

DATED 23 JULY 2015

PARAGON MORTGAGES (NO.23) PLC  
AS THE ISSUER

PARAGON MORTGAGES (2010) LIMITED  
AS SELLER AND ADMINISTRATOR

AND

CITICORP TRUSTEE COMPANY LIMITED  
AS THE TRUSTEE

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ADMINISTRATION AGREEMENT

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**THIS ADMINISTRATION AGREEMENT** is made as a deed on 23 July 2015

**BETWEEN:**

- (1) **PARAGON MORTGAGES (NO.23) PLC** (registered number 9386326) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ (the "**Issuer**")
- (2) **PARAGON MORTGAGES (2010) LIMITED** (registered number 6595834) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ ("**PML**" in its capacity as the "**Seller**" and in its capacity as the "**Administrator**"); and
- (3) **CITICORP TRUSTEE COMPANY LIMITED** (registered number 235914) whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (in its capacity as the trustee, the "**Trustee**", which expression shall include such person and all other persons for the time being acting as the trustee or trustees under the Trust Deed referred to below).

**WHEREAS:**

- (A) The Seller carries on the business of investing in mortgage loans secured on residential or other properties within England and Wales. The Administrator carries on the business of managing and administering mortgage loan portfolios, car loan portfolios and unsecured consumer loan portfolios.
- (B) The Seller has agreed to sell certain mortgages, which are taken out by individual borrowers, to the Issuer together with, where relevant, the benefit of the collateral security for the same.
- (C) The Seller has further agreed to sell certain mortgages, which are taken out by corporate borrowers, to the Issuer together with, where relevant, the benefit of the collateral security for the same.
- (D) Pursuant to the Deed of Charge the Issuer proposes to charge or assign to the Trustee the Mortgages (as defined below) and, where relevant, collateral security purchased by it and all its other assets as security for, among other things, its obligations in relation to the issue of the Notes.
- (E) The Administrator is willing to provide administration and management services to the Seller, the Issuer and the Trustee (each to the extent of their interest) in relation to the Mortgages (as defined below), and collateral security purchased by the Issuer and charged by the Issuer in favour of the Trustee on the terms and subject to the conditions contained in this Agreement.
- (F) The Issuer is entering into this Agreement with the intention of ensuring that where it receives any amounts ("**R**") during an accounting period (as defined in Chapter 2, Part 2 of the CTA 2009), it will pay to third parties (including where applicable other parties to this Agreement), during the same accounting period or within 18 months thereafter, amounts which are in aggregate at least equal to R, less the aggregate of any amounts retained by the Issuer out of R during the accounting period either:

(a) as reserves ("**RA**") which are reasonably required to maintain the Issuer's creditworthiness or to provide against losses or expenses (each of the foregoing a "**relevant purpose**"); or

(b) as profit,

(and so that the reference above to payments to third parties shall not include payments into accounts or other funds held or operated by third parties and solely owned by the Issuer itself, but shall include payments of purchase price for Authorised Investments).

(G) The Issuer intends to ensure that if during an accounting period (as so defined) any amounts of RA (retained in whatever accounting period) either:

(a) cease to be reasonably required for a relevant purpose; or

(b) are required to be applied in meeting the losses or expenses reserved against,

such amounts will be added to R for the accounting period in question and dealt with accordingly.

**IT IS HEREBY AGREED** as follows:

## 1. **DEFINITIONS AND INTERPRETATION**

1.1 The expressions defined in the Relevant Documents and Conditions (each as defined below) shall, unless otherwise defined in this Clause 1.1, or in the recitals above have the same meanings in this Agreement, and, in this Agreement, except so far as the context otherwise requires:

"**Additional Margin Reserve Amount**" has the meaning given to it in sub-clause 6.14.1;

"**Additional Margin Shortfall**" means in respect of any Additional Mortgage where interest payments are set at rate which is on average less than: (x) 3 per cent. above GBP LIBOR for the first two years following the Closing Date; or (y) 4.5 per cent. above GBP LIBOR thereafter (after taking into account all hedging arrangements entered into by the Issuer), such shortfall until (A) the expiry of two years following the Closing Date in the case of (x) above or (B) in the case of (y) above, thereafter;

"**Additional Mortgages**" has the same meaning as in the Mortgage Sale Agreement;

"**Additional Mortgage Amount**" means the amount, if any, credited to the Pre-Funding Reserve Ledger on the Closing Date which will equal the balance of the gross proceeds of the issue of the Notes and any drawing under the Subordinated Loan Agreement which are not applied on the Closing Date in purchasing Mortgages or in establishing either the First Loss Fund, the Margin Reserve Fund or credited to the Discretionary Further Advance Pre-Funding Reserve Ledger;

"**Additional Mortgage Request**" means, if applicable, a request from a Warehouser or the Seller pursuant to clauses 2.2 or 3.2 of the Mortgage Sale Agreement, substantially in the form of the notice in Schedule 7 of the Mortgage Sale Agreement;

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

"**Additional Subordinated Lender**" means a lender, who is not the Subordinated Lender, from whom the Issuer may from time to time borrow further sums in accordance with the terms of the Subordinated Loan Agreement;

"**Administration Manual**" means the administration manual or manuals by reference to which the Administrator will administer the Mortgages and, where relevant, collateral security (as from time to time amended in accordance with the practice of a reasonably prudent mortgage administrator);

"**Administrator**" means PML and at any time in the event of PML ceasing to be the Administrator as contemplated in this Agreement, any other person (including the Substitute Administrator) appointed in substitution for PML, as provider of the Services;

"**Administrator Report**" means, in respect of a Collection Period, a report to be provided by the Administrator in respect of the relevant Collection Period containing all the calculation data necessary to determine the payments to be made by the Issuer on the immediately following Interest Payment Date;

"**Administrator Secured Amounts**" has the same meaning as in the Deed of Charge;

"**agreed draft**" means, in relation to any document, the draft of the document which has been agreed between the parties hereto and initialled on their behalf for the purpose of identification;

"**Approved Credit Support Document**" means a 1995 ISDA Credit Support Annex (Bilateral Form - Transfer) entered into by the Issuer, a Hedge Provider and the Trustee on or around the Closing Date in support of the relevant Hedge Provider's obligations under the relevant Hedge Agreement;

"**Arrears Converted Mortgage**" has the meaning specified in Clause 4.10.1;

"**Authorised Investment**" means, in the case of the Issuer:

- (a) Sterling denominated securities, bank accounts or other obligations of or rights against entities (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) with (i) a long term issuer default rating by Fitch of at least A and whose long term unsecured and unguaranteed debt is rated at least A3 by Moody's and (ii) with a short term issuer default rating by Fitch of at least F1; or
- (b) Sterling denominated securities, bank accounts or other obligations (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) as would not adversely affect the then current ratings of the Most Senior Class of Rated Notes **provided that** any monies invested in entities for a period of more than 31 days are invested in an entity (i) with a long term issuer default rating by Fitch of at least AA- and whose long term unsecured and unguaranteed debt is rated at

least A2 by Moody's and whose short term unsecured and unguaranteed debt is rated at least P-1 by Moody's and (ii) with a short term issuer default rating by Fitch of at least F1+;

"**Available Redemption Funds**" has the meaning indicated in Condition 5(a);

"**Basis Hedge Agreement**" means any Initial Basis Hedge Agreement and any Permitted Basis Hedge Agreement;

"**Basis Hedge Provider**" means each Initial Basis Hedge Provider and each Permitted Basis Hedge Provider;

"**Block Buildings Policy**" means the block policies listed in Part A of Schedule 2 (*Insurances*);

"**Block Buildings Policies**" means the block policies listed in paragraph 1 of Part A of Schedule 2 (*Insurances*);

"**Borrower**" has the same meaning as in the Deed of Charge;

"**Business Day**" has the same meaning as in Condition 4(a), whether or not there are any Notes outstanding;

"**Cash Bond Management Services**" means the calculation of all amounts payable by the Issuer under the Relevant Documents and Conditions and the issuance of any payment instructions on behalf of the Issuer to make payments;

"**Cheque Payment**" means any payment (including by standing order) from a Borrower which is not paid through the Direct Debiting Scheme;

"**Class A1 Deferred Interest**" has the meaning given to it in Condition 4 (*Interest*);

"**Class A1 Notes**" has the same meaning as in the Trust Deed;

"**Class A1 Noteholders**" has the same meaning as in the Trust Deed;

"**Class A2 Notes**" has the same meaning as in the Trust Deed;

"**Class A2 Redemption Date**" has the meaning given to it in Clause 6.19.3;

"**Class A Noteholders**" has the same meaning as in the Trust Deed;

"**Class A Notes**" has the same meaning as in the Trust Deed;

"**Class B Noteholders**" has the same meaning as in the Trust Deed;

"**Class B Notes**" has the same meaning as in the Trust Deed;

"**Class C Noteholders**" has the same meaning as in the Trust Deed;

"**Class C Notes**" has the same meaning as in the Trust Deed;

"**Class E Notes**" has the same meaning in the Trust Deed;

"**Class E Noteholders**" has the same meaning in the Trust Deed;

"**Closing Date**" has the same meaning as in the Subscription Agreement;

"**Collection Account Provider**" means the relevant financial institution with which the Collection Account is maintained, being Barclays Bank PLC at the Closing Date;

"**Collection Account**" means the account of the Seller numbered 13312232 (Code 20-19-90) with Barclays Bank PLC at its branch at Barclays Bank PLC, London Corporate Banking Centre, PO Box No 554, London, EC3P 3AH and/or such other account (or accounts) of the Seller which has (or have) been approved in writing by the Trustee (**provided that**, for the avoidance of doubt, the approval in writing of the Trustee shall not be required in respect of the transfer of the Collection Account to HSBC Bank plc in accordance with sub-clause 6.6.3 of this Agreement);

"**Collection Account Declaration of Trust**" means the declaration of trust over the Collection Accounts in favour of the Issuer made by the Seller as holder of the Collection Account as the same may be supplemented and amended from time to time (including by any supplemental deed of declaration of trust dated on or about the date of this Agreement) and as may be further supplemented and amended from time to time and/or any additional or replacement declaration of trust executed pursuant to sub-clauses 6.6.2 and/or 6.6.3 of this Agreement;

"**Collection Period**" means each consecutive period from but excluding the preceding Principal Determination Date (**provided that** the first such period shall commence on (and include) the Closing Date) up to and including the next following Principal Determination Date;

"**Conditions**" means the terms and conditions applicable to the Notes, in the form set out in the Trust Deed, as the same may from time to time be modified in accordance with the provisions of the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly;

"**CRA Regulation**" means Regulation (EU) No. 1060/2009 (as amended);

"**Cross-collateral Duplicate Rights**" means any rights of the relevant mortgagee or lender under the terms and conditions of a Mortgage (as defined in the Cross-collateral Mortgage Rights Deed) which have substantially the same extent and effect as Cross-collateral Rights (if any) which are contained in the terms and conditions of that Mortgage;

"**Cross-collateral Mortgage Rights Accession Deed**" means a cross-collateral mortgage rights accession deed dated on or about 23 July 2015 between the Issuer and Citicorp Trustee Company Limited, as supplemental to the Cross-collateral Mortgage Rights Deed;

"**Cross-collateral Mortgage Rights Deed**" means the Principal Deed as defined in Cross-collateral Mortgage Rights Accession Deed;

"**Cross-collateral Party**" means a party to the Cross-collateral Mortgage Rights Deed;



**"Cross-collateral Rights"** has the same meaning as in the Cross-collateral Mortgage Rights Deed;

**"CTA 2009"** means the Corporation Tax Act 2009;

**"Currency Swap Agreement"** means the Original Currency Swap Agreement and any Replacement Currency Swap Agreement;

**"Currency Swap Provider"** means the Original Currency Swap Provider and each Replacement Currency Swap Provider;

**"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 the Issuer, the Trustee, the Seller, the SFM Corporate Services Provider, the Administrator, the Paragon Corporate Services Provider, the Principal Paying Agent, the Registrar, the Substitute Administrator, the Substitute Administrator Facilitator, Macquarie as an Initial Basis Hedge Provider, Lloyds as an Initial Basis Hedge Provider, Lloyds as the Original Currency Swap Provider, the Subordinated Lender and the Issue Services Provider;

