such variation or waiver and the relevant Seller shall not have any obligation therefor or be in any way affected thereby; and
- (d) except in the case of fraud, no breach of the representation and warranty in, nor any act or omission in respect of, the provisions of paragraph 8.2(gg) of Clause 8.2 shall give rise to any claim for damages on the part of the Issuer or the Trustee or any other person against the relevant Seller or any right of

action or remedy whatsoever against the Mortgagee and no breach of, nor any act or omission in respect of, the representation and warranty in paragraph 8.2(gg) of Clause 8.2 shall entitle the Issuer or the Trustee or any other person to require that Seller to repurchase any Mortgage in accordance with Clause 8.6 or otherwise to any remedy against the Mortgagee or any other person but this paragraph (d) of Clause 14 is without prejudice to any obligation each Seller may have to repurchase any Individual Mortgage under paragraph (c) of Clause 8.6.

15. FURTHER ASSURANCE

The parties hereto agree that they will co-operate fully to do all such further acts and things and execute any further documents as may be necessary or desirable to give full effect to the arrangements contemplated by this Agreement.

16. WAIVER

Any exercise or failure to exercise any right under this Agreement shall not (unless otherwise herein provided) constitute a waiver of that or any other right.

17. NOTICES

Any notices to be given pursuant to this Agreement shall be sufficiently served if delivered by hand or sent by prepaid first-class post or by telex or facsimile or email transmission and shall be deemed to be given upon receipt and shall be delivered or sent:

- (a) in the case of a party to this Agreement other than the Trustee or the Issuer to 51 Homer Road, Solihull, West Midlands, B91 3QJ (facsimile number: 0121 712 2072, email address: Company_Secretary@Paragon-group.co.uk) marked for the attention of: The Company Secretary;
- (b) in the case of the Trustee, to the address appearing at the beginning of this Agreement (facsimile number: 020 7500 5877) marked for the attention of: Agency & Trust;
- (c) in the case of the Issuer to 51 Homer Road, Solihull, West Midlands, B91 3QJ (facsimile number 0121 712 2072, email address: Company_Secretary@Paragon-group.co.uk) for the attention of: The Company Secretary, with a copy to: (facsimile number +44(0) 207 398 6325 or email to directors-uk@sfmeurope.com) for the attention of: The Directors;

or to such other addresses or facsimile number or email address or marked for the attention of such other person or department as may from time to time be notified by any party to the other parties by written notice in accordance with the provisions of this Clause.

18. ASSIGNMENT

- 18.1 The Issuer may assign or charge to the Trustee the benefit of and full right to enforce all its rights under or granted pursuant to this Agreement by way of or pursuant to the Deed of Charge only and not to any other person or in any other manner.

18.2 Neither the Mortgagee nor the Trustee may assign or charge its rights and obligations under this Agreement or any that may be assigned or charged to it, except that the Trustee may assign its rights under this Agreement to a successor trustee appointed under the Trust Deed.

19. **TRUSTEE**

19.1 If there is any change in the identity of the Trustee in accordance with the Trust Deed, the Mortgagee and the Issuer shall execute such documents and take such action as the new Trustee and the outgoing Trustee may require for the purpose of vesting in the new Trustee the rights, powers and obligations of the outgoing Trustee, and releasing the outgoing Trustee from its future obligations, under this Agreement.

19.2 It is hereby acknowledged and agreed that by its execution of this Agreement the Trustee shall not assume or have any of the obligations or liabilities of the Mortgagee or the Issuer hereunder.

20. **VARIATIONS**

This Agreement may be varied in writing signed by duly authorised signatories on behalf of the parties hereto.

21. **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.

22. **GOVERNING LAW**

This Agreement and any non-contractual obligations arising out of or in connection with it is governed by, and shall be construed in accordance with, the laws of England and Wales.

IN WITNESS whereof the parties hereto have executed this Agreement as a deed on the day and year first before written at London.

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

**PARAGON MORTGAGES (2010)
LIMITED**

Signature: A. Johnson

By: 

Name: JOHN HARNEY

Witness Name: ALANNA JOHNSON Title: Director

Occupation: TRAINEE SOLICITOR

Address: 10 UPPER BANK STREET

LONDON

E14 5JJ

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

MORTGAGE TRUST LIMITED

Signature: A. Johnson

By: 

Name: JOHN HARNEY

Witness Name: ALANNA JOHNSON Title: Director

Occupation: TRAINEE SOLICITOR

Address: 10 UPPER BANK STREET

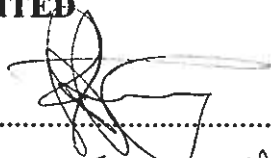
LONDON

E14 5JJ

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

**PARAGON FOURTH FUNDING
LIMITED**

Signature: A. JONNED

By: 
Name: JOHN HARKEY

Witness Name: ALANNA JONNED Title: Director

Occupation: TRAVEL SOLICITOR

Address: 10 UPPER BANK STREET

LONDON

E14 5JJ

EXECUTED as a **DEED** and delivered by
PARAGON FIFTH FUNDING LIMITED
acting by two Directors being

)
)
)

SFM Directors Limited; and



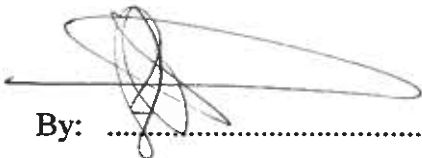
SFM Directors (No.2) Limited



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

MORTGAGE TRUST SERVICES PLC

Signature: A. JONNED

By: 
Name: JOHN HARKEY

Witness Name: ALANNA JONNED Title: Director

Occupation: TRAVEL SOLICITOR

Address: 10 UPPER BANK STREET

LONDON

E14 5JJ

EXECUTED as a **DEED** and delivered by)
PARAGON MORTGAGES (NO.19) PLC)
acting by two Directors being)

SFM Directors Limited; and

SFM Directors (No.2) Limited

.....
.....

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

**CITICORP TRUSTEE COMPANY
LIMITED**

Signature: A Johnson

By: [Signature]
Name: Justin Ng
Vice President

Witness Name: ANNA JOHNSON Title: Attorney

Occupation: TRAINED SOLICITOR

Address: Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

SCHEDULE 1
INSURANCE CONTRACTS

1. In respect of the Individual Mortgages and the Corporate Mortgages:
 - (A) The Fidelity Insurance Policy to the extent of any loss to the Issuer arising in connection with the performance by or on behalf of the Administrator of the services to be provided pursuant to the Administration Agreement.
 - (B) The "Mortgage Impairment Insurance for Financial Institutions Policy" to the extent it relates to the Mortgages.
 - (C) The Block Buildings Policies to the extent that such policies relate to the Properties.
 - (D) Those buildings insurance policies on the Properties (not being any of the Block Buildings Policies) where the Mortgagee is a named insured or where the Mortgagee's interest is noted.