**"Deemed Principal Amount Outstanding"** means, on any Interest Payment Date, in respect of any Class A1 Notes, the Euro amount equal to:

- (a) the Initial Principal Amount, less
- (b) the aggregate amount of funds that would have been payable by the relevant Original Currency Swap Provider up to and including such Interest Payment Date in respect of Principal Payments if the relevant Original Currency Swap Agreement had still been in full force and effect in accordance with Condition 5(a) (*Mandatory Redemption in Part from Available Redemption Funds*),

and converted to GBP at the Original Exchange Rate;

**"Deferred Purchase Consideration"** has the same meaning as in the Mortgage Sale Agreement;

**"DFA Pre-Funding Reserve Ledger Release Date"** means the Principal Determination Date immediately preceding any Interest Payment Date from the Closing Date to (and excluding) the Step Up Date so designated by the Administrator;

**"Direct Debiting Scheme"** means the scheme for the manual or automated debiting of bank accounts operated in accordance with the detailed rules of certain members of the Association for Payment Clearing Services;

**"Discretionary Further Advance"** means a further advance (other than a Mandatory Further Advance) made to a Borrower in respect of a Mortgage in the manner provided in Clause 8.2;

**"Discretionary Further Advance Pre-Funding Reserve Ledger"** means the ledger so referred to in sub-Clause 6.2.1;

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

**"Enforcement Priority of Payments"** has the meaning given to it in the Deed of Charge;

**"Enforcement Procedures"** has the meaning given in Clause 1.2(f) and the expression **"completion of the Enforcement Procedures"** shall be construed in accordance with Clause 1.2(f);

**"Event of Default"** means any of the events described in Condition 9;

**"Expected Exchange Time"** means the date the GBP Equivalent is to be determined, unless it is clear from the context that the relevant reference to GBP Equivalent relates to and is being used to anticipate currency exchanges which will be made at a specific future date, in which case it means that future date;

**"FCA"** means the Financial Conduct Authority or any replacement or subsequent regulator which assumes its functions;

**"FCA Handbook"** means the FCA's handbook of rules and guidance;

**"Fidelity Insurance Policy"** means the insurance policy written by certain underwriters at Lloyd's of London through the agency of Willis Limited in relation to loss suffered as a result of fraud, forgery or computer crime, the acts or omissions of the Administrator, the Seller, the Administrator's employees or the Seller's employees and any similar policy in relation to the acts or omissions of any person performing the Services or any part of them on behalf of the Administrator or any other insurance policy of similar effect written by certain underwriters at Lloyd's of London being at the date hereof the policy numbered 10117P15;

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

**"First Loss Fund Initial Amount"** means on the Closing Date an amount which equals 2.5 per cent. of the aggregate of the GBP Equivalent of the Initial Principal Amount of the Notes, as credited to the First Loss Ledger;

**"First Loss Ledger"** means the ledger so referred to in sub-clause 6.2.1;

**"First Loss Liquidity Excess Amount"** on any Interest Payment Date, the amount by which the First Loss Fund exceeds the Liquidity Amount;

**"Fitch"** means Fitch Ratings Limited;

**"Fixed Rate Mortgage"** means (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, whereupon the relevant Mortgage shall be a Standard Mortgage) a Mortgage where the rate of interest payable by the Borrower in accordance with the Mortgage Conditions relating thereto is fixed by reference to a pre-determined rate or series of rates for a fixed period or periods after which the rate of interest chargeable 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, pursuant to which the rate of interest payable by the Borrower in accordance with the Mortgage Conditions relating thereto is, for a fixed period or periods, not capable of being reset monthly or quarterly at will by the Administrator or the Issuer;

**"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;

**"FSMA authorisation"** has the meaning specified in Clause 18 (*Covenants of Administrator*);

**"GBP Equivalent"** in relation to an amount means:

- (a) where that amount is expressed in GBP, that amount at the Expected Exchange Time; and
- (b) where that amount is expressed in any currency other than GBP, the GBP equivalent of that amount ascertained using:
  - (i) if that amount relates to a Note other than a GBP Note and (x) the Original Currency Swap Agreement relating to that Note has not terminated, the GBP equivalent of that amount ascertained using the Original Exchange Rate specified in the Original Currency Swap Agreement; or (y) the Original Currency Swap Agreement relating to that Note has terminated early and a Replacement Currency Swap Agreement has been entered into that has not or is not expected to have terminated early on or before the Expected Exchange Time, the Replacement Rate; or
  - (ii) if (x) the Original Currency Swap Agreement relating to that Note has terminated early and (y) a Replacement Currency Swap Agreement has not been entered into, the applicable spot rate of exchange at (or as expected to be at) the Expected Exchange Time as determined by the Administrator (prior to the Secured Amounts becoming enforceable) or the Trustee (from or after the Secured Amounts becoming enforceable);

**"GBP Equivalent Principal Amount Outstanding"** means:

- (a) in respect of a Note (other than the Class A1 Notes), the Principal Amount Outstanding; and
- (b) in respect of any Class A1 Notes:

- (i) if the Original Currency Swap Agreement relating to such Note has not terminated early pursuant to the terms thereof, the GBP equivalent of the Principal Amount Outstanding of such Note converted at the applicable Original Exchange Rate; or
- (ii) if the Original Currency Swap Agreement relating to such Note has terminated early pursuant to the terms thereof (and irrespective of whether a replacement swap has been entered into), the Deemed Principal Amount Outstanding;

**"GBP Equivalent Principal Liability Outstanding"** means:

- (a) in respect of a Note (other than the Class A1 Notes), the Principal Liability Outstanding; and
- (b) in respect of any Class A1 Notes:
  - (i) if the Original Currency Swap Agreement relating to such Note has not terminated early pursuant to the terms thereof, the GBP equivalent amount outstanding of the Principal Liability Outstanding of such Note converted at the Original Exchange Rate; or
  - (ii) if the Original Currency Swap Agreement relating to such Note has terminated early pursuant to the terms thereof (and irrespective of whether a replacement swap has been entered into), the Deemed Principal Amount Outstanding,

**provided that** the GBP Equivalent Principal Liability Outstanding on the Class A Notes shall equal NIL if (i) the Class A2 Notes have been redeemed in full and (ii) the Deemed Principal Amount Outstanding of the Class A1 Notes is zero;

**"GBP LIBOR"** means in respect of any Interest Period the Reference Rate in respect of the Notes in respect of that Interest Period as determined in accordance with Condition 4(d) or, in the event that no Notes are outstanding, determined by the Administrator using the same method set out in Condition 4(d);

**"GBP Note"** has the meaning given to it in Condition 1 (*Issue, Form, Denomination and Title*);

**"Guarantee"** means a guarantee of a Borrower's obligations under a Mortgage on the terms of the relevant Mortgage Conditions;

**"Hedge Agreements"** means each Currency Swap Agreement and each Basis Hedge Agreement;

**"Hedge Collateral"** means any asset (including, without limitation, cash and/or securities) paid or transferred to the Issuer by a Hedge Provider in accordance with the terms of the relevant Hedge Agreement as collateral to secure the performance of that Hedge Provider's obligations under the relevant Hedge Agreement together with any income or distributions received in respect of such asset including any cash invested in Hedge Collateral Authorised Investments and any income thereon;

**"Hedge Collateral Accounts"** means the Hedge Collateral Cash Accounts and the Hedge Collateral Securities Accounts;

**"Hedge Collateral Ancillary Document"** means any document (including, without limitation, any custodial agreement or bank account agreement but excluding the Hedge Agreements, this Agreement and the Deed of Charge) as may be entered into by the Issuer from time to time in connection with Hedge Collateral;

**"Hedge Collateral Authorised Investments"** means investments in which Hedge Collateral may be held or invested pursuant to the relevant Hedge Agreement;

**"Hedge Collateral Cash"** means Hedge Collateral in cash form standing from time to time to the credit of any Hedge Collateral Cash Account;

**"Hedge Collateral Cash Accounts"** means the Primary Hedge Collateral Cash Accounts and any Hedge Collateral Authorised Investments opened in the name of the Issuer on behalf of the relevant Hedge Provider in accordance with the terms of this Agreement and the relevant Hedge Agreement;

**"Hedge Collateral Ledger"** means the ledger and any sub-ledgers maintained by the Administrator in the books of the Issuer in accordance with sub-clause 6.17.1(a);

**"Hedge Collateral Securities"** means Hedge Collateral in the form of securities;

**"Hedge Collateral Securities Account"** means a securities account opened in the name of the Issuer on behalf of the relevant Hedge Provider for the purpose of holding Hedge Collateral Securities and maintained in accordance with the terms of this Agreement;

**"Hedge Guarantee"** means any unconditional and irrevocable guarantee in a form agreed by the Issuer to be given by a Hedge Guarantor guaranteeing the timely payment of the obligations of any Hedge Provider under any Hedge Agreements or any other provider in relation to any other hedging arrangements;

**"Hedge Guarantor"** means such bank or financial institution as may from time to time hereafter provide a Hedge Guarantee, **provided that** at the date on which the relevant Hedge Guarantee is executed the rating of the long term unsecured and unsubordinated indebtedness of such Hedge Guarantor is at least equal to that then applicable to the Class A Notes or, if lower, is such that the then ratings of the Class A Notes, the Class B Notes and the Class C Notes are not adversely affected as a result;

**"Hedge Provider"** means each Basis Hedge Provider and each Currency Swap Provider;

**"Hedge Provider Subordinated Amount"** has the same meaning as in the Deed of Charge;

**"Hedge Provider Termination Amount"** means the amount of any payment payable by the Issuer to a Hedge Provider in the event of any termination of the relevant Hedge Agreement;

**"Hedge Replacement Premium"** means any amount to be paid by the Issuer to a replacement Hedge Provider, or received by the Issuer from a replacement Hedge Provider, upon entry by the Issuer into a replacement Hedge Agreement with such replacement Hedge Provider;

**"HML"** means Homeloan Management Limited (registered number 2214839) whose registered office is at The Pavillions, Bridgwater Road, Bristol, BS13 8AE;

**"Holdings"** means Paragon Mortgages (No.23) Holdings Limited (registered number 9304318), a private limited company incorporated under the laws of England and Wales, whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ;

**"Individual Mortgages"** has the same meaning as in the Mortgage Sale Agreement;

**"Initial Basis Hedge Agreement"** means each ISDA Master Agreement entered into between the Issuer, an Initial Basis Hedge Provider and the Trustee dated on or about the Closing Date in relation to the Notes (other than the Class A1 Notes) together with the schedule, each confirmation and each Approved Credit Support Document or other credit support documents relating thereto;

**"Initial Basis Hedge Provider"** means each of Macquarie Bank Limited and Lloyds Bank plc;

**"Initial Principal Amount"** in relation to each Note means the initial face principal amount of that Note upon issue of the relevant global note relating to that Note;

**"Insurance Contracts"** means the insurance contracts specified in Schedule 2 (*Insurances*);

**"Interest Charging Balance"** means, in relation to any Mortgage, the principal amount outstanding secured by that Mortgage as at the date of origination together with the amount of any further advances made, capitalised fees, capitalised interest and accrued interest which has become due and remains unpaid (and interest accrued thereon) since the date of origination less any amount applied to reduce the principal amount secured by that Mortgage since the date of origination, **provided that** (i) in relation to any Repayment Mortgage, the principal secured thereby shall for these purposes be deemed to be reduced at such intervals and by such amounts as correspond to the Seller's normal practice from time to time for determining the balance on which interest is charged for Repayment Mortgages and (ii) after completion of the Enforcement Procedures in relation to that Mortgage, any amount of principal secured by that Mortgage not then received shall not be treated for the purposes of this Agreement (other than for the purposes of sub-clause 6.2.2) as outstanding;

**"Interest-only Mortgage"** means a Mortgage (other than a Repayment Mortgage) pursuant to which the Borrower pays interest until the Mortgage is fully repaid on its maturity in accordance with the relevant Mortgage Conditions;

**"Interest Payment Date"** has the same meaning as in the Conditions, whether or not there are any Notes outstanding;

**"Interest Period"** has the same meaning as in the Conditions, whether or not there are any Notes outstanding;

**"Interest Rate Converted Mortgage"** has the meaning specified in Clause 4.10.2;

**"Interest Rate Converted Mortgage Conditions"** has the meaning specified in Clause 4.10.2;

**"Interest Rate Converted Mortgage Release Amount"** means, on each Interest Payment Date in respect of any Interest Rate Converted Mortgage, (w) the outstanding Current Balance on the first day of the Collection Period ending on the immediately preceding Principal Determination Date of such Mortgage multiplied by (x) the Product Conversion Rate Reduction Amount multiplied by (y) the number of days during the Collection Period ending on the immediately preceding Principal Determination Date that such Mortgage was an Interest Rate Converted Mortgage divided by (z) 365;

**"Interest Shortfall Ledger"** means the ledger so referred to in sub-clause 6.2.1;

**"Issue Services Fee Letter"** means the agreement dated the same date as this Agreement between the Issuer, the Issue Services Provider and the Trustee relating to the reimbursement of certain expenses of the issue of the Notes incurred by the Issue Services Provider on behalf of the Issuer and the payment by the Issuer of an arrangement fee to the Issue Services Provider;

**"Issue Services Provider"** means Paragon Finance PLC;

**"Issuer Cash Account"** means the Transaction Account, the Swap Termination Reserve Account and each Hedge Collateral Cash Account;

**"Issuer Profit Ledger"** means the ledger so referred to in sub-clause 6.2.1;

**"Issuer's Monies"** has the meaning specified in Clause 6.5;

**"Lending Guidelines"** has the meaning given to it in the Mortgage Sale Agreement;

**"LIBOR-Linked Mortgage"** means a Mortgage under which the Borrower is required to pay interest at a fixed margin over the three month London Interbank Offered Rate for sterling deposits determined quarterly during the LIBOR based initial margin period and, after the LIBOR based initial margin period, interest is chargeable at: (a) the Standard Rate or (b) a variable margin over the three month London Interbank Offered Rate for sterling deposits determined quarterly;

**"Liquidity Amount"** has the same meaning as in the Deed of Charge;

**"Lloyds"** means Lloyds Bank plc;

**"Loan Files"** means the file or files relating to each Mortgage containing, among other things:

(a) all material correspondence relating to that Mortgage; and

- (b) the completed Mortgage Documentation applicable to the Mortgage (other than the Mortgage Deeds) including the valuer's report and the solicitor's or licensed or qualified conveyancer's report on title or certificate of title, if applicable;

"**Macquarie**" means Macquarie Bank Limited, London Branch;

"**Mandatory Further Advance**" means any part of an initial mortgage advance retained pending completion of construction or refurbishment required to be made to a Borrower in respect of a Mortgage in accordance with the relevant Mortgage Conditions in the manner provided in Clause 8.3;

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

"**Margin Reserve Fund Initial Amount**" means the sum of the Margin Reserve Fund Pre-Funding Cost Initial Amount and the Margin Reserve Fund Loan Margin Initial Amount;

"**Margin Reserve Fund Ledger Conversion Required Amount**" means, in respect of any Interest Rate Converted Mortgage, an amount equal to the Current Balance of such Mortgage as at the date of conversion multiplied by the Product Conversion Rate Reduction Amount multiplied by the remaining term in years of the Mortgage for which the Product Conversion Rate Reduction Amount is applicable;

"**Margin Reserve Fund Loan Margin Initial Amount**" means the amount specified in Schedule 8 (*Application of Margin Reserve Fund Amounts (Loan Margin)*) to be drawn down by the Issuer under the Subordinated Loan Agreement on the Closing Date and credited to the Margin Reserve Fund Ledger;

"**Margin Reserve Fund Pre-Funding Cost Initial Amount**" means the amounts specified in Schedule 9 (*Application of Margin Reserve Fund Amounts (Pre-Funding Cost)*) and Schedule 10 (*Application of Margin Reserve Fund Amounts (DFA Pre-Funding Cost)*) to be drawn down by the Issuer under the Subordinated Loan Agreement on the Closing Date and credited to the Margin Reserve Fund Ledger;

"**Margin Reserve Fund Ledger**" means the ledger so referred to in sub-clause 6.2.1;

"**Minimum Mortgage Rate**" means the rate determined in accordance with Clause 13.5 and Schedule 3 (*Minimum Mortgage Rate and Shortfall*);

"**Monthly Payment**" means the gross amount (comprising interest and, where applicable, buildings insurance premium, payment protection plan and (in the case of any Mortgage which is or has been converted into a Repayment Mortgage, in whole or in part) any instalments of principal which the Borrower is bound to make) payable by a Borrower in respect of his Mortgage on each Mortgage Payment Date;

"**Moody's**" means Moody's Investor's Service Limited;

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



**"Mortgage Deeds"** means in relation to each Mortgage:

- (a) all deeds and documents of title to the Property and associated papers received from a solicitor or licensed or qualified conveyancer including the results of any searches and enquiries and any consents to the Mortgage and, if applicable, the searches undertaken by the relevant originator;
- (b) the Mortgage and the original or a certified copy of any transfer or sub-charge thereof (and any release or discharge of such sub-charge) and any documentation relating to any other collateral security (if any) relating to such Mortgage; and
- (c) where relevant, any deed of postponement or deed of variation or deed of guarantee;

**"Mortgage Documentation"** has the same meaning as in the Mortgage Sale Agreement;

**"Mortgage Impairment Contingency Policy"** means the indemnity policy written by Chubb Insurance Company of Europe S.A. in respect of any loss suffered by the insured arising by reason of damage to Property occurring as a direct result of the failure of the Borrower to effect or renew adequate insurance cover, to make or pursue a legitimate insurance claim or to utilise the proceeds of any claim to repair such damage (being at the date hereof the policy numbered no. 35758567) or any other insurance policy of similar effect written by another reputable insurance company carrying on business in the United Kingdom with similar standing;

**"Mortgage Payment Date"** means the last Business Day of each calendar month or such other date as may be agreed with the relevant Borrower from time to time;

**"Mortgage Portfolio"** has the meaning given to it in the Mortgage Sale Agreement;

**"Mortgage Sale Agreement"** means the mortgage sale agreement dated on or about the date of this Agreement between the Seller, each Warehouse, the Administrator, the Issuer and the Trustee in relation to the sale and purchase of the Mortgages;

**"Mortgages"** has the same meaning as in the Mortgage Sale Agreement;

**"Most Senior Class"** has the same meaning as in the Trust Deed;

**"Normal Interest"** has the meaning given to it in Condition 4 (*Interest*);

**"Non Reversionary LIBOR-Linked Mortgage"** means a Mortgage under which the Borrower is required to pay interest at a minimum margin over the three-month London Inter-Bank Offered Rate for GBP deposits determined quarterly;

**"Noteholders"** means the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class E Noteholders;

**"Notes"** means the Class A Notes, the Class B Notes, the Class C Notes and the Class E Notes;

**"Operating Bank"** means Citibank N.A., London Branch or such other bank, satisfying the requirements of Clause 6.6, as the Issuer may choose with the approval of the Trustee (such approval not to be unreasonably withheld) and with which the Transaction Account is for the time being maintained (**provided that**, for the avoidance of doubt, the approval of the Trustee shall not be required in respect of any transfer of the Transaction Account to HSBC Bank plc or, as the case may be, Barclays Bank plc, in accordance with sub-clause 6.6.3 of this Agreement);

**"Optional Repayment Mortgage"** has the meaning given to it in the Mortgage Sale Agreement;

**"Original Currency Swap Agreement"** means the ISDA Master Agreement entered into between the Issuer, the Original Currency Swap Provider and the Trustee dated on or about the Closing Date in relation to the Class A1 Notes together with the schedule, each confirmation and each Approved Credit Support Document or other credit support documents relating thereto;

**"Original Currency Swap Provider"** means Lloyds.

**"Original Exchange Rate"** means the exchange rate relating to the Original Currency Swap Agreement entered into on the Closing Date in respect of the Class A1 Notes;

**"Paragon Corporate Services Letter"** means the services letter dated the same date as this Agreement and made between the Issuer and PML in its capacity as Administrator;

**"Paragon Corporate Services Provider"** means PML in its capacity as Administrator providing certain services to the Issuer pursuant to the Paragon Corporate Services Letter;

**"Paragon Group Company"** means PGC and any holding company or subsidiary of PGC;

**"Permitted Basis Hedge Agreement"** means each interest rate hedging agreement entered into by the Issuer with a Permitted Basis Hedge Provider in order to hedge its payment obligations under Notes;

**"Permitted Basis Hedge Provider"** means a bank or financial institution which has entered into hedging arrangements with the Issuer and which on the date of entering into such arrangements:

- (a) has a rating for its long-term or short-term debt obligations sufficient to maintain the then ratings of the Class A Notes, the Class B Notes and the Class C Notes (unless such arrangements are guaranteed by a guarantor of appropriate credit rating or other arrangements are entered into at the time which are sufficient to maintain the then ratings of the Class A Notes, the Class B Notes and the Class C Notes); and
- (b) has entered into a deed supplemental to this Deed in form and substance satisfactory to the Trustee agreeing to be bound by the terms of the Deed of Charge on the same terms as the Initial Basis Hedge Providers;

"**PFPLC**" means Paragon Finance PLC (registered number 1917566) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ;

"**PGC**" means The Paragon Group of Companies PLC (registered number 2336032);

"**Pool Factor**" has the meaning indicated in Condition 5(c);

"**Potential Interest Shortfall Amount**" means the amount calculated in accordance with Schedule 4 (*Potential Interest Shortfall Amount*);

"**Power of Attorney**" means the power of attorney given by the Seller in favour of the Issuer and the Trustee substantially in the form of the power of attorney set out in Schedule 4 of the Mortgage Sale Agreement;

"**Pre-Funding Reserve Ledger**" means the ledger so referred to in sub-clause 6.2.1;

"**Prepayment Charge**" means in relation to any Mortgage, any amount payable by the Borrower under the Mortgage Conditions upon the early redemption (in full or in part and whether on acceleration or otherwise) of the relevant Mortgage;

"**Primary Hedge Collateral Cash Accounts**" means the accounts opened in the name of the Issuer on behalf of the relevant Hedge Provider with Citibank N.A., London Branch (or any replacement bank) for the purpose of holding Hedge Collateral Cash and maintained in accordance with the terms of this Agreement, the Account Bank Agreement and the relevant Hedge Agreement;

"**Principal Amount Outstanding**" has the meaning in Condition 5(c);

"**Principal Deficiency Ledger**" means the ledger so referred to in sub-clause 6.2.2;

"**Principal Determination Date**" has the meaning in Condition 5(a);

"**Principal Ledger**" means the ledger so referred to in sub-clause 6.2.1;

"**Principal Liability Outstanding**" has the meaning in Condition 5(c);

"**Principal Paying Agent**" means Citibank, N.A., London Branch, or such other person as may for the time being be acting as principal paying agent in relation to the Notes;

"**Principal Payment**" has the same meaning as in the Conditions;

"**Principal Priority of Payments**" has the meaning given to it in the Deed of Charge;

"**Product Conversion Rate Reduction Amount**" means, in respect of any Interest Rate Converted Mortgage, the reduction in the annual interest rate applicable to the relevant Mortgage which occurred as a result of the conversion of such Mortgage;

"**Property**" means the property which is the subject of the Mortgages;

"**Proposed Interest Rate Converted Mortgage**" has the meaning specified in Clause 4.10.3;

"**Prospectus**" means the prospectus dated 21 July 2015 in relation to the issue by the Issuer of the Notes;

"**Protection Notice**" means a notice served under clause 7.1 of the Deed of Charge;

"**Purchase Date**" has the same meaning as in the Mortgage Sale Agreement;

"**Rated Notes**" has the meaning given to it in the Deed of Charge;

"**Rate of Interest**" has the same meaning as in the Conditions;

"**Rating Agencies**" means Moody's and Fitch;

"**Reference Rate**" has the same meaning as in the Conditions;

"**Regulated Activities Order**" means the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001;

"**Relevant Documents**" has the meaning given to it in the Deed of Charge;

"**Repayment Converted Mortgage**" has the meaning specified in Clause 4.10.4;

"**Repayment Mortgage**" means a Mortgage under the terms of which monthly instalments covering both interest and principal are paid by the Borrower until the Mortgage is fully repaid by its maturity in accordance with the relevant Mortgage Conditions;