**SCHEDULE 2
MORTGAGE DOCUMENTATION**

PART A – PML Mortgages

PM 2010 Origination Documentation Reference

Legal Charge	FMNL4708
Mortgage Conditions	FMNL4728 (4)
General and Special Mortgage Conditions	FMNL4713 (25)
General and Special Mortgage Conditions	(June 13) FMNL7550
Offer of Loan Offer template – Ltd Co	
Offer template – Non Ltd Co	
Supplemental Instructions and Guidance Notes to Solicitors	FMNL4711 (12)
Guarantee for corporate borrowers	FMNL4707 (14)
Certification of confirmation of advice (corporate borrowers)	FMNL4706 (5)
Certificate of satisfaction	FMNL4726 (32)
Certificate of satisfaction	
Notice to Freeholder	FMNL4714 (3)
Deeds Schedule WEB	FMNL4712 (2)

Libor Linked

Reference

2 Year Libor Tracker plus 4%	012 LHM
5 Year Libor Tracker plus 4.25%	002
5 Year Libor Tracker plus 3.75%	003 LHM
5 Year Libor Tracker plus 4.25%	004 LHM
2 Year Libor Tracker plus 3.5%	009
2 Year Libor Tracker plus 4%	010
2 Year Libor Tracker plus 3.5%	011 LHM
5 Year Libor Tracker plus 3.75%	001
2 Year Libor Tracker plus 2.5% (Feb 11)	016 B
2 Year Libor Tracker plus 3.19% (Feb 11)	017 B
2 Year Libor Tracker plus 3.8% (Feb 11)	018 B
3 Year Libor Tracker plus 2.8% (Feb 11)	019 B
2 Year Libor Tracker plus 3.09% (Apr 11)	041 RFMS
2 Year Libor Tracker plus 3.4% (May 11)	046 B
2 Year Libor Tracker plus 3.5% (May 11)	047 B
2 Year Libor Tracker plus 3.6% (May 11)	048 B
2 Year Libor Tracker plus 3.09% (May 11)	050 RRM
2 Year Libor Tracker plus 2.79% (Jul 11)	062
2 Year Libor Tracker plus 2.89% (Jul 11)	063
2 Year Libor Tracker plus 2.99% (Jul 11)	064
2 Year Libor Tracker plus 3.40% (Jul 11)	065
2 Year Libor Tracker plus 3.50% (Jul 11)	066
2 Year Libor Tracker plus 3.60% (Jul 11)	067
2 Year Libor Tracker plus 3.40% (Jul 11)	068
2 Year Libor Tracker plus 3.50% (Jul 11)	069
2 Year Libor Tracker plus 3.60% (Jul 11)	070
2 Year Libor Tracker plus 3.40% (Jan 12)	091

2 Year Libor Tracker plus 3.89% (Jan 12)	092
2 Year Libor Tracker plus 3.40% (Apr 12)	327
2 Year Libor Tracker plus 3.89% (Apr 12)	328
2 Year Libor Tracker plus 3.60% (Apr 12)	335
2 Year Libor Tracker plus 3.85% (Apr 12)	336
2 Year Libor Tracker plus 4.10% (Apr 12)	337
2 Year Libor Tracker plus 3.70% (Apr 12)	338
2 Year Libor Tracker plus 3.95% (Apr 12)	339
2 Year Libor Tracker plus 4.20% (Apr 12)	340
2 Year Libor Tracker plus 3.80% (Apr 12)	341
2 Year Libor Tracker plus 4.05% (Apr 12)	342
2 Year Libor Tracker plus 4.30% (Apr 12)	343
5 Year Libor Tracker plus 4.25% (Apr 12)	344
2 Year Libor Tracker plus 4.60% (Nov 12)	354
2 Year Libor Tracker plus 5.10% (Nov 12)	355
2 Year Libor Tracker plus 4.70% (Nov 12)	356
2 Year Libor Tracker plus 5.20% (Nov 12)	357
2 Year Libor Tracker plus 4.80% (Nov 12)	358
2 Year Libor Tracker plus 5.30% (Nov 12)	359
2 Year Libor Tracker plus 4.39% (Nov 12)	367
2 Year Libor Tracker plus 4.39% (Nov 12)	368
2 Year Libor Tracker plus 2.80% (Nov 12)	030
2 Year Libor Tracker plus 3.39% (Nov 12)	031
2 Year Libor Tracker plus 4.14% (Nov 12)	032
2 Year Libor Tracker plus 4.64% (Nov 12)	033
2 Year Libor Tracker plus 2.39% (Jan 13)	380
2 Year Libor Tracker plus 2.55% (Jan 13)	381
2 Year Libor Tracker plus 2.75% (Jan 13)	382
2 Year Libor Tracker plus 2.65% (Jan 13)	383
2 Year Libor Tracker plus 2.85% (Jan 13)	384
2 Year Libor Tracker plus 2.39% (Jan 13)	392
2 Year Libor Tracker plus 2.95% (Jan 13)	393
2 Year Libor Tracker plus 3.05% (Jan 13)	394
2 Year Libor Tracker plus 2.39% (Mar 13)	403
2 Year Libor Tracker plus 2.69% (Mar 13)	404
2 Year Libor Tracker plus 3.05% (Mar 13)	405
2 Year Libor Tracker plus 2.39 (May 13)	418
2 Year Libor Tracker plus 2.95% (May 13)	419
2 Year Libor Tracker plus 2.39% (May 13)	424
2 Year Libor Tracker plus 2.69% (May 13)	425
2 Year Libor Tracker plus 3.39% (May 13)	426
2 Year Libor Tracker plus 3.60% (May 13)	433
2 Year Libor Tracker plus 4.10% (May 13)	434
2 Year Libor Tracker plus 4.60% (May 13)	435
2 Year Libor Tracker plus 5.10% (May 13)	436
2 Year Libor Tracker plus 3.70% (May 13)	437
2 Year Libor Tracker plus 4.20% (May 13)	438
2 Year Libor Tracker plus 4.70% (May 13)	439
2 Year Libor Tracker plus 5.20% (May 13)	440
2 Year Libor Tracker plus 3.80% (May 13)	441

2 Year Libor Tracker plus 4.30% (May 13)	442
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2 Year Libor Tracker plus 3.80% (Jan 14)	508
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2 Year Fixed Rate @4.89% (May 11)	043 B
2 Year Fixed Rate @4.99% (May 11)	044 B
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Reference

2 Year Fixed Rate @4.29% (Jul 11)	053
2 Year Fixed Rate @4.39% (Jul 11)	054
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2 Year Fixed Rate @5.04% (Jul 11)	056
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2 Year Fixed Rate @4.25% (Oct 13)	468
2 Year Fixed Rate @3.30% (Oct 13)	469
2 Year Fixed Rate @4.15% (Oct 13)	470
2 Year Fixed Rate @3.79% (Oct 13)	471
2 Year Fixed Rate @3.95% (Nov 13)	473
2 Year Fixed Rate @3.99% (Dec 13)	477
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2 Year Fixed Rate @4.45% (Jan 14)	483
2 Year Fixed Rate @5.45% (Jan 14)	484
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2 Year Fixed Rate @3.49% (Jan 14)	495
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Mortgage Trust Conditions

Mortgage Trust Limited Mortgage Conditions (1996 Edition)	CPD 1/96
Mortgage Trust Limited Offer Conditions (1996 Edition)	
Mortgage Trust Limited Mortgage Conditions (1998 Edition)	MTL 146 5/98
First Active Financial plc Mortgage Conditions (1998 Edition)	FAF 146 9/98
First Active Financial plc Offer Conditions (1998 Edition)	FAF 141 9/98
First Active Financial plc Mortgage Conditions (1999 Edition)	FAF 146 9/99
First Active Financial plc Offer Conditions (1999 Edition)	FAF 141 8/99
First Active Financial plc Mortgage Conditions (2000 Edition)	FAF 685 4/00
Britannic Money plc Mortgage Conditions (England & Wales)	BRM 146 2/01 (2001 Edition)
Britannic Money plc Offer Conditions (England & Wales)	BRM 141 2/01 (2001 Edition)

Mortgage Trust Documentation – England & Wales Corporate

Offer Conditions (England and Wales) 2003 Edition	MTR 141 9/03
Occupiers Letter	MTR 327 9/03
Legal charge	MTR 138 9/03
Certificate of Title	MTR 140 9/03
Notice of Charge to Landlords	MTR 142 9/03
Schedule of Title Deeds and Documents	MTR 145 9/03
Deed of Postponement	MTR 405 9/03
Instructions to Solicitors (England and Wales)	MTR 144 9/03
Mortgage Conditions (England and Wales) 2003 Edition Guarantee	MTR 146 9/03

Mortgage Trust Documentation – England & Wales Individual

Offer Conditions (England and Wales) 2003 Edition	MTR 141 9/03
Occupiers Letter	MTR 327 9/03
Legal charge	MTR 138 9/03
Certificate of Title	MTR 140 9/03
Notice of Charge to Landlords	MTR 142 9/03
Schedule of Title Deeds and Documents	MTR 145 9/03
Deed of Postponement	MTR 405 9/03
Instructions to Solicitors (England and Wales)	MTR 144 9/03
Mortgage Conditions (England and Wales) (2003 Edition)	MTR 146 9/03