"**Replacement Currency Swap Agreement**" means each currency hedging agreement entered into by the Issuer with a Replacement Currency Swap Provider in order to hedge its payment obligations under the Class A1 Notes;

"**Replacement Currency Swap Provider**" means a bank or financial institution which has entered into a currency swap with the Issuer and which on the date of entering into such arrangements has entered into a deed supplemental to this Deed in form and substance satisfactory to the Trustee agreeing to be bound by the terms of the Deed of Charge on the same terms as the Original Currency Swap Provider;

"**Replacement Rate**" means, on or following termination of the Original Currency Swap Agreement or any replacement Currency Swap Agreement the exchange rate in any Replacement Currency Swap Agreement;

"**Required Amount**" has the meaning given to it in the Deed of Charge;

"**Retained Pre-Closing Accruals and Arrears**" has the same meaning as in the Mortgage Sale Agreement;

"**Revenue Ledger**" means the ledger so referred to in sub-clause 6.2.1;

"**Reversionary Period**" has the meaning given to it in the Mortgage Sale Agreement;

"**Secured Amounts**" has the same meaning as in the Conditions;

"**Secured Parties**" has the same meaning as in the Deed of Charge;

"**Seller Secured Amounts**" has the same meaning as in the Deed of Charge;

"**Security Interest**" has the same meaning as in the Deed of Charge;

"**Services**" means the services, including those set out in Schedule 1 (*The Services*), to be provided by the Administrator to the Issuer and the Trustee pursuant to this Agreement;

"**SFM Corporate Services Agreement**" means the agreement so named dated on or about the Closing Date between the SFM Corporate Services Provider, the Share Trustee, Holdings, the Issuer and the Seller;

"**SFM Corporate Services Provider**" means Structured Finance Management Limited (registered number 3853947), a private limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen's, London EC3A 6AP or such other person or persons for the time being acting as corporate services provider to the Issuer and Holdings under the SFM Corporate Services Agreement;

"**Share Trustee**" means SFM Corporate Services Limited (registered number 3920255), a company incorporated under the laws of England and Wales, whose principal office is at 35 Great St. Helen's, London EC3A 6AP;

"**Shortfall Fund**" means the amount (if any) standing to the credit of the Shortfall Ledger from time to time;

"**Shortfall Ledger**" means the ledger so referred to in sub-clause 6.2.3;

"**Standard Mortgage**" means a Mortgage (other than a Fixed Rate Mortgage or a LIBOR-Linked Mortgage or a Non-Reversionary LIBOR-Linked Mortgage) pursuant to which the Borrower pays interest at the Standard Rate which is capable of being reset monthly or quarterly or at a variable margin over the three month London Interbank Offered Rate for sterling deposits determined quarterly, in each case at the will of the Seller, the Administrator or the Issuer;

"**Standard Rate**" means the rate or rates of interest set by the Seller, the Administrator or the Issuer from time to time and applicable to those Mortgages which are of a standard variable rate nature;

"**Step Up Date**" has the meaning indicated in Condition 4(d);

"**Subordinated Lender**" has the meaning given to the term in the Deed of Charge;

"**Subordinated Loan Agreement**" means the agreement dated the same date as this Agreement between the Subordinated Lender, the Issuer and the Trustee relating to the provision of a loan facility by the Subordinated Lender to the Issuer;

"**Subscription Agreement**" means the agreement dated on or about the date of the Prospectus between the Issuer, PML, PGC, PFPLC (in its capacity as purchaser of the Class E Notes) and the financial institutions defined therein as the Joint Lead Managers in relation to the subscription and issue of the Class A Notes, Class B Notes, Class C Notes and Class E Notes;

**"Substitute Administrator"** means HML or any person or persons appointed in substitution to HML as substitute administrator in respect of all or part of the Services;

**"Substitute Administrator Agreement"** means the agreement of even date herewith between PML, the Issuer, the Trustee and the Substitute Administrator;

**"Substitute Administrator Facilitator"** means Structured Finance Management Limited in its capacity as substitute administrator facilitator and any successor thereto or replacement thereto in such capacity;

**"Swap Termination Principal Excess Amounts"** has the meaning given to it in Clause 6.19.2;

**"Swap Termination Principal Shortfall Amounts"** has the meaning given to it in Clause 6.19.1;

**"Swap Termination Reserve Account"** has the meaning given to it in Clause 6.1.2;

**"Termination Event"** has the meaning given to it in Clause 21.1;

**"Transaction Account"** means the account of the Issuer with the account number 17662793 (Sort Code 18-50-08) with Citibank N.A., London Branch or such other account as the Trustee may approve as a replacement for or addition to the same at the Operating Bank in the name of the Issuer (**provided that**, for the avoidance of doubt, the approval of the Trustee shall not be required in respect of any transfer of the Transaction Account to HSBC Bank plc and/or Barclays Bank plc in accordance with, sub-clause 6.6.3 of this Agreement);

**"Transaction Cash"** means amounts from time to time standing to the credit of the Transaction Account;

**"Transfers"** means the transfers to be executed by the Seller pursuant to clause 3.5 of the Mortgage Sale Agreement;

**"Trust Deed"** means the Trust Deed between the Issuer and the Trustee, to be dated on or about the date of this Agreement, constituting the Notes and shall include any documents expressed to be supplemental thereto;

**"VAT"** means value added tax as provided for in the Value Added Tax Act 1994 and legislation (whether delegated or otherwise) supplemental thereto and any similar or turnover tax replacing or introduced in addition to any of the same and any equivalent in any other jurisdiction;

**"Waived Prepayment Charge Amount"** means an amount equal to any Prepayment Charge which the Administrator proposes to waive pursuant to sub-clause 6.4.2; and

**"Warehouser"** has the meaning given to it in the Mortgage Sale Agreement.

## 1.2

- (a) 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 references to clauses of, and schedules to, this Agreement.

- (b) Unless the context otherwise requires, 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.
- (c) Each of the Schedules shall have effect as if set out herein.
- (d) References in this Agreement to any person shall include references to his successors, transferees and assigns and any person deriving title under or through him. 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.
- (e) References in this Agreement to any agreement or other document shall be deemed also to refer to such agreement or document as modified, novated, supplemented or replaced from time to time.
- (f) For the purposes of this Agreement, the "**Enforcement Procedures**" shall mean the procedures for the enforcement of Mortgages and Guarantees set out in the Administration Manual current from time to time and subject always to the provisions of Clause 6.4; and "**completion of the Enforcement Procedures**" shall have occurred in respect of a particular Mortgage when, having regard to the circumstances of the relevant Borrower and any guarantor (if relevant) and the relevant Property and the then applicable Enforcement Procedures, the prospects of any further recovery of amounts due from that Borrower or any guarantor (if relevant) are remote or are not sufficiently good to merit further action or proceedings having regard to the amounts which might be recovered and the costs of recovery.

1.3 The parties have agreed that the provisions of this Agreement shall be construed having regard to Recitals (F) and (G).

## 2. APPOINTMENT OF ADMINISTRATOR

2.1 Subject to Clauses 3 (*Condition*) and 5 (*Mortgage Rate*), until termination pursuant to Clause 21 (*Termination*), the Issuer, the Seller and the Trustee (according to their respective estates and interests) each hereby appoints the Administrator as its lawful agent in its name and on its behalf to exercise their respective rights, powers and discretions, and to perform their respective duties under the Mortgages and any collateral security therefor and the Power of Attorney and to perform the Services and the Administrator hereby accepts such appointment on the terms and subject to the conditions of this Agreement. In furtherance of such appointment, each of the Issuer, the Trustee and the Seller will, forthwith upon signature of this Agreement execute and deliver to the Administrator (together with evidence of due execution and its authority to grant the same) powers of attorney in the forms set out in Schedule 5 (*Form of Power of Attorney of Issuer*) and Schedule 6 (*Form of Trustee's Power of Attorney*) of this Agreement.

2.2 For the avoidance of doubt and in connection with the powers conferred under Clause 2.1, during the continuance of its appointment hereunder, the Administrator shall, subject to the terms and conditions of this Agreement, have the full power, authority and right to do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the management of the business and administration of the assets of the Issuer or the exercise of such rights, powers and discretions, provided however that the Issuer (and its directors) shall not be required or obliged at any time to comply with any directions which the Administrator may give with respect to the operating and financial policies of the Issuer and the Administrator hereby acknowledges that all powers to determine such policies (including the determination of whether or not any particular policy is for the benefit of the Issuer) are, and shall at all times remain, vested in the Issuer (and its directors) and none of the provisions of this Agreement shall be construed in a manner inconsistent with this proviso.

### 3. **CONDITION**

Without prejudice to the obligations of the Administrator which this Agreement contemplates will be performed on or before the Closing Date, the appointment pursuant to Clause 2.1 is conditional upon completion of the sales and purchases of Mortgages referred to in the Mortgage Sale Agreement having taken place on the Closing Date. Subject to the foregoing, such appointment shall take effect upon and from the Closing Date automatically without further action on the part of any person. If the Closing Date has not occurred by 23 August 2015 or by such later date as the Administrator, the Issuer and the Trustee may agree, this Agreement shall cease to be of further effect save for the purpose of enforcing accrued rights of action in respect of matters to be performed or events occurring on or before such date.

### 4. **THE SERVICES**

#### **General**

4.1 The duty of the Administrator shall be to provide the Services.

4.2 For the avoidance of doubt, nothing in this Agreement shall oblige the Administrator at any time:

4.2.1 to charge the same rate of interest in respect of the Mortgages; or

4.2.2 to administer the Mortgages in the same manner, other than in the manner of a reasonably prudent mortgage administrator,

as it does in respect of any other mortgages or charges administered by it or of which it is the mortgagee or chargee.

#### 4.3 **Sub-contracts**

4.3.1 Other than as expressly provided in this Clause 4.3, the Administrator may not sub-contract or delegate the performance of any of its obligations under this Agreement except:



- (a) with the prior written consent of the Issuer and the Trustee (which consent shall not unreasonably be withheld); and
- (b) if the then current ratings of the Notes would not be adversely affected thereby.

4.3.2 Sub-clause 4.3.1 shall not apply to:

- (a) any sub-contract or delegation of the performance of the Administrator's obligations under this Agreement to any person who is a Paragon Group Company;
- (b) the engagement by the Administrator of any solicitor, licensed or qualified conveyancer, valuer, surveyor, accountant, enforcement agent, estate agent or other professional adviser in connection with the performance by the Administrator of any of its obligations under this Agreement, **provided that** the relevant person is engaged only on a mortgage by mortgage basis and not generally for all or a substantial portion of the Mortgages; or
- (c) any sub-contract or delegation of the performance of the Administrator's obligations under this Agreement required by, and made in accordance with, Clauses 18.1.11 or 20.4.

4.3.3 Subject to sub-clause 4.3.4, the Administrator may sub-contract or delegate the performance of some (but not all) of its obligations under this Agreement, **provided that:**

- (a) where the arrangements involve or may involve the receipt by the sub-contractor or delegate of moneys which, in accordance with the provisions of this Agreement, are to be credited to the Transaction Account, the sub-contractor or delegate acknowledges that any such moneys held by it or to its order are held on trust for the Issuer and will be paid forthwith to the Administrator for credit to the Transaction Account; and
- (b) neither the Issuer nor the Trustee shall have any liability for any costs, charges or expenses payable to or incurred by such sub-contractor or delegate or arising from the termination of any such arrangement in addition to the liability which either the Issuer or the Trustee would have to the Administrator under this Agreement if no such sub-contracting or delegation had occurred.

4.3.4 To the extent that any valuer, surveyor, enforcement agent, estate agent or other professional adviser is required to perform some of the obligations of the Administrator under this Agreement, paragraphs (a) and/or (as the case may be) (b) of the proviso to sub-clause 4.3.3 shall not apply to the engagement of such valuer, surveyor, enforcement agent, estate agent or other professional adviser, **provided that** the performance by such person of any of the obligations of the Administrator is ancillary only to the services to be provided by such person to the Administrator and/or the Issuer. Either the Trustee or the Issuer may

require the Administrator to assign to the Trustee and the Issuer any rights which the Administrator may have against any such person arising from the performance of services by such person in connection with any matter contemplated by this Agreement in connection with the Mortgages.

4.3.5 Notwithstanding any sub-contract or delegation of the performance of its obligations under this Agreement, the Administrator shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of the Administrator under this Agreement and the performance or non-performance or the manner of performance of any sub-contractor or delegate of any of the Services shall not affect the Administrator's obligations under this Agreement.

4.3.6 The Administrator shall pay all fees and expenses of any sub-contractor or delegate of the Administrator appointed by the Administrator in accordance with sub-clauses 4.3.1 and 4.3.2 and such fees and expenses shall not be payable by the Issuer.

#### 4.4 Notices, etc.

4.4.1 In respect of the Mortgages, the Administrator will within 15 days after the Closing Date (or in the case of security created pursuant to the Deed of Charge, within 15 days of the date of such creation) in relation to the Mortgages and ancillary rights and interests assigned or charged by the Issuer in or pursuant to the Deed of Charge:

- (a) (save where the Trustee is already an insured thereunder) give notice in the form of the agreed draft in duplicate to each insurance company which is an insurer under an Insurance Contract (other than those referred to in paragraph 2 of Part A of Schedule 2 (*Insurances*)) of the assignment of the interest of the Issuer therein to the Trustee as trustee for the Secured Parties and take reasonable steps to ensure the noting by such insurance company of the interests of the Trustee as trustee for the Secured Parties on such Insurance Contracts and the return by each relevant insurance company of the duplicate notice of assignment by way of acknowledgement of such assignment;
- (b) submit for registration at Companies House a duly completed Form MR01 and an original executed copy of the Deed of Charge and any security created pursuant to the Deed of Charge and any other charges created as security for the obligations of the Issuer under, among other things, the Trust Deed, the Notes, this Agreement, the Mortgage Sale Agreement, the Substitute Administrator Facilitator Agreement, the Issue Services Fee Letter, the SFM Corporate Services Agreement, the Paragon Corporate Services Letter, each Hedge Agreement and the Subordinated Loan Agreement pursuant to Chapter I of Part XII of the Companies Act 2006;
- (c) give notice in the form of the agreed draft to the Operating Bank of the assignment of the Transaction Account; and

- (d) give notice in the form of the agreed draft to the Collection Account Provider of the Collection Account Declaration of Trust and the Collection Account Provider of the assignment of the rights of the Issuer under the Collection Account Declaration of Trust.

4.4.2 Subject to sub-clause 4.4.3 below, prior to the occurrence of any of:

- (a) the valid serving of an Enforcement Notice or a Protection Notice;
- (b) the termination of PML's role as Administrator under this Agreement;
- (c) the Seller being required by an order of a court of competent jurisdiction, or by a regulatory authority of which the Seller is a member or with whose instructions it is customary for the Seller to comply, to take any of such actions as are referred to below;
- (d) any change occurring in the law after the date of this Agreement rendering it necessary by law to take any of such actions as are referred to below; or
- (e) the security created under or pursuant to the Deed of Charge or any material part of such security being in jeopardy in the reasonable opinion of the Trustee and the Trustee deciding to take action to reduce materially such jeopardy,

the Administrator shall not be obliged to and shall not, but thereafter shall forthwith upon demand by the Issuer or the Trustee (i) procure that the Seller shall execute, or failing that, shall itself and as attorney for the Seller execute and deliver Transfers of the Mortgages to the Issuer, (ii) submit for registration at the Land Registry the relevant Transfers and any relevant transfers, assignments, deeds and documents and the necessary notices, forms, requests and applications in respect of the transfers and sub-charges referred to in sub-clause 4.4.1 above or otherwise of all the Mortgages which comprise registered land, or land which is the subject of an application for first registration, (iii) procure that the Issuer shall execute and deliver sub-charges over the Mortgages and related collateral security and (iv) give notice to each relevant Borrower and (where necessary) each guarantor or surety of (1) the transfer of his or its Mortgage (where applicable) to the Issuer and (2) the sub-charge of his or its Mortgage and the benefit of any guarantee or surety relating to such Mortgage by the Issuer to the Trustee as trustee for the Secured Parties.

4.4.3 The Administrator shall forthwith upon demand by the Issuer or the Trustee procure that the Seller shall execute, or failing that, shall itself as attorney for and on behalf of the Seller, execute Transfers of the Mortgages, submit for registration at the Land Registry the relevant Transfers and any relevant transfers, deeds and documents and the necessary notices, forms, requests and applications in respect of the transfers, assignments and the sub-charges referred to in sub-clauses 4.4.1 and 4.4.2 above of any of the Mortgages which comprise registered land or land which is the subject of an application for first registration in circumstances where:

- (a) the obligation to make a Mandatory Further Advance to a Borrower under a Mortgage has not been complied with;
- (b) a Mandatory Further Advance or Discretionary Further Advance is made in circumstances where the Administrator or the Seller had notice that there had been a breach of the relevant Mortgage Conditions; or
- (c) it is necessary for the carrying into effect of any of the provisions of this Agreement and/or the enforcement of the security created by any of the Mortgages.

For the avoidance of doubt, save when section 30(3) of the Land Registration Act 1925 (in the case of registered land in England or Wales) or section 94(1)(c) of the Law of Property Act 1925 (the "**LPA**") (in the case of unregistered land in England or Wales) applies, the Administrator and the Seller or, as the case may be, the Issuer shall take all necessary steps to ensure that no such Mandatory Further Advance is made to a Borrower after receipt of notice by any of them that the relevant Borrower has created a second charge over the Property subject always (in the case of unregistered land in England or Wales) to the provisions of section 94(2) of the LPA, unless such second charge has been expressly postponed to all future Mandatory Further Advances to be made to such Borrower.

- 4.4.4 The Administrator shall within six months of the Closing Date confirm to the Issuer and the Trustee that the notices referred to in sub-clause 4.4.1 have been duly given and the matters referred to in clause 7 (*Completion*) of the Mortgage Sale Agreement have been duly dealt with in relation to the sale and purchase of Mortgages on each Purchase Date.
- 4.4.5 Subject to sub-clause 4.4.2, the Administrator shall, at the reasonable request of the Issuer or the Trustee within 14 days of the request give notice in duplicate in a form approved by the Issuer or the Trustee of the interest of the Issuer or the Trustee in any other estate, right or interest comprised in the Mortgage Sale Agreement and/or the Deed of Charge and shall take all reasonable steps to ensure the return by the recipient, to the registered office of the Issuer of the duplicate notice of assignment by way of acknowledgement of such assignments.
- 4.4.6 Without prejudice to the foregoing sub-clauses 4.4.1 to 4.4.5 (inclusive) and subject to applicable Land Registration Rules, the Administrator may at any time submit for registration at the Land Registry the Transfers and any relevant transfers, deeds and documents and the necessary notices, forms, requests and applications in respect of the transfers, assignments and the sub-charges referred to in sub-clauses 4.4.1(a) and (b) and sub-clause 4.4.2 above but otherwise, unless necessary for the carrying into effect of any of the provisions of this Agreement and/or the enforcement of the security created by any of the Mortgages, shall not be obliged to do so.

## 4.5 Approvals and authorisations

The Administrator shall prepare and submit on behalf of the Issuer all necessary applications and requests for any approval, authorisation, consent or licence required in connection with the business of the Issuer which the Administrator has sought in connection with that part of their own business which is the same as that to be carried on by the Issuer and shall, so far as it reasonably can do so, perform the Services in such a way as not to prejudice the continuation of any such approval, authorisation, consent or licence.

#### 4.6 **Note Redemptions**

The Administrator, shall do such acts and things (other than being liable for the payment of principal or interest on any Note) that are required to be done by the Issuer pursuant to Condition 5.

#### 4.7 **Compliance with Agreements, etc.**

The Services shall include procuring (so far as the Administrator having used its reasonable endeavours is able so to do) compliance by the Issuer with all applicable legal requirements and with the terms of the Relevant Documents to which the Issuer is a party, **provided always that** the Administrator shall not be obliged to lend or provide any sum to the Issuer, and that the Administrator shall have no liability whatsoever to the Issuer, the Trustee, the Noteholders or any other person for any failure by the Issuer to make any payment due by it under any of the Relevant Documents unless such failure by the Issuer results from a failure by the Administrator to perform any of their obligations under this Agreement and the Deed of Charge.

#### 4.8 **Notifications**

The Administrator undertakes promptly to notify the Issuer and the Trustee in writing of any matter or thing which becomes known to the Administrator and which is a material breach of any of the representations, warranties and undertakings of the Seller contained in the Mortgage Sale Agreement and in such notice to advance proposals for the approval of the Issuer and the Trustee for remedying such breach (if it is capable of remedy).

#### 4.9 **Investment of Transaction Cash and Hedge Collateral Cash**

4.9.1 The Issuer hereby authorises and directs the Administrator, for it and on its behalf and for so long as this Agreement remains in effect to invest, as soon as practicable following receipt thereof, the Transaction Cash, subject to clauses 6, 7 and 8 of the Deed of Charge, and Hedge Collateral Cash, subject to the relevant Hedge Agreement, in accordance with the following provisions:

- (a) the Transaction Cash shall be invested in Authorised Investments only or, in the case of Hedge Collateral Cash, Hedge Collateral Authorised Investments only;
- (b) any costs properly incurred in making and changing investments will be reimbursed to the Administrator, by the Issuer in accordance with

Clause 12 (*Costs and Expenses*) (and upon such reimbursement shall be debited to the Revenue Ledger);

- (c) any income from, or proceeds of disposal or on maturity of, such Authorised Investments shall be credited to the Transaction Account forthwith on receipt thereof by the Administrator, and any income from, or proceeds of disposal or on maturity of, such Hedge Collateral Authorised Investments shall be credited to the relevant Hedge Collateral Cash Account forthwith on receipt thereof (and a corresponding credit made to the appropriate Hedge Collateral Ledger) by the Administrator; and
- (d) subject to the provisions of this sub-clause 4.9.1, the Administrator, may invest the Transaction Cash in such Authorised Investments, and dispose of any Authorised Investments made, in each case, in such manner as in its absolute discretion it deems appropriate and, in the case of Hedge Collateral Cash, it may, subject to the provisions of this sub-clause 4.9.1 and the relevant Hedge Agreement, invest the Hedge Collateral Cash in such Hedge Collateral Authorised Investments,

**provided however that** the first £50,000 in principal amount of the Transaction Cash or Authorised Investments shall comprise cash deposits repayable on demand without premium or penalty and/or investments which are capable of reconversion into cash on demand without premium or penalty and **provided further that** in no circumstances shall the Administrator invest in an Authorised Investment a sum which is greater in amount than the proceeds receivable in accordance with the terms of such Authorised Investment upon maturity of such Authorised Investment but so that nothing herein shall be construed as a guarantee of any Authorised Investment by the Administrator.

- 4.9.2 The Administrator shall make and maintain adequate records of all Authorised Investments and Hedge Collateral Authorised Investments acquired and disposed of pursuant to this Clause 4.9.
- 4.9.3 Pursuant to sub-clause 4.9.1, the administration and investment of the Transaction Cash by the Administrator shall be carried out for and on behalf of the Issuer (subject to the charges contained in the Deed of Charge) and each such Authorised Investment shall be taken in the name of the Issuer. In each case where an Authorised Investment comprises the deposit of the Transaction Cash in a deposit account with a third party, the Transaction Cash shall be deposited under instructions that it may not be paid out of such deposit account otherwise than by transferring the Transaction Cash, together with interest accrued thereon, directly to the Transaction Account which instructions may not be altered without the consent of the Issuer and the Trustee (such consent not to be unreasonably withheld).
- 4.9.4 The Issuer shall procure that, in respect of a Hedge Collateral Authorised Investment, the Hedge Collateral Cash shall be deposited under instruction that it may not be paid out of the relevant deposit or account otherwise than by transferring such relevant Hedge Collateral Cash, together with interest

accrued thereon, direct to the relevant Primary Hedge Collateral Cash Account, which instructions may not be altered without the consent of the Trustee and, prior to the service of a Protection Notice or an Enforcement Notice, the Issuer (such consent not to be unreasonably withheld or delayed).

- 4.9.5 The Administrator may use the Transaction Cash:
- (a) to ensure that Mandatory Further Advances are made to Borrowers in accordance with Clause 8.3;
  - (b) to make Discretionary Further Advances to Borrowers in accordance with sub-clause 8.2.1; and
  - (c) for any other purpose contemplated by, and in accordance with, the Relevant Documents.