Mortgage Trust Documentation

Mortgage Trust Limited Certificate of Title (1996)	CPD 1/96
Mortgage Trust Limited Certificate of Title (1998)	
Mortgage Trust Limited Personal Guarantee (1996)	
Mortgage Trust Limited Personal Guarantee (1998)	
Mortgage Trust Limited Legal Charge (1996)	CPD 1/90
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Mortgage Trust Limited Personal Guarantee (English)
Instructions to Solicitors (England and Wales) 2003
Offer Conditions – Base Rate Product
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Offer Conditions – LIBOR Tracker Product
Offer Conditions – Variable Rate Product
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Britannic Money

Britannic Money plc Certificate of Title	BRM 140 2/01
Britannic Money plc Personal Guarantee	BRM xxx 2/01
Britannic Money plc Instructions to Solicitors	
Britannic Money plc Legal charge	BX 294
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First Active

First Active Financial plc Certificate of Title	FAF 140 9/99
First Active Financial plc Personal Guarantee	
First Active Financial plc Instructions to Solicitors	
First Active Financial plc Offer	FAF 001 9/98

SCHEDULE 3
UNREGISTERED LAND TRANSFER

THIS DEED OF TRANSFER OF MORTGAGES is made the [____] day of [____]

BETWEEN:

(1) [PARAGON MORTGAGES (2010) LIMITED / MORTGAGE TRUST LIMITED] whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (hereinafter called the "**Transferor**"); and

and

(2) PARAGON MORTGAGES (NO. 19) PLC whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (hereinafter called the "**Transferee**") of the other part,

WHEREAS:

- (A) By the charges by way of legal mortgage (the "**Mortgages**"), brief particulars of which are set out in the Annexure hereto, the properties, brief particulars of which are similarly set out, became security for the repayment of the moneys therein mentioned.
- (B) The Transferor has agreed to sell and the Transferee has agreed to buy all right, title, interest, benefit and obligation (both present and future) of the Transferor in and under those Mortgages and all other mortgages in favour of the Transferor over such properties which do not relate to registered land for the consideration hereinafter mentioned.

NOW THIS DEED WITNESSETH as follows:

In consideration of the payment by the Transferee to Transferor of the purchase price therefor pursuant to a Mortgage Sale Agreement dated 18 March 2014 for their respective right, title and interest in and to the Mortgages, the Transferor hereby transfers unto the Transferee with full title guarantee all right, title, interest, benefit and obligation (both present and future) of the mortgagee in and under the Mortgages which do not relate to registered land, including for the avoidance of doubt:

- (i) all sums of principal interest or any other sum payable under, and the right to demand, sue for, recover, receive and give receipts for all principal moneys payable or to become payable under, the relevant Mortgages or the unpaid part thereof and the interest due or to become due thereon including sums which have accrued and have become due and payable and interest (including capitalised interest) or other sums due to be paid or accrued under or in respect of the Mortgages (**provided that** the principal moneys payable under any Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for redemption of the relevant Mortgage has passed); and
- (ii) the obligation to make further advances of principal and/or interest where the mortgagee is under an obligation to make further advances whether on a scheduled basis or on demand save that, in respect of Mortgages where the relevant borrower is an individual, this shall not mean that the Transferor is, as against the mortgagee, no

longer to be regarded as the creditor for the purposes of the Consumer Credit Act 1974; and

- (iii) the benefit of all securities for such principal moneys and interest, the benefit of all consents to mortgage signed by occupiers of the mortgaged properties and the benefit of and the right to sue on all covenants with, or vested in, the mortgagee in each Mortgage and the right to exercise all powers of the mortgagee in relation to each Mortgage; and
- (iv) all the estate and interest in the mortgaged properties vested in the mortgagee subject to redemption or cesser; and
- (v) all causes of action of the mortgagee against any person in connection with any report, valuation, opinion, certificate, consent to mortgage or other statement of fact or opinion given in connection with any Mortgage or affecting the decision to make the relevant advance; and
- (vi) the benefit of any guarantee or surety vested in the Transferor relating to any of the relevant Mortgages, and any other collateral security relating to the Mortgages,

but excluding (i) the charges on the life assurance policies (if any) charged as collateral security therefor and (ii) the Transferor's right, title, interest and benefit in any other insurance contracts in relation to the charged properties.

IN WITNESS whereof the Transferor has caused this Transfer to be executed as its Deed on its behalf the day and year first before written.

Executed by:

**[Paragon Mortgages (2010)
Limited/Mortgage Trust Limited]**

as its deed as follows:

Signed for and on its behalf by one of its directors

Signature:

By:.....

Witness Name:

Name:

Occupation:

Title: Director

Address:

EXECUTED as a **DEED** and delivered by
PARAGON MORTGAGES (NO.19) PLC
acting by two Directors being

SFM Directors Limited; and

SFM Directors (No.2) Limited

ANNEXURE

**SCHEDULE 4
POWER OF ATTORNEY**

PART A

PARAGON MORTGAGES (2010) LIMITED POWER OF ATTORNEY

THIS POWER OF ATTORNEY is made by way of Deed on [•] 2014

BY:

- (3) **PARAGON MORTGAGES (2010) LIMITED** whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (the "**Donor**"),

IN FAVOUR OF:

- (4) **PARAGON MORTGAGES (NO. 19) PLC** whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (the "**Issuer**", which term, where the context permits, shall include its successors and permitted assigns);
- (5) **CITICORP TRUSTEE COMPANY LIMITED** whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**", which term, where the context permits, shall include such company and all other persons or companies for the time being acting as the trustee or trustees under the Trust Deed (as defined in the Deed of Charge referred to below));
- (6) **MORTGAGE TRUST SERVICES PLC** whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (in its capacity as an "**Administrator**"); and
- (7) **PARAGON MORTGAGES (2010) LIMITED** (in its capacity as an "**Administrator**") whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ.

WHEREAS:

- (C) The Issuer has agreed to purchase mortgages from time to time as provided in the Mortgage Sale Agreement.
- (D) The Donor is or may become (or is entitled to be or may become entitled to be) the legal owner of the said several mortgages (each such mortgage being hereinafter called a "**Charge**").
- (E) By a deed of sub-charge and assignment dated 18 March 2014 and made between, among others, the Issuer, the Trustee, each Administrator and the Donor (the "**Deed of Charge**") the Issuer transferred or assigned in security or agreed to transfer or assign in security to the Trustee, among other things, its rights in each Charge subject to the proviso for re-transfer therein contained.
- (F) At the request of the Issuer, the Trustee and each Administrator, the Donor has agreed to enter into these presents for the purposes hereinafter appearing.

NOW THIS DEED WITNESSETH that the Donor **HEREBY APPOINTS** the Issuer, the Trustee and the Administrators severally to be its true and lawful attorney (with power to sub-delegate) for it and in its name to do the following acts and things or any of them for so long only as the Donor remains the legal owner of the Charges:

- (i) to exercise the rights, powers and discretion under such Charge (including the right to fix the rate or rates of interest payable under such Charge and to calculate the Monthly Payments or Net Monthly Payments, as the case may be, (being of combined interest and principal) payable by the Borrower in the case of a Repayment Mortgage) and any collateral security therefor and any related rights;
- (ii) to exercise all the powers exercisable by the Donor by reason of its remaining for the time being the legal owner of such Charge and in particular, but without prejudice to the generality of the foregoing, to make further advances to the Borrower;
- (iii) to demand, sue for and receive all moneys due or payable under such Charge or any such collateral security or related rights;
- (iv) upon payment of such moneys or of any part thereof to give good receipts and discharges for the same and to execute such receipts releases re assignments retrocessions surrenders instruments and deeds as may be requisite or advisable;
- (v) from time to time to substitute and appoint severally one or more attorney or attorneys for all or any of the purposes aforesaid;
- (vi) to do and complete all such acts and things and to execute any deeds and documents as may be necessary to perfect the title of the Issuer to any Charge including the execution of transfers and assignments of the Charges and, where relevant, procuring the registration of the Issuer as registered proprietor of any Charge at the Land Registry of England and Wales;
- (vii) to deal with the funds standing to the credit of the Collection Accounts in accordance with the provisions of the Relevant Documents but subject to the terms of the Collection Account Declarations of Trust; and
- (viii) (in relation to the Trustee and the Administrators acting as Attorney under this sub clause (viii) only) to execute under hand or seal any instrument necessary or expedient to discharge, vacate or release any and every mortgage assigned or transferred to the Issuer by the Donor under a mortgage sale agreement dated the same date as this Power of Attorney between, among others, the Donor, the Warehousemen, the Issuer and the Trustee (the "**Mortgage Sale Agreement**"),

in such form as the Trustee or the Administrators acting as Attorney in relation to this sub-clause (viii) shall consider appropriate,

AND the Donor hereby agrees at all times hereafter to ratify and confirm whatsoever any act matter or deed any attorney or substitute shall lawfully do or cause to be done under or concerning these presents,

AND the Donor hereby declares that these presents having been given for security purposes and to secure a continuing obligation the powers hereby created shall be irrevocable.

Terms defined in the Administration Agreement (as defined in the Deed of Charge) have the same meanings when used in this Deed.

AND this Deed is governed by, and shall be construed in accordance with, the laws of England.

IN WITNESS whereof the Donor has caused this Power of Attorney to be executed as a Deed on its behalf the day and year first before written.

Executed by: **Paragon Mortgages (2010) Limited**
as its deed as follows:

Signed for and on its behalf by one of its directors

Signature:

By:.....

Witness Name:

Name:

Occupation:

Title: Director

Address:

**PART B
MORTGAGE TRUST LIMITED POWER OF ATTORNEY**

THIS POWER OF ATTORNEY is made by way of Deed on [•] 2014

BY:

- (1) **MORTGAGE TRUST LIMITED** whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (the "**Donor**"),

IN FAVOUR OF:

- (2) **PARAGON MORTGAGES (NO. 19) PLC** whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (the "**Issuer**", which term, where the context permits, shall include its successors and permitted assigns);
- (3) **CITICORP TRUSTEE COMPANY LIMITED** whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**", which term, where the context permits, shall include such company and all other persons or companies for the time being acting as the trustee or trustees under the Trust Deed (as defined in the Deed of Charge referred to below)); and
- (4) **PARAGON MORTGAGES (2010) LIMITED** whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (in its capacity as an "**Administrator**").
- (5) **MORTGAGE TRUST SERVICES PLC** whose registered office is at 51 Homer Road, Solihull, West Midlands, B91 3QJ (in its capacity as an "**Administrator**").

WHEREAS:

- (G) The Issuer has agreed to purchase mortgages from time to time as provided in the Mortgage Sale Agreement.
- (H) The Donor is or may become (or is entitled to be or may become entitled to be) the legal owner of the said several mortgages (each such mortgage being hereinafter called a "**Charge**").
- (I) By a deed of sub charge and assignment dated 18 March 2014 and made between, among others, the Issuer, the Trustee, the Administrators and the Donor (the "**Deed of Charge**") the Issuer transferred or assigned in security or agreed to transfer or assign in security to the Trustee, among other things, its rights in each Charge subject to the proviso for re transfer therein contained.
- (J) At the request of the Issuer, the Trustee and the Administrators, the Donor has agreed to enter into these presents for the purposes hereinafter appearing.

NOW THIS DEED WITNESSETH that the Donor **HEREBY APPOINTS** the Issuer, the Trustee and each Administrator severally to be its true and lawful attorney (with power to sub

delegate) for it and in its name to do the following acts and things or any of them for so long only as the Donor remains the legal owner of the Charges:

- (i) to exercise the rights, powers and discretion under such Charge (including the right to fix the rate or rates of interest payable under such Charge and to calculate the Monthly Payments (being of combined interest and principal) payable by the Borrower in the case of a Repayment Mortgage) and any collateral security therefor and any related rights;
- (ii) to exercise all the powers exercisable by the Donor by reason of its remaining for the time being the legal owner of such Charge and in particular, but without prejudice to the generality of the foregoing, to make further advances to the Borrower;
- (iii) to demand, sue for and receive all moneys due or payable under such Charge or any such collateral security or related rights;
- (iv) upon payment of such moneys or of any part thereof to give good receipts and discharges for the same and to execute such receipts releases re assignments retrocessions surrenders instruments and deeds as may be requisite or advisable;
- (v) from time to time to substitute and appoint severally one or more attorney or attorneys for all or any of the purposes aforesaid;
- (vi) to do and complete all such acts and things and to execute any deeds and documents as may be necessary to perfect the title of the Issuer to any Charge including the execution of transfers and assignments of the Charges and, where relevant, procuring the registration of the Issuer as registered proprietor of any Charge at the Land Registry of England and Wales;
- (vii) to deal with the funds standing to the credit of the Collection Accounts in accordance with the provisions of the Relevant Documents but subject to the terms of the Collection Account Declarations of Trust; and
- (viii) (in relation to the Trustee and the Administrators acting as Attorney under this sub clause (viii) only) to execute under hand or seal any instrument necessary or expedient to discharge, vacate or release any and every mortgage assigned or transferred to the Issuer by the Donor under a mortgage sale agreement dated the same date as this Power of Attorney between, among others, the Donor, the Warehousemen, the Issuer and the Trustee (the "**Mortgage Sale Agreement**"),

in such form as the Trustee or the Administrators acting as Attorney in relation to this sub clause (viii) shall consider appropriate,

AND the Donor hereby agrees at all times hereafter to ratify and confirm whatsoever any act matter or deed any attorney or substitute shall lawfully do or cause to be done under or concerning these presents,

AND the Donor hereby declares that these presents having been given for security purposes and to secure a continuing obligation the powers hereby created shall be irrevocable.

Terms defined in the Administration Agreement (as defined in the Deed of Charge) have the same meanings when used in this Deed.

AND this Deed is governed by, and shall be construed in accordance with, the laws of England.

IN WITNESS whereof the Donor has caused this Power of Attorney to be executed as a Deed on its behalf the day and year first before written.

Executed by: **Mortgage Trust Limited**

as its deed as follows:

Signed for and on its behalf by one of its directors

Signature:

By:.....

Witness Name:

Name:

Occupation:

Title: Director

Address:

SCHEDULE 5
LENDING GUIDELINES

The guidelines provided by PML to help introducers of mortgage loan business to PML to assess the suitability of a potential borrower and of the security offered, set a standard in respect of the PML Mortgages which, at the time that any PML Mortgage was originated, was not substantially different from the following (which, although expressed in the present tense, should be read as applying at the time of origination). On occasions, flexibility to the lending guidelines may have been applied for applications that may be outside of the guidelines detailed below. Such occasions are exceptional and when they occur approval of the case must be made by a senior underwriter and only made where there are other mitigating circumstances which ensure the application remains of the highest quality.

1. Personal Details
 - 1.1 The maximum number of applicants who may be party to the mortgage is four.
 - 1.2 All applicants must be a minimum of 18 years of age at completion.
 - 1.3 The identity of each applicant or guarantor (where applicable) must be established in compliance with the current Joint Money Laundering Steering Group Guidance Notes.
 - 1.4 The applicant must be resident in the United Kingdom, the Isle of Man, the Channel Islands or Gibraltar.
2. Corporate Mortgages
 - 2.1 The applicant must be an unlisted limited liability company incorporated and trading under the laws of England and Wales, the Isle of Man, the Channel Islands or Gibraltar.
 - 2.2 The Seller may request references and/or any other information deemed necessary in connection with an application (such as company accounts, corporate searches at Companies Registry, the computerised index of winding up petitions, the manual index of High Court petitions for administration orders at the Central Registry of Winding Up Petitions, etc.).
 - 2.3 All amounts payable under the corporate mortgage loan must be guaranteed by an individual who is a director of the applicant corporate borrower.