The Administrator, shall make and maintain adequate records of all use of the Transaction Cash pursuant to this sub-clause 4.9.5.

#### 4.10 Conversion of Mortgages

- 4.10.1 The Administrator may as part of an arrears management programme agree to convert a Mortgage administered by it from an Interest only Mortgage or, as the case may be, Optional Repayment Mortgage into a Repayment Mortgage (but not any other type of mortgage) or from a Repayment Mortgage into an Interest only Mortgage or, as the case may be, an Optional Repayment Mortgage (but not any other type of mortgage)) and take steps to effect such conversion at any time without limit and without any further condition or consent being required (the relevant Mortgage after such conversion being herein referred to as an "**Arrears Converted Mortgage**").
- 4.10.2 Without prejudice to sub-clause 4.10.1, the Administrator may (but shall not be obliged to) agree to any request by a Borrower to convert his Mortgage (or, in the case of a default by a Borrower, may itself elect to convert such Borrower's Mortgage) to a Mortgage of a different interest type with a different interest rate (the relevant Mortgage after such conversion being herein referred to as an "**Interest Rate Converted Mortgage**") **provided that** the following conditions (the "**Interest Rate Converted Mortgage Conditions**") are satisfied:
- (a) that no Event of Default has occurred which is then continuing unwaived at the time of the proposed conversion;
  - (b) that the Interest Rate Converted Mortgage will be on the terms of the relevant Mortgage Documentation which terms have not been varied in any material respect other than in respect of the interest rate applicable;
  - (c) that the conversion of the applicable Mortgage is effected by such means as would be adopted by a reasonably prudent residential mortgage lender for the purpose of ensuring the validity and priority of the applicable Mortgage;

- (d) no conversion shall extend the final maturity date of the relevant Mortgage to a date falling later than 31 December 2040;
- (e) if the applicable Interest Rate Converted Mortgage is to be converted into a Fixed Rate Mortgage, the Administrator will on the next succeeding Principal Determination Date following the conversion, or any such other date in line with the Administrator's hedging policies, subject to such other date being no later than the Interest Payment Date immediately following the next Interest Payment Date, enter into Basis Hedge Agreements to hedge the fixed-floating interest rate exposure in relation to such Interest Rate Converted Mortgage;
- (f) that the relevant Borrower in respect of such Interest Rate Converted Mortgage is not in arrears at the time of the application (other than in the case of a default by a Borrower where the Administrator itself has elected to convert such Borrower's Mortgage to an Interest Rate Converted Mortgage);
- (g) following such conversion the aggregate Current Balance of all Interest Rate Converted Mortgages in the Mortgage Portfolio (as at the date of the conversion and without regard to any prepayment, repayment or redemption following the date of conversion) does not exceed 10 per cent. of the sum of (x) the aggregate Current Balance, as of the Closing Date, of the Mortgages included in the Mortgage Portfolio on the Closing Date and (y) the aggregate Current Balance, as of the relevant Purchase Date in which they were acquired by the Issuer, of all Additional Mortgages in the Mortgage Portfolio;
- (h) the Margin Reserve Fund Ledger Conversion Required Amount in respect of such Interest Rate Converted Mortgage has been credited to the Margin Reserve Fund Ledger of the Transaction Account; and
- (i) that PML (or any Paragon Group Company) is the Administrator and no Termination Event has occurred in respect of PML (or any Paragon Group Company) in its capacity as Administrator.

4.10.3 The Administrator shall, on the last Business Day of each calendar month:

- (a) identify each Mortgage that shall become an Interest Rate Converted Mortgage in the subsequent calendar month subject to the Interest Rate Converted Mortgage Conditions being satisfied in respect of such Mortgage on the date of conversion (each such Mortgage, a "**Proposed Interest Rate Converted Mortgage**"); and
- (b) transfer to the Transaction Account and credit to the Margin Reserve Fund Ledger an amount equal to the aggregate of the Margin Reserve Fund Ledger Conversion Required Amounts relating to all Proposed Interest Rate Converted Mortgages identified as such (each such amount to be funded by drawings under the Subordinated Loan Agreement pursuant to Clause 6.14 (Margin Reserve Fund Ledger)).



- 4.10.4 Without prejudice to sub-clauses 4.10.1 to 4.10.3, the Administrator may elect to convert a Mortgage administered by it from an Interest-only Mortgage or, as the case may be, Optional Repayment Mortgage into a Repayment Mortgage (but not any other type of mortgage), but not from a Repayment Mortgage into an Interest-only Mortgage or, as the case may be, Optional Repayment Mortgage (the relevant Mortgage after such conversion being herein referred to as a "**Repayment Converted Mortgage**") and take steps to effect such conversion provided that following such conversion either (i) the aggregate Current Balance of such Repayment Converted Mortgages in the Mortgage Portfolio (as at the date of the conversion and without regard to any prepayment, repayment or redemption following the date of conversion) does not exceed 10 per cent. of the sum of (x) the aggregate Current Balance, as of the Closing Date, of the Mortgages included in the Mortgage Portfolio and (y) the aggregate Current Balance, as of the relevant Purchase Date on which they were acquired by the Issuer, of Additional Mortgages in the Mortgage Portfolio or (ii) where the aggregate Current Balance of such Repayment Converted Mortgages in the Mortgage Portfolio (as at the date of the conversion and without regard to any prepayment, repayment or redemption following the date of conversion) does exceed 10 per cent. of the sum of (x) the aggregate Current Balance, as of the Closing Date, of the Mortgages included in the Mortgage Portfolio and (y) the aggregate Current Balance, as of the relevant Purchase Date on which they were acquired by the Issuer, of Additional Mortgages in the Mortgage Portfolio, the Rating Agencies have confirmed that the conversion of such Mortgages will not adversely affect the then current ratings of the Rated Notes.
- 4.10.5 For the avoidance of doubt, any Mortgage may be converted to an Interest Rate Converted Mortgage and/or a Repayment Converted Mortgage, subject to satisfaction of the applicable conditions set out in this Clause 4.10.
- 4.10.6 The Seller, the Issuer and the Trustee will be bound by a conversion. All costs arising in relation to the taking of such steps shall, to the extent not paid by the Borrower, be paid by the Administrator and recovered from the Issuer in accordance with Clause 12 (*Costs and Expenses*).

#### 4.11 **Obligations relating to Swap Transactions and/or other hedging arrangements**

- 4.11.1 If the aggregate principal amount received from borrowers in respect of Mortgages which are Fixed Rate Mortgages upon early redemption, enforcement or sale of such Mortgages (whether in full or in part) during any Collection Period is equal to or greater than £10,000,000, then the Administrator shall, as far as it is able to do so, on behalf of the Issuer, (a) exercise the right of the Issuer to terminate in full or in part one or more swap or other hedging transactions entered into by the Issuer with any Basis Hedge Provider (subject to the provisions of the relevant Basis Hedge Agreement) with effect from the Interest Payment Date immediately following the end of such Collection Period (or if the Issuer exercises its rights to terminate less than three Business Days prior to the next Interest Payment Date, the next following Interest Payment Date) **provided that** the Administrator shall not exercise such right, if: (i) as a result of such termination, a termination payment shall be payable by the Issuer to any Basis Hedge Provider on any

Interest Payment Date; and (ii) on such Interest Payment Date, the Issuer would not have sufficient funds available to it under and in accordance with clause 6 of the Deed of Charge to pay in full any amount under sub-clause 6.1.2(a) to sub-clause 6.1.2(h) (inclusive) of the Deed of Charge, or (b) subject to the consent of the relevant Basis Hedge Provider, execute such additional swap or other hedging transactions required to offset the fixed rate interest risk arising from the redemption of such Mortgages, or (c) subject to the consent of the relevant Basis Hedge Provider, arrange for the sale or transfer of such swap or other hedging transactions to another PGC company.

4.11.2 The Issuer undertakes that it will not enter into, and the Administrator undertakes that it will not arrange for the Issuer to enter into, any hedging arrangements with any Permitted Basis Hedge Provider unless the terms of the schedule applicable to the ISDA Master Agreement to be entered into with such Permitted Basis Hedge Provider are substantially the same (*mutatis mutandis*) as those of the schedule to the Basis Hedge Agreement entered into on or about the date of this Agreement.

4.11.3 Each of the Issuer and the Administrator agree that if on any Interest Payment Date the Issuer would not have sufficient funds available to it on such Interest Payment Date under and in accordance with clauses 6, 7 and 8 of the Deed of Charge to pay in full any Hedge Provider Subordinated Amounts payable to any Basis Hedge Provider or any Permitted Basis Hedge Provider on such Interest Payment Date, the Administrator will on behalf of the Issuer draw down under the Subordinated Loan Agreement an amount or amounts equal to the unpaid portion of such Hedge Provider Subordinated Amounts which would otherwise not be paid. The Administrator will instruct the Subordinated Lender to advance any such amounts directly to the relevant Basis Hedge Provider or Permitted Basis Hedge Provider and not to pay such amounts to the Transaction Account.

#### **4.12 Liability of Administrator**

For the avoidance of doubt, the Administrator shall not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by the Issuer and/or the Trustee as a result of the performance of the Services by the Administrator save where such loss, liability, claim, expense or damage is suffered or incurred as a result of any negligence or wilful default of the Administrator or any breach by it of the provisions of this Agreement or any other Relevant Document to which they are a party.

#### **5. MORTGAGE RATE**

5.1 Subject to Clauses 5.3, 5.5 and 5.6, the Seller, the Issuer and the Trustee grant the Administrator full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set the rate or rates of interest chargeable to Borrowers. Each of the Seller, the Issuer and the Trustee shall be bound by any rate or rates of interest set in accordance with this Agreement.

5.2 The Administrator shall take the steps rendered necessary by the relevant Mortgage Conditions to bring each change in such rate or rates of interest to the attention of the Borrowers in accordance with the Mortgage Conditions and shall take similar steps to

bring each such change to the attention of any relevant guarantor. Information regarding any change in the rate or rates of interest chargeable to Borrowers, shall be made available to the Issuer and the Trustee in accordance with sub-clause 13.10.1. All costs arising in relation to a notification of a change in such rate or rates of interest shall be paid by the Administrator and recovered from the Issuer in accordance with Clause 12 (*Costs and Expenses*).

### 5.3

5.3.1 The Administrator covenants with, and undertakes to, the Issuer and the Trustee that until all the Notes have been redeemed in full and all interest thereon has been paid, it will not either set such rate or rates of interest chargeable to Borrowers in respect of the Mortgages (in accordance with the applicable Mortgage Conditions) or permit them to remain in effect at any time, in each case, at such a level as would result in the weighted average yield on the Mortgages then owned by the Issuer, taking account of all hedging arrangements of the Issuer and income received by the Issuer from the investment of funds standing to the credit of the Transaction Account, scheduled releases from the Margin Reserve Fund Ledger in accordance with Schedule 8 (*Application of Margin Reserve Fund Amounts (Loan Margin)*), Schedule 9 (*Application of Margin Reserve Fund Amounts (Pre-Funding Cost)*) and Schedule 10 (*Application of Margin Reserve Fund Amounts (DFA Pre-Funding Cost)*), any Interest Rate Converted Mortgage Release Amount and, in the case of any Additional Margin Reserve Amount, the amount calculated by the Administrator at the relevant time and all amounts recovered in respect of early redemption amounts, calculated in accordance with Schedule 3 (*Minimum Mortgage Rate and Shortfall*), being less than the then current Minimum Mortgage Rate, unless, in each case, there is a credit balance in the Shortfall Fund (if any) (after deducting therefrom any prior provisions made pursuant to this Clause 5.3 within the then current Interest Period) at least equal to the shortfall which would arise at that time and a provision against the resulting shortfall is made in the Shortfall Ledger.

5.3.2 The shortfall referred to in sub-clause 5.3.1 shall be determined in accordance with the provisions of paragraph 3 of Schedule 3 (*Minimum Mortgage Rate and Shortfall*).