3. Mortgage Requirements

3.1 Applications in respect of a single investment home property will usually be limited in accordance with the following table:

Loan Size	Maximum LTV
Up to £500,000	80 per cent. excluding fees
Up to £1,000,000	75 per cent. excluding fees
Up to £2,000,000	70 per cent. excluding Fees

3.2 Multiple applications for investment home properties will be considered up to a total of £5,000,000 per borrower(s).

3.3 The maximum term for a loan is 30 years, the minimum is 5 years.

3.4 Loans may be taken on either a capital repayment or an Interest-only basis, or a combination of the two.

4. Property Details

4.1 Loans must be secured on residential property which, following a valuation by the Seller's valuer or a valuer appointed to act on the Seller's behalf, or in the case of a further advance application, an assessed valuation by reference to an applicable house price index, is considered to be suitable security.

4.2 The following are unacceptable to the Seller:

- Properties located other than in the U.K.
- Freehold flats and maisonettes
- Properties designated under the Housing Act 1985
- Properties having agricultural restrictions
- Construction loans

4.3 The following will be considered by the Seller on an individual basis:

- Properties used for part commercial purposes
- Properties with adjoining land used for commercial purposes or having agricultural or other planning restrictions
- Properties on which buildings insurance is not available on block policy terms

- Flats directly attached to or directly above commercial premises
 - Properties with an element of flying freehold
 - Self build properties (post-completion)
 - Local Authority flats being purchased under the "Right to Buy" scheme
- 4.4 Properties under 10 years old must have the benefit of an NHBC certificate or any other approved guarantee from an acceptable body. Architects' certificates must also be provided for each stage of construction together with Local Authority approval in respect of properties under 10 years old that do not have the benefit of an NHBC certificate or other approved guarantee from an acceptable body. Similar requirements may be imposed for converted properties.
- 4.5 Properties may be let on an assured shorthold tenancy basis or in circumstances where the occupier (which may include a body corporate, a charitable institution or public sector body) has no statutory security of tenure. Where the occupier is a body corporate, the maximum length of lease will normally be for a period no longer than 3 years. Where the occupier is a charitable institution or public sector body, the maximum length of lease will normally be for a period no longer than 5 years.
- 4.6 Where the tenure of the property is leasehold, the minimum length of the lease at the end of the mortgage term must be 35 years.
- 4.7 All properties must be insured for a minimum of the reinstatement amount shown on the valuation report, under a comprehensive insurance policy.
5. Credit History
- A credit search will be carried out in respect of all applicants which must provide sufficient information to evidence a satisfactory credit profile. Where the search contains insufficient information to achieve this, further evidence will be required. This may include, for example, proof of mortgage payments or satisfactory bank statements.
6. Income and Employment Details
- 6.1 In the case of an investment home property, the Seller will seek to use the rental income generated from the property to be mortgaged within an affordability calculation. The normal minimum rental value will be 130 per cent. or in certain circumstances 125 per cent. of the associated mortgage payment when calculated on an Interest-only basis at either the product rate or reference rate. The reference rate is based upon long term loan rates and is reviewed by the Seller's credit committee on a quarterly basis. Its use removes anomalies in the affordability calculation which may be caused by, for example, specialist product rates, discounted rates, fixed rates etc.
- 6.2 Where rental income from an investment home property is deemed insufficient to fulfil paragraph 6.1 above, evidence of additional income will be required. This may

include, for example, the latest or most recent P60, an employer's reference, audited accounts, bank statements or cash flow statements.

SCHEDULE 6
FORM OF SOLVENCY CERTIFICATE

[Paragon Mortgages (No. 19) PLC /Paragon Mortgages (2010) Limited/Mortgage Trust Limited/Paragon Fourth Funding Limited]/Paragon Fifth Funding Limited/First Flexible No 4 plc]

(registered in England and Wales under no. [____])
Registered Office: 51 Homer Road, Solihull, West Midlands

[•] 2014

SOLVENCY CERTIFICATE

The Directors of [Paragon Mortgages (No. 19) PLC/ Paragon Mortgages (2010) Limited / Mortgage Trust Limited / Paragon Fourth Funding Limited / Paragon Fifth Funding Limited / First Flexible No 4 plc] (the "**Company**") are of the opinion that:

- (i) the Company is not unable to pay its debts within the meaning of Section 123 Insolvency Act 1986 and will not become unable to do so in consequence of entering into the Documents as defined in the Board Resolutions of the Company dated [____] (the "**Transaction Documents**") or of completing the sale of Mortgages on the date hereof pursuant to the Mortgage Sale Agreement included in the Transaction Documents (the "Sale") and there is no reason for believing that this state of affairs will not continue thereafter;
- (ii) the value of the consideration to be [received/paid] by the Company for entering into the Transaction Documents and completing the Sale is not significantly less than the value in money or monies worth or of the consideration provided by the Company;
- (iii) the Company is entering into the Transaction Documents and completing the Sale in good faith and for the purpose of carrying on its business;
- (iv) that the arrangements contemplated by the Transaction Documents and the Sale benefit the Company;
- (v) the value of the assets of the Company are now and will remain immediately after the completion of the Transaction Documents and the Sale greater than its liabilities, taking into account its prospective and contingent liabilities, at such times for the purposes of Sections 123(2) of the said Act (and for all other purposes) and there is no reason for believing that this state of affairs will not continue thereafter;
- (vi) in entering into the Transaction Documents the Company is not influenced by a desire to give a preference to any person as contemplated by Section 239 of the Insolvency Act 1986; and
- (viii) to the best of their knowledge and belief, oral disclosure at the Central Registry of Winding up Petitions on the date hereof failed to disclose the presentation of a

winding up petition, or the appointment of an administrator or any other material information.

Yours faithfully,

.....
Director

[Paragon Mortgages (No. 19) PLC/ Paragon Mortgages (2010) Limited / Mortgage Trust Limited / Paragon Fourth Funding Limited / Paragon Fifth Funding Limited / First Flexible No 4 plc]

**SCHEDULE 7
FORM OF PML ADDITIONAL MORTGAGE REQUEST**

[Letterhead of Paragon Fourth Funding Limited / Paragon Fifth Funding Limited]

To: Paragon Mortgages (2010) Limited
51 Homer Road
Solihull
West Midlands B91 3QJ]

Paragon Mortgages (No. 19) PLC
51 Homer Road
Solihull
West Midlands B91 3QJ

and

Citicorp Trustee Company Limited
Citigroup Centre,
Canada Square
Canary Wharf
London E14 5LB
(in its capacity as Trustee)

Dear Sirs

[Date]

PML Additional Mortgages

Pursuant to Clause 2.2 of the Mortgage Sale Agreement between, among others, us dated 18 March 2014 (the "MSA") we hereby request that the Additional Mortgages, to be identified in a schedule to be produced on or before the date referred to below, be purchased by Paragon Mortgages (2010) Limited for a sum no greater than the PML Current Pre-Funding Amount (which, for the avoidance of doubt, excludes the FRS 26 Adjustment which will be funded pursuant to the Subordinated Loan Agreement) on 18 March 2014.

Pursuant to Clause 3.2 of the MSA, Paragon Mortgages (No. 19) PLC will be required to purchase the specified Additional Mortgages from Paragon Mortgages (2010) Limited.

Yours faithfully

.....
[Paragon Fourth Funding Limited/Paragon Fifth Funding Limited]

**SCHEDULE 8
FORM OF MTL ADDITIONAL MORTGAGE REQUEST**

[Letterhead of Mortgage Trust Limited]

To: Paragon Mortgages (No. 19) PLC
51 Homer Road
Solihull
West Midlands B91 3QJ

and

Citicorp Trustee Company Limited
Citigroup Centre,
Canada Square
Canary Wharf
London E14 5LB
(in its capacity as Trustee)

Dear Sirs

[Date]

MTL Additional Mortgages

Pursuant to Clause 3.4 of the Mortgage Sale Agreement between, among others, us dated 18 March 2014 (the "**MSA**") we hereby request that the Additional Mortgages, to be identified in a schedule to be produced on or before the date referred to below, be purchased by Paragon Mortgages (No. 19) PLC (the "**Issuer**") for a sum no greater than the then current balance standing to the credit of the Pre-Funding Reserve Ledger (which, for the avoidance of doubt, excludes the FRS 26 Adjustment which will be funded pursuant to the Subordinated Loan Agreement) representing the MTL Current Pre-Funding Amount on 18 March 2014.

Yours faithfully

.....
Mortgage Trust Limited

SCHEDULE 9
FORM OF FF4 DOCUMENTATION

PART A
FORM OF THE FF4 MORTGAGE SALE AGREEMENT

FF4 MORTGAGE SALE AGREEMENT

made on

[•]

between

MORTGAGE TRUST LIMITED

as the Purchaser

and

FIRST FLEXIBLE NO.4 PLC

as the Issuer

THIS MORTGAGE SALE AGREEMENT is made by way of deed on [•]

BETWEEN:

- (6) **MORTGAGE TRUST LIMITED** (registered number 2048895) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ ("**MTL**", which term where the context permits shall include its successors and permitted assigns); and
- (7) **FIRST FLEXIBLE NO.4 PLC** (registered number 4176542) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ (the "**Issuer**", which term where the context permits shall include its successors and permitted assigns).

IT IS HEREBY AGREED as follows:

1. **INTERPRETATION**

1.1 *Definitions*

In this Agreement, except so far as the context otherwise requires and subject to any contrary indication:

"**Annexures**" means the sections of the Sale Notice containing brief particulars of the relevant Mortgages;

"**Accrued Arrears**" means, in respect of any Mortgage, the amount of all sums which have accrued as due and payable by the Borrowers in respect of such Mortgage in respect of the period up to but excluding the Sale Date and which remain due and payable at the Sale Date (**provided that** the principal moneys payable under any such Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for redemption of the relevant Mortgage has passed as at the Sale Date);

"**Arrears Mortgage**" means a Mortgage in respect of which, on the Sale Date, the amount of the arrears exceeds in aggregate an amount equal to one current monthly payment under that Mortgage;

"**Borrower**" means, in relation to each Mortgage, the same as in the Mortgage Conditions;

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for business in London;

"**Consideration**" has the meaning indicated in Clause 3 (*Consideration*);

"**Determination Date**" means the day which is 8 Business Days preceding an Interest Payment Date;

"**FRS 26 Adjustment**" means the postings required to adjust the carrying volume of a mortgage to that calculated under the "amortised cost basis"(as defined Financial Reporting Standard 26 under UK GAAP) and as calculated by MTL on the Sale Date;

"Insurance Contracts" means in respect of the Mortgages:

- (a) the "Mortgage Impairment Insurance for Financial Institutions Policy" to the extent it relates to the Mortgages; and
- (b) those buildings insurance policies on the Properties (not being any of the Block Buildings Policies) where the Mortgagee is a named insured or where the Mortgagee's interest is noted;

"Interest Payment Date" means the first day of each calendar month in each year or, if such day is not a Business Day, the immediately succeeding Business Day;

"Mortgage Conditions" means the terms and mortgage conditions applicable to the Mortgages and which are comprised in the mortgage documentation used by the original mortgagee, as the case may be, from time to time;

"Mortgagee" means the Seller as mortgagee;

"Mortgages" means the mortgages (and the liabilities secured thereby) brief details of which are set out in the Sale Notice;

"MTS" means Mortgage Trust Services plc;

"Original Mortgage Sale Agreement" means the Mortgage Sale Agreement entered into on 26 July 2001 between, amongst others, the Issuer, MTL (formerly known as Britannic Money plc), and the Trustee (as amended from time to time);

"Property" means, in relation to each Mortgage, the freehold or leasehold residential property upon which the relevant loan under that Mortgage are secured;

"Sale Completion Undertaking" means a letter given by the Seller to MTL substantially in the form of the FF4 Sale Completion Undertaking set out in the Unwinding Transaction Organiser which has been signed by way of acceptance by or on behalf of MTL;

"Sale Notice" means a notice given by the Seller to MTL substantially in the form of the FF4 Sale Notice set out in the Unwinding Transaction Organiser which has been signed by way of acceptance by or on behalf of MTL;

"Sale Date" means the Termination Date;

"Securitisation Termination Agreement" means an agreement made on or before the Sale Date between, amongst others, the Issuer, MTL and the Trustee substantially in the form of the Securitisation Termination Agreement set out in the Unwinding Transaction Organiser;

"Securitisation Transaction" means the transaction which closed on 26 July 2001 aspects of which are described in an Offering Circular by the Issuer dated 23 July 2001 and all incidental, ancillary or related matters;

"Security Deed" means the Deed of Charge and Assignment entered into on 26 July 2001 between, amongst others, the Issuer, the Trustee, and MTL (formerly known as Britannic Money plc);

"Security Release" means a document substantially in the form of the FF4 Security Release Deed set out in the Unwinding Transaction Organiser;

"Seller" means the Issuer;

"Seller Solvency Certificate" means a solvency certificate substantially in the form of the FF4 Solvency Certificate set out in the Unwinding Transaction Organiser;

"Servicing Agreement" means the servicing agreement entered into on 26 July 2001 between, amongst others, MTL (formerly known as Britannic Money plc), the Issuer and the Trustee;

"Termination Date" means [•];

"Trustee" means The Bank of New York Mellon, London Branch;

"Trusts Account" means the accounts of MTS numbered 00452165 and 90702560 (code 20-19-90), with Barclays Bank PLC at its branch at 1 Churchill Place, London E14 5HP;

"Unwinding Document" means a document relating to, and/or produced for the purpose of implementing any aspect of the Unwinding Transaction (including, without limitation, the Unwinding Transaction Organiser and each document a form of which is set out in the Unwinding Transaction Organiser) and all notices and ancillary documents relating to any of them;

"Unwinding Transaction" means the unwinding and termination of the Securitisation Transaction (including, without limitation:

- (a) the redemption and discharge of any notes issued by the Issuer and other liabilities of the Issuer;
- (b) the cancellation of the listing of any such notes in the Official List maintained by the United Kingdom Listing Authority and the cancellation of the admission of any such notes to trading by the London Stock Exchange plc;
- (c) the release and discharge of security created by or in favour of the Issuer;
- (d) the disposal of the Issuer's assets; and
- (e) the termination of agreements, deeds, undertakings and arrangements entered into, given and/or made in connection with the Securitisation Transaction),

and all incidental, ancillary or related matters; and

"**Unwinding Transaction Organiser**" means the document entitled FF4 Unwinding Transaction Organiser dated on or about the same date as this Agreement and signed by or on behalf of MTL for the purposes of identification.

1.2 ***Incorporation of terms - LP(MP) Act 1989***

The terms of the Unwinding Documents are incorporated into this Agreement to the extent required for any contract for the disposition of an interest in land (as defined in Section 2(6) of the Law of Property (Miscellaneous Provisions) Act 1989) contained in this Agreement to be a valid agreement in accordance with Section 2(1) of that Act.

1.3 ***Headings and clause references***

The headings and contents pages in this Agreement shall not affect its interpretation. References in this Agreement to clauses shall, unless the context otherwise requires, be construed as references to clauses of this Agreement and references to sub-clauses shall, unless the context otherwise requires, be construed as references to sub-clauses of the clause in which the references appear.

1.4 ***Number, gender and persons***

Words denoting the singular number only shall include the plural number also and vice versa, words denoting one gender only shall include the other genders and words denoting persons only shall include firms and corporations and vice versa.

1.5 ***References to documents***

References in this Agreement to any document shall be deemed also to refer to such document as amended, modified, novated or replaced from time to time.