5.3.3 For the purposes of this Clause 5, Clause 13.5 and Schedule 3 (*Minimum Mortgage Rate and Shortfall*):

- (a) the rate or rates of interest chargeable to Borrowers in respect of the Mortgages shall be "set" on any day on which any change in the rate or rates charged to Borrowers becomes effective in accordance with the Mortgage Conditions; and
- (b) the rate or rates of interest chargeable to Borrowers in respect of the Mortgages shall be "permitted to remain in effect" on each Interest Payment Date.

5.4 All amounts standing to the credit of the Shortfall Ledger on any Interest Payment Date, including in respect of which a provision has been made in connection with the

setting or permitting to remain in effect of the rate or rates of interest chargeable to Borrowers in respect of the Mortgages in accordance with Clause 5.3, shall be transferred to the Revenue Ledger (by debiting the Shortfall Ledger and crediting the Revenue Ledger with that amount) on such Interest Payment Date.

## 5.5

- 5.5.1 The Trustee may, in any of the circumstances described in sub-clause 5.5.2 and without prejudice to the rights of the Trustee under Clause 21.1, terminate the authority of the Administrator under Clause 5.1 to determine and set the rate or rates of interest charged to Borrowers under Clause 5.1 and the authority of the Administrator under Clause 5.7 to calculate and notify the Monthly Payments on Repayment Mortgages and may (but shall not be obliged to) itself (or an agent on its behalf), or (if applicable) any substitute administrator shall, determine such rate or rates and Monthly Payments from time to time thereafter, **provided that**, unless the Trustee has exercised its rights under Clause 21.1, the Trustee may reinstate such authority at any time and **provided further that**, in the case of the right to set the rate or rates of interest under Clause 5.1, the Trustee (or an agent on its behalf) or (if applicable) a substitute administrator shall, unless the authority of the Administrator has been reinstated under this sub-clause 5.5.1, set such rate or rates at such a level as would result in the weighted average yield on the Mortgages, taking account of all hedging arrangements of the Issuer and income received by the Issuer from the investment of funds standing to the credit of the Transaction Account, scheduled releases from the Margin Reserve Fund Ledger in accordance with Schedule 8 (*Application of Margin Reserve Fund Amounts (Loan Margin)*), Schedule 9 (*Application of Margin Reserve Fund Amounts (Pre-Funding Cost)*) and Schedule 10 (*Application of Margin Reserve Fund Amounts (DFA Pre-Funding Cost)*), any Interest Rate Converted Mortgage Release Amount and all amounts recovered in respect of early redemption amounts, calculated in accordance with Schedule 3 (*Minimum Mortgage Rate and Shortfall*), being not less than the then current Minimum Mortgage Rate thereby avoiding the potential shortfalls referred to in sub-clause 5.3.1. The Trustee shall give notice of any such termination or reinstatement to the Rating Agencies as soon as practicable thereafter.
- 5.5.2 The Trustee may terminate the authority of the Administrator to determine and set the rate or rates of interest chargeable to Borrowers in respect of the Mortgages and the authority of the Administrator under Clause 5.7 on the occurrence of any of the following events:
- (a) there has occurred an Event of Default in respect of any of the Notes in accordance with Condition 9 (*Events of Default*) or an event which, in accordance with such Conditions, with the giving of notice and/or lapse of time and/or certification and/or determination would constitute an Event of Default in respect of any of the Notes (as the case may be); or
  - (b) there has occurred a Termination Event (as defined in Clause 21.1).

5.6 The Administrator shall promptly submit to the Issuer and, if requested by the Trustee, to the Trustee, details of all calculations made pursuant to Clause 5.3.

5.7 The Administrator shall calculate (and notify to the relevant Borrowers) the Monthly Payments in respect of the Repayment Mortgages, in accordance with the practices of a reasonably prudent mortgage administrator and so as to result in all moneys secured by each Repayment Mortgage being fully repaid by its scheduled maturity.

## 6. PAYMENTS, ACCOUNTS, LEDGERS

### 6.1 Transaction Account

6.1.1 The Administrator hereby confirms that the Transaction Account has been established on or before the date hereof and mandates substantially in the agreed forms will apply thereto prior to the Closing Date and that as at the Closing Date the Transaction Account will have a credit balance of not less than £1.00. The Administrator undertakes that at the Closing Date the Transaction Account will be operative and that it will not knowingly create or permit to subsist any Security Interest in relation to the Transaction Account, other than as created under the Deed of Charge.

6.1.2 If the Original Currency Swap Agreement terminates early pursuant to the terms thereof, the Administrator shall, on behalf of the Issuer, as soon as reasonably practicable, arrange for a swap termination reserve account to be established with the Operating Bank in respect of the Class A1 Notes to hold Swap Termination Principal Excess Amounts (the "**Swap Termination Reserve Account**"). The Administrator undertakes (to the extent to which the same is within its control) that it will not create or permit to subsist any security interest in relation to any Swap Termination Reserve Account other than as created under or permitted pursuant to the Deed of Charge.

### 6.2 Ledgers and Reserves

6.2.1 Without prejudice to sub-clause 6.2.3, the Administrator undertakes that it will open and maintain in the books of the Issuer ledgers, to be known as:

- (a) the Revenue Ledger;
- (b) the Principal Ledger;
- (c) the First Loss Ledger;
- (d) the Shortfall Ledger (referred to in sub-clause 6.2.3);
- (e) the Margin Reserve Fund Ledger;
- (f) the Pre-Funding Reserve Ledger (as applicable);
- (g) the Discretionary Further Advance Pre-Funding Reserve Ledger (as applicable);
- (h) the Interest Shortfall Ledger; and

- (i) the Issuer Profit Ledger,

which shall together reflect all amounts from time to time held by the Issuer or the Trustee (excluding (x) Hedge Collateral which shall be recorded in the Hedge Collateral Ledger in accordance with Clause 6.17 and (y) Swap Termination Principal Excess Amounts which shall be credited to the Swap Termination Reserve Account in accordance with Clause 6.19)), being the aggregate of all amounts which are for the time being either (i) standing to the credit of the Transaction Account or (ii) invested in Authorised Investments; and the Administrator shall record in the Revenue Ledger, the Principal Ledger, the First Loss Ledger, the Shortfall Ledger (referred to in sub-clause 6.2.3), the Margin Reserve Fund Ledger, the Discretionary Further Advance Pre-Funding Reserve Ledger (as applicable), the Pre-Funding Reserve Ledger (as applicable), the Interest Shortfall Ledger and the Issuer Profit Ledger in accordance with the terms of this Agreement all amounts received by or on behalf of the Issuer or the Trustee and all payments made by or on behalf of the Issuer or the Trustee.

- 6.2.2 The Administrator shall also open and maintain in the books of the Issuer a further ledger, to be known as the Principal Deficiency Ledger. Where in the case of any Mortgage, after completion of the Enforcement Procedures and after all amounts have been received under any applicable assurance or insurance policies or under any Guarantee, an amount of principal of the relevant Mortgage remains outstanding, the Administrator shall debit such amount of principal to the Principal Deficiency Ledger although if any amount is subsequently recovered in respect of that principal it shall be credited to the Principal Deficiency Ledger to the extent of the relevant debit. An amount equal to any amount debited to the Interest Shortfall Ledger and credited to the Revenue Ledger pursuant to clause 6.15.2 or debited to the Principal Ledger pursuant to clause 6.3 of the Deed of Charge shall also be debited to the Principal Deficiency Ledger. An amount required to increase the First Loss Fund up to the Liquidity Amount shall also be debited to the Principal Deficiency Ledger. Amounts may be credited to the Principal Deficiency Ledger in accordance with sub-clause 6.1.2 of the Deed of Charge and from amounts drawn under the Subordinated Loan Agreement sufficient to restore the Principal Deficiency Ledger to zero. Amounts credited to the Principal Deficiency Ledger in accordance with sub-clause 6.1.2 of the Deed of Charge or from drawings under the Subordinated Loan Agreement and credited to the Principal Ledger shall be deemed to be receipts of principal for the purposes of the definition of Available Redemption Funds.
- 6.2.3 If at any time the Issuer draws down an amount under the Subordinated Loan Agreement in order to establish a Shortfall Fund, the Administrator shall open and maintain in the books of the Issuer a Shortfall Ledger with an initial balance of the amount so drawn down. If the Issuer thereafter draws down further amounts under the Subordinated Loan Agreement to increase or establish the Shortfall Fund, the Administrator shall credit the Shortfall Ledger with each amount so drawn down.
- 6.2.4 The Administrator shall ensure that it will record as a credit on the Issuer Profit Ledger any amounts retained by the Issuer as profit in accordance with

sub-clauses 6.1.2(j) and 8.2(k) of the Deed of Charge (by debiting the Revenue Ledger) and record as a debit any amounts paid out to fund UK corporation tax payments and dividends.

### 6.3 Direct Debiting Scheme

6.3.1 For the purposes of collecting amounts due from Borrowers under the Mortgages in accordance with this Agreement, the Administrator will unless otherwise agreed with the Trustee and the Issuer:

- (a) remain a member of the Direct Debiting Scheme for so long as it acts as Administrator under this Agreement;
- (b) procure upon the service of an Enforcement Notice (insofar as it is able) that the Issuer is admitted to the Direct Debiting Scheme, that the Issuer will remain a member of the Direct Debiting Scheme or any scheme which replaces the Direct Debiting Scheme during the remaining term of this Agreement and that in connection therewith the Issuer will give an indemnity in such form and to such effect as may be required from time to time in order that the Issuer is so admitted and may remain a member of such scheme;
- (c) subject to sub-clauses 6.3.2 and 6.3.3, deliver to the Collection Account Provider or BACS in sufficient time for BACS to process collection on each Mortgage Payment Date instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate with the Monthly Payment due from such Borrower, and for the amount of such Monthly Payment to be credited to the Collection Account, on such Mortgage Payment Date;
- (d) subject to sub-clauses 6.3.2 and 6.3.3, deliver to the Collection Account Provider or BACS instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate with the Monthly Payment due and owing by such Borrower on the previous Mortgage Payment Date and which on the date of presentation of such instructions has not been received by the Seller;
- (e) subject to sub-clauses 6.3.2 and 6.3.3, deliver to the Collection Account Provider or BACS such other instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate in accordance with the Direct Debiting Scheme as may be appropriate for the recovery of sums due by such Borrower; and
- (f) comply in all material respects with the requirements from time to time of the Direct Debiting Scheme including "The Originators Guide and Rules to the Direct Debiting Scheme" as amended from time to time.

6.3.2 The Administrator, may agree with a Borrower that the Direct Debiting Scheme shall not apply to Monthly Payments to be made by such Borrower, **provided that**, subject to sub-clause 6.3.4:

- (a) alternative payment arrangements are made which are intended to ensure timely payment of Monthly Payments due by the Borrower to ultimately the Issuer; and
  - (b) the change in arrangements was made at the instigation of the Borrower or with the approval of the Trustee.
- 6.3.3 The Administrator may, notwithstanding (a) and (b) of sub-clause 6.3.2, agree procedures for the payment by a Borrower of (a) overdue amounts and (b) amounts payable on redemption of a Mortgage in whole or in part other than through the Direct Debiting Scheme.
- 6.3.4 Where a Borrower permits a direct debit to be made from his bank account, the Administrator, will endeavour to procure that such Borrower maintains a valid and effective mandate relating to such direct debit in relation to each Monthly Payment due by that Borrower, **provided that** in any case where a Borrower will not permit a direct debit to be made from his bank account the Administrator, will endeavour to make alternative arrangements so that such Borrower nevertheless pays each Monthly Payment on the due date.

#### 6.4 Enforcement of Mortgages

- 6.4.1 The Administrator will, in relation to any default by a Borrower under or in connection with a Mortgage, comply with the Enforcement Procedures or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, take such action as would a reasonably prudent mortgage administrator in respect of such default, **provided that**:
  - (a) the Administrator shall only become obliged to comply with the Enforcement Procedures (to the extent applicable) or to take action as aforesaid after it has become aware of the default; and
  - (b) it is acknowledged by the Issuer and the Trustee that mortgage administrators generally exercise discretion in pursuing their respective enforcement procedures and that the Administrator may exercise such discretion as would be exercised by a reasonably prudent mortgage administrator in applying the Enforcement Procedures to any particular defaulting Borrower or taking action as aforesaid or in enforcing any relevant Guarantee but without prejudice to the provisions of Clause 14 (*Insurances*).
- 6.4.2 The Administrator may on behalf of the Issuer waive any Prepayment Charge **provided that** it may only do so if, prior to such waiver, the Subordinated Lender or any Additional Subordinated Lender has advanced such amount to the Issuer pursuant to the Subordinated Loan Agreement, crediting the Revenue Ledger.
- 6.4.3 The Seller acknowledges to each of the other parties to this Agreement that the provisions of the Cross-collateral Mortgage Rights Deed entitle the Seller to prevent any other Cross-collateral Party from exercising Cross-collateral Duplicate Rights in respect of any Mortgage (as defined in the Cross-collateral



Mortgage Rights Deed) except in the circumstances and to the extent that such Cross-collateral Party is not prohibited by such provisions from exercising Cross-collateral Rights in respect of that Mortgage.