2. **SALE TO MTL**

2.1 ***Agreement to sell and purchase on Sale Date***

If and when the Sale Notice is signed by or on behalf of each of the Seller and MTL then, subject to the terms and conditions of this Agreement, the Seller agrees to sell and MTL agrees to purchase on the Sale Date:

2.1.1 subject to the subsisting rights of redemption of Borrowers, all right, title, interest, benefit and obligations (to the extent that such obligations are vested in the Seller) of the Seller in the Mortgages, including for the avoidance of doubt:

- (1) all sums of principal, interest or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal moneys payable or to become payable under such Mortgages or the unpaid part thereof and the interest due or to become due thereon and the other sums due under such Mortgages including the Accrued Arrears in respect of any such Mortgage and the amount of any interest (including capitalised interest (if any)) or other sums due

to be paid or accrued in respect of any period up to the Sale Date under or in respect of any Mortgage (**provided that** the principal moneys payable under any such Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for the redemption of the relevant Mortgage has passed); and

- (2) the benefit of all securities for such principal moneys and interest and the benefit of and the right to sue on all obligations and covenants with, or vested in, the Mortgagee in each such Mortgage and the right to exercise all powers in relation to such Mortgages and the benefit of all consents to mortgage signed by occupiers of the Properties; and
- (3) all the estate and interest in the Properties vested in the Mortgagee subject to redemption or cesser; and
- (4) all causes and rights of action against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any such Mortgage or affecting the decision to make the relevant advance; and
- (5) the benefit of any guarantee or surety vested in the Mortgagee relating to any such Mortgage and any other collateral security relating to such Mortgage; and

2.1.2 all right, title, interest and benefit (whether present or future) in relation to the Insurance Contracts in which the Seller has any interest including the right to receive the proceeds of any claim in any case insofar only as such contracts relate to such Mortgages,

such sale and purchase to take effect on the Sale Date immediately upon satisfaction of all of the conditions indicated in Clause 5.1 (*Sale conditions precedent*) and shall be completed in the manner indicated in Clause 5 (*Completion*).

2.2 ***Trust in favour of MTL of any sold assets held by Seller after Sale Date***

If, on or at any time after the Sale Date, the Seller holds, or there is held to its order, or it receives, or there is received to its order any property, interest, right or benefit hereby agreed to be sold to MTL and/or the proceeds thereof, it undertakes with MTL that it will hold such property, interest, right or benefit and/or the proceeds thereof upon trust for MTL as the beneficial owner thereof or as MTL may direct and in the case of proceeds shall forthwith pay such proceeds to MTL or as MTL may direct to be dealt with as provided herein.

2.3 ***Representations and Warranties***

Each of the Issuer and MTL represent and warrant that as at the Sale Date that as far as they are aware, none of the actions described in Clause 7 (*Termination*) of the Servicing Agreement have taken place.

3. **CONSIDERATION**

3.1 *Amount of consideration*

The total consideration payable by MTL to the Seller for the sale by the Seller referred to in Clause 2.1 (*Agreement to sell and purchase on Sale Date*) shall be the Consideration payable as specified in this Agreement. In this Agreement "**Consideration**" shall be a sum equal to:

- 3.1.1 the principal balances in respect of the Mortgages sold by the Seller on the Sale Date as at the Sale Date shown in the Annexure to the Sale Notice pursuant to which such Mortgages are to be sold on the Sale Date where such amount in the case of each such Mortgage is described as the "Current Principal Balance"; *plus*
- 3.1.2 the amount of Accrued Arrears in respect of such Mortgages; *plus*
- 3.1.3 the amount of interest and other sums accrued in respect of any period ending before the Sale Date under or in respect of such Mortgage which in each case have not fallen due for payment; *plus*
- 3.1.4 the amount (if any) in respect of such Mortgages shown in such Annexure and described as "**FRS 26 Adjustments**"; *less*

in respect of each Arrears Mortgage, the amount of any provision which has been made against the recovery of amounts due under that Arrears Mortgages as set out in the schedule delivered to MTL pursuant to Clause 3.2 (*Provisions Schedule*).

3.2 *Provisions Schedule*

The Seller shall deliver to MTL prior to the Sale Date a print-out detailing the provisions (if any) against recovery which have been made in respect of certain Mortgages to be sold by the Seller on the Sale Date.

4. **CONTINUING OBLIGATIONS**

4.1 *Co-operation*

The Seller undertakes with MTL that it will provide all reasonable co-operation to MTL during the term of this Agreement and without prejudice to the generality of the foregoing shall:

- 4.1.1 upon reasonable notice and during normal office hours permit MTL and its authorised employees and agents and other persons nominated by it to review its files in relation to the Mortgages and any related books of account and records; and
- 4.1.2 give promptly all such information, facilities and explanations relating to its business and any of the Mortgages and all other property, interest, right,

benefit or obligation hereby agreed to be sold as any such person may reasonably request.

4.2 *No announcements in relation to Mortgages*

Prior to the Sale Date, the Issuer shall not make any announcement in relation to any of the Mortgages, other than an adjustment of the rate or rates of interest on the Mortgages or as required by or pursuant to a pre-existing contractual obligation, without the prior approval of MTL (such approval not to be unreasonably withheld or delayed) of the terms of such announcement.

4.3 *Continuation of Mortgage administration arrangements pending completion*

Without prejudice to the other provisions of this Agreement, throughout the period from the date of this Agreement until performance by the Seller of its obligations under Clause 5.3 (*Completion of transfer of the assets*) on the Sale Date, the Seller shall procure that MTL shall continue to administer the Mortgages (in respect of which it remains the administrator up to such date) on the same basis as for all other mortgages administered by it.

5. COMPLETION

5.1 *Sale conditions precedent*

The sale and purchase referred to in Clause 2.1 (*Agreement to sell and purchase on Sale Date*) is conditional upon each of the following having been satisfied:

- 5.1.1 payment to the Seller (or as the Seller may direct) by or at the request of MTL of the Consideration payable under Clause 3 (*Consideration*); and
- 5.1.2 the Security Release duly executed by the Trustee and the Securitisation Termination Agreement duly executed by each of the parties thereto, being unconditionally delivered to (or held to the order of) the Seller on or before the Sale Date,

and, subject to such conditions being satisfied on or before the Sale Date, such sale and purchase shall take effect on the Sale Date.

5.2 *Payment of the Consideration*

On the Sale Date, unless MTL has given written notice to the Seller on or before the Sale Date stating that MTL is not satisfied that the Seller will comply with its obligations under Clause 5.3 (*Completion of transfer of the assets*) on the Sale Date, then immediately upon either:

- 5.2.1 the Security Release duly executed by the Trustee and the Securitisation Termination Agreement duly executed by each of the parties thereto, having been delivered to (or being held to the order of) [MTL] as escrow agent under and pursuant to the Securitisation Escrow Agreement, or

5.2.2 the Issuer informing MTL in writing that the Security Release duly executed by the Trustee and the Securitisation Termination Agreement duly executed by each of the parties thereto, have been unconditionally delivered to (or are held to the order of) the Issuer,

MTL shall procure the payment of the Consideration payable in accordance with Clause 3 (*Consideration*) for value on the Sale Date in accordance with the payment instructions set out in the Sale Notice. Notwithstanding any provision to the contrary contained herein or in the Security Deed, any payment of an amount of Consideration pursuant to this Clause 5.2 (*Payment of the consideration*) and in accordance with the terms of the Sale Notice shall remain subject to the terms of the Security Deed.

5.3 *Completion of transfer of the assets*

On the Sale Date, immediately upon satisfaction of the conditions referred to in Clause 5.1 (*Sale conditions precedent*) the Seller shall deliver to MTL or as MTL may direct in relation to the Mortgages:

- (a) the Mortgages;
- (b) paper copies of the title deeds to the Properties in respect of the Mortgages;
- (c) electronic copies of the Mortgages registered at the Land Registry of England and Wales;
- (d) its files relating to each of the Mortgages; and
- (e) the Seller Solvency Certificate signed by a Director of the Seller and dated as at the Sale Date.

5.4 *Manner of delivery of certain items*

The items referred to in paragraphs (b), (c), (d) and (e) of Clause 5.3 above shall be delivered on the Sale Date at the offices of MTL in Solihull or the Seller shall confirm to MTL by delivering to or to the order of MTL a Sale Completion Undertaking dated the Sale Date and duly executed by or on behalf of the Seller. MTL and the Seller agree that delivery of a Sale Completion Undertaking in compliance with this Clause shall constitute good delivery of the relevant items for the purposes of this Clause.

5.5 *Termination of interests in the MTS Trusts Account*

With immediate effect from the delivery of the Seller Solvency Certificate in accordance with paragraph (d) of Clause 5.3 on the Sale Date:

5.5.1 this Clause 5.5 constitutes a release and termination by the Seller and the Trustee of their respective rights, title and interests in and to the Trusts Account to the extent that such rights, title and interests arise by virtue of the declaration of trust dated 29 January 2004 by MTS; and

5.5.2 such rights, title and interests of the Seller and the Trustee in and to the Trusts Account shall revert to and be vested, in MTS.

5.6 *Registration of forms at Companies House*

Within ten days after the Sale Date, the Issuer will lodge appropriate forms at Companies House to register the satisfaction of the security effected by the Security Release.

5.7 *Waiver of vendor's lien*

Where the whole or any part of the consideration payable for a Mortgage is left outstanding on the Sale Date, the Seller shall not be entitled to and hereby expressly waives any unpaid vendor's lien over any of the documents it is required to hand over pursuant to this Clause 5 on the Sale Date or any sums or documents coming into its possession or held to its order for which it is obliged to account under this Agreement.

6. EXCLUSION OF WARRANTIES

Without prejudice to the warranty given in Clause 2.3 (*Representations and Warranties*), MTL and the Seller agree that all representations, warranties and conditions (expressed or implied, statutory or otherwise) in respect of the Mortgages and/or any of the rights, title and interests sold to MTL pursuant to this Agreement are expressly excluded (including, without limitation, warranties and conditions as to title, quiet possession, satisfactory quality, fitness for purpose and description).

7. MERGER

Any term of this Agreement to which effect is not given on the Sale Date shall not merge and shall remain in full force and effect notwithstanding the completion and delivery of the documents referred to in Clause 5.3 (*Completion of transfer of the assets*).

8. NO AGENCY OR PARTNERSHIP

Nothing in this Agreement shall be construed as giving rise to any relationship of agency or partnership between any of the parties and in fulfilling its obligations hereunder, each party shall be acting entirely for its own account.

9. PAYMENTS

All payments to be made pursuant to this Agreement shall be made in sterling in immediately available funds and shall be deemed to be made when they are received by the payee.

10. FURTHER ASSURANCE

The parties to this Agreement agree that they will co-operate fully to do all such further acts and things and execute any further documents as may be necessary or desirable to give full effect to the arrangements contemplated by this Agreement.

11. **WAIVER**

Any exercise or failure to exercise any right under this Agreement shall not (unless otherwise herein provided) constitute a waiver of that or any other right.

12. **NOTICES**

Any notices to be given pursuant to this Agreement shall be sufficiently served if delivered by hand or sent by prepaid first-class post or by telex or facsimile or email transmission and shall be deemed to be given upon receipt and shall be delivered or sent in the case of a party to this Agreement to 51 Homer Road, Solihull, West Midlands B91 3QJ (facsimile number: 0121 712 2072, email address: Company_Secretary@paragon-group.co.uk) marked for the attention of: The Company Secretary, or to such other address or facsimile number or marked for the attention of such other person or department as may from time to time be notified by any party to the other parties by written notice in accordance with the provisions of this Clause.

13. **ASSIGNMENT**

No party to this Agreement may assign or charge any of its rights and obligations to any other person.

14. **VARIATIONS**

This Agreement may be varied in writing signed by duly authorised signatories on behalf of the parties to this Agreement.

15. **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.

16. **GOVERNING LAW**

This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by, and shall be construed in accordance with, the laws of England.

17. **JURISDICTION**

- 17.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or the consequences of its nullity or any non-contractual obligations arising out of or in connection with this Agreement) (a "**Dispute**").

17.2 The parties to this Agreement agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party to this Agreement will argue to the contrary.

IN WITNESS WHEREOF the parties to this Agreement have executed this Agreement as a deed on the date indicated at the start of this document.

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

Signature:

Witness Name:

Occupation:

Address:

.....

.....

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

Signature:

Witness Name:

Occupation:

Address:

.....

.....

MORTGAGE TRUST LIMITED

By:

Name:

Title: Director

FIRST FLEXIBLE NO. 4 PLC

By:

Name:

Title: Director

PART B
FORM OF THE FF4 DEED OF RELEASE

FF4 SECURITY RELEASE DEED

made on

[•]

by

THE BANK OF NEW YORK MELLON, LONDON BRANCH
as the Trustee

in favour of

FIRST FLEXIBLE NO. 4 PLC
as the Issuer

relating to

the release of certain security
in connection with the unwinding of a residential mortgage securitisation
involving First Flexible No. 4 PLC

THIS SECURITY RELEASE DEED is made on [•]

BY:

- (1) **THE BANK OF NEW YORK MELLON, LONDON BRANCH** acting through its office at One Canada Square, London E14 5AL acting as the Trustee under the Security Deed referred to below,

IN FAVOUR OF:

- (2) **FIRST FLEXIBLE NO.4 PLC** (registered number 4176542) whose registered office is 51 Homer Road, Solihull, West Midlands B91 3QJ being the Issuer.

WHEREAS:

- (A) By and pursuant to the Deed of Charge and Assignment dated 26 July 2001 made between, amongst others, the Issuer and the Trustee (the "**Security Deed**" which expression includes any supplemental deeds of charge or assignments in security entered into pursuant thereto) the Issuer created in favour of the Trustee various Security Interests (as defined in the Security Deed) (including, without limitation, various charges, conveyances, transfers, assignments and assignments) in relation to certain assets.
- (B) The Issuer has requested the Trustee to release all of the assets from the security created by or pursuant to the Security Deed.

NOW THIS DEED WITNESSETH as follows:

1. **Interpretation**

Terms defined for the purposes of the Security Deed have the same meaning in this Deed.

2. **Repayment of Secured Amounts**

The Issuer confirms that the full and final payment and discharge of the Secured Amounts has occurred.

3. **Releases etc**

The Trustee releases, discharges, reconveys, retransfers, retrocesses and reassigns to the Issuer all assets (including all rights, title and interests in and to such assets) which are subject to the Security Interests (including, without limitation, various sub-charges, fixed charges, floating charges, conveyances, transfers, assignments, assignments and intimations) constituted by or pursuant to the Security Deed or any other document in favour of the Trustee to the intent and with the effect that such assets shall henceforth be free and discharged from such Security Interests and from all claims under the Security Deed, with effect from and including [•] March 2014 (hereinafter referred to as the "**Termination Date**").

4. **Further assurance**

The Trustee agrees that it will do all such things and execute all such documents as may be necessary to give effect to the terms of Clause 3 (*Releases etc*) of this Deed and the Issuer agrees to pay, on demand, to the Trustee all proper expenses duly incurred in relation to the same.

5. **Non-crystallisation**

The Trustee confirms that, as at the Termination Date, so far as it is aware no event has happened whereby the floating charge created by the Security Deed has crystallised.

6. **Governing law**

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

7. **Jurisdiction**

7.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or the consequences of its nullity or any non-contractual obligations arising out of or in connection with this Deed) (a "**Dispute**").

7.2 The parties to this Deed agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no party to this Deed will argue to the contrary.

8. **Exclusion of Third Party Rights**

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

IN WITNESS WHEREOF this document has been executed and delivered as a deed on the date indicated at the start of this Deed.

EXECUTED by:
as its **DEED** as follows:
SIGNED for and on its behalf by one of its
two duly authorised attorneys

**THE BANK OF NEW YORK MELLON,
LONDON BRANCH**

By:
Name:
Title:

Annexure

This is the Annexure referred to in the foregoing Agreement between the Sellers, the Warehousemen, the Issuer and the Trustee.

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