- 6.4.4 The Seller covenants with the other parties to this Agreement that it will use its reasonable endeavours to prevent, and will not facilitate or otherwise permit, the enforcement of any Cross-collateral Rights by any other Cross-collateral Party in respect of any Mortgage (as defined in the Cross-collateral Mortgage Rights Deed) except in the circumstances and to the extent that such Cross-collateral Party is not prohibited by the provisions of the Cross-collateral Mortgage Rights Accession Deed from exercising Cross-collateral Rights in respect of that Mortgage.

## 6.5 Application of Sums Received

### 6.5.1

- (a) The Administrator shall procure that all payments (other than (i) amounts received in exchange for Currency Swap Principal Amounts and Currency Swap Interest Amounts; (ii) any Hedge Collateral provided by a Hedge Provider except to the extent that such Hedge Collateral is applied in or towards satisfaction of amounts due by the relevant Hedge Provider to the Issuer in accordance with the terms under which the Hedge Collateral was provided and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement; (iii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in paying a Hedge Provider Termination Amount; (iv) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in purchasing one or more replacement transactions under a Hedge Agreement, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions and any swap replacement premia applied or to be applied by the Issuer in making any swap termination payment due from it to a Hedge Provider; (v) in the case of any credit in respect of Tax (as such term is defined in the relevant Hedge Agreement), allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that has given rise to an Additional Amount, an amount equal to the amount to be paid by the Issuer to the relevant Hedge Provider in respect of such Tax credit, allowance, set-off or repayment) and (vi) any Swap Termination Principal Excess Amounts under paragraph (d) below transferred to the Swap Termination Reserve Account), shall be credited to the Transaction Account.
- (b) Notwithstanding the generality of sub-clause 6.5.1(a), the Administrator, shall in respect of the Mortgages:
- (i) procure that all payments by Borrowers to which Clause 6.3 applies and all Cheque Payments, redemption moneys and money recovered on the sale of the relevant Properties

following enforcement of any Mortgages are credited directly into the relevant Collection Account;

- (ii) on the Business Day following that on which monies received on behalf of the Issuer or of the Trustee (together in this sub-clause 6.5.1(b), the "**Issuer's Monies**") are credited to the Collection Account or, failing which, as soon as practicable after such Business Day, transfer such Issuer's Monies to result in a credit being made to the Transaction Account; and
  - (iii) procure that all payments made by the Subordinated Lender or any Additional Subordinated Lender to the Issuer pursuant to the Subordinated Loan Agreement are credited to the Transaction Account.
- (c) The Administrator undertakes that it shall not credit, or procure the credit of, any payments received on behalf of the Issuer or the Trustee to any bank account other than:
- (i) the Transaction Account in accordance with the provisions of sub-clause 6.5.1(a); or
  - (ii) the relevant Collection Account and/or the Transaction Account all in accordance with the provisions of sub-clause 6.5.1(b); or
  - (iii) any Hedge Collateral Account in accordance with the provisions of Clause 6.17,
- or permit the same to be paid to any other person.
- (d) The Administrator shall procure that any Swap Termination Principal Excess Amounts not used to pay Swap Termination Principal Shortfall Amounts are paid into the relevant Swap Termination Reserve Account.

#### 6.5.2 *Ledger Entries*

The Administrator, shall:

- (a) record all amounts received, held or paid out by the Issuer, or the Trustee in respect of the Mortgages and the issue of the Notes in the Revenue Ledger, the Principal Ledger, the First Loss Ledger, the Shortfall Ledger, the Margin Reserve Fund Ledger, the Interest Shortfall Ledger, the Pre-Funding Reserve Ledger and the Discretionary Further Advance Pre-Funding Reserve Ledger, as applicable, and all amounts transferred between such Ledgers, in the manner set out below and/or as otherwise set out in this Agreement and the Deed of Charge:
  - (i) all Monthly Payments (except to the extent of any amounts representing principal repaid), other interest received under the

Mortgages, all Prepayment Charges and any other redemption fees, charges and penalties and any costs or other amounts received under the Mortgages (including in any such case amounts (other than principal amounts) recovered on enforcement of rights against any Borrower or guarantor or his property or assets (including interest recovered on enforcement of the Borrower's Mortgage or from a guarantor)) shall be credited to the Revenue Ledger;

- (ii) all repayments of principal under the Mortgages (including amounts representing principal repaid in accordance with the terms of the Repayment Mortgages and principal amounts recovered on enforcement of rights against any Borrower or his property or assets or on sale of the Property with the consent of the Borrower or under the power of sale contained in the Mortgage or any amount recovered under a Guarantee and, in each case, applied in reduction of principal) shall be credited to the Principal Ledger;
- (iii) all borrowings under the Subordinated Loan Agreement made:
  - (A) for the purposes of making Mandatory Further Advances or Discretionary Further Advances shall be credited to the Principal Ledger;
  - (B) for the purpose of increasing the Principal Deficiency Ledger to zero shall be credited to the Principal Ledger;
  - (C) for the purposes of establishing the Margin Reserve Fund on the Closing Date and towards payment of any Additional Margin Reserve Amount shall be credited to the Margin Reserve Fund Ledger; and
  - (D) for the purposes of crediting an amount equal to the Margin Reserve Fund Ledger Conversion Required Amount (if any) to the Margin Reserve Fund Ledger in respect of any Interest Rate Converted Mortgages pursuant to clause 6.14 of the Administration Agreement;
- (iv) all payments of FRS 26 Adjustment Amounts made by the Subordinated Lender or any Additional Subordinated Lender to the Issuer pursuant to the Subordinated Loan Agreement shall be credited to the Principal Ledger;
- (v) all payments of Waived Prepayment Charge Amounts made by the Subordinated Lender or any Additional Subordinated Lender to the Issuer pursuant to the Subordinated Loan Agreement shall be credited to the Revenue Ledger;

- (vi) all Mandatory Further Advances and Discretionary Further Advances to Borrowers made from the Transaction Account shall be debited from the Principal Ledger **provided that** prior to the debiting of the Principal Ledger, any Discretionary Further Advances to Borrowers made from the Transaction Account shall be initially debited from the Discretionary Further Advance Pre-Funding Reserve Ledger and credited to the Principal Ledger in accordance with sub-clause 6.5.2(a)(xi) below;
- (vii) in accordance with the definition of Available Redemption Funds, on the earlier of the DFA Pre-Funding Reserve Ledger Release Date and the Principal Determination Date immediately preceding the Step Up Date, any remaining amount credited to the Discretionary Pre-Funding Reserve Ledger (after taking into account any debits to be made from such ledger on or before such date) shall be debited from such ledger and credited to the Principal Ledger, to form part of Available Redemption Funds at such Principal Determination Date and applied on the immediately following Interest Payment Date;
- (viii) if any amount is paid by a Seller to the Issuer pursuant to clause 8 (*Warranties, Representations And Undertakings*) of the Mortgage Sale Agreement, such portion thereof as corresponds to the principal amount of a Mortgage shall be credited to the Principal Ledger and the balance (if any) shall be credited to the Revenue Ledger;
- (ix) any borrowing for the purpose of establishing or increasing the First Loss Fund (including any amounts drawn down under the Subordinated Loan Agreement to replenish the First Loss Fund to the Required Amount) shall be credited to the First Loss Ledger;
- (x) on the Closing Date an amount equal to the amount by which the sum of:
  - (A) the GBP Equivalent of the Initial Principal Amount of the Notes on issue; and
  - (B) the amount drawn down on the Closing Date by the Issuer under the Subordinated Loan Agreement,exceeds the aggregate of:
  - (C) the amount paid to acquire the Mortgages acquired by the Issuer on the Closing Date and any related collateral security;

- (D) the amount applied to establish the First Loss Fund on the Closing Date;
- (E) the Margin Reserve Fund Initial Amount on the Closing Date;
- (F) the amount credited to the Discretionary Further Advance Pre-Funding Reserve Ledger on the Closing Date; and
- (G) the Additional Mortgage Amount (if any),

shall be credited to the Principal Ledger;

- (xi) all amounts debited from the Pre-Funding Reserve Ledger, if applicable, up to and including the second Principal Determination Date shall be credited to the Principal Ledger and all amounts debited from the Discretionary Further Advance Pre-Funding Reserve Ledger, if applicable, up to and including the Principal Determination Date immediately preceding the Step Up Date, shall be credited to the Principal Ledger;
- (xii) on the Closing Date (A) an amount equal to the Additional Mortgage Amount, if any, shall be credited to the Pre-Funding Reserve Ledger and (B) it is expected that an amount equal to 0.50% of the GBP Equivalent of the Initial Principal Amount of the Notes shall be credited to the Discretionary Further Advance Pre-Funding Reserve Ledger from the proceeds of the issue of the Notes;
- (xiii) all payments required to be made by the Administrator on behalf of the Issuer pursuant to Clause 9 (*Additional Mortgages*) (other than any FRS 26 Adjustment Amounts) shall be debited from the Pre-Funding Reserve Ledger, if applicable, and:
  - (A) for the purpose of making Additional Payments shall be credited to the Principal Ledger and all Additional Payments, if any, made to the Seller and the Transaction Account, pursuant to Clause 9 (*Additional Mortgages*) shall be debited from the Principal Ledger; and
  - (B) in accordance with the definition of Available Redemption Funds, on the second Principal Determination Date any remaining amount credited to the Pre-Funding Reserve Ledger (after taking into account any debits to be made from such ledger on such date), in each case shall be debited from such ledger and credited to the Principal Ledger;

- (xiv) all payments required to be made to the Administrator under Clause 12.2 shall be debited to the Revenue Ledger and all insurance commissions received by the Issuer shall be credited to the Revenue Ledger;
- (xv) all net receipts under any hedging arrangements, including under any Hedge Agreements and any Hedge Guarantee (other than (i) any Hedge Collateral provided by a Hedge Provider except to the extent that such Hedge Collateral is applied in or towards satisfaction of amounts due by the relevant Hedge Provider to the Issuer in accordance with the terms under which the Hedge Collateral was provided and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement; (ii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in paying a Hedge Provider Termination Amount; (iii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in purchasing one or more replacement transactions under a Hedge Agreement, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions and any swap replacement premia applied or to be applied by the Issuer in making any swap termination payment due from it to a Hedge Provider; and (iv) in the case of any credit in respect of Tax (as such term is defined in the relevant Hedge Agreement), allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that has given rise to an Additional Amount, an amount equal to the amount to be paid by the Issuer to the relevant Hedge Provider in respect of such Tax credit, allowance, set-off or repayment), shall be credited to the Revenue Ledger.
- (xvi) if any amount is received by or on behalf of the Issuer pursuant to any of the Insurance Contracts, such portion thereof as corresponds to the amounts (other than principal) then due and payable under the relevant Mortgage shall be credited to the Revenue Ledger and the balance (if any) shall be credited to the Principal Ledger;
- (xvii) where the proceeds of disposal or on maturity of any Authorised Investment invested by the Issuer exceed the original cost of such Authorised Investment, the amount of such excess shall be credited to the Revenue Ledger and any income on any Authorised Investment (including interest earned on the Transaction Account) shall also be credited to the Revenue Ledger;
- (xviii) any other amounts whatsoever (other than (i) any Hedge Collateral provided by a Hedge Provider except to the extent that such Hedge Collateral is applied in or towards satisfaction

of amounts due by the relevant Hedge Provider to the Issuer in accordance with the terms under which the Hedge Collateral was provided and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement; (ii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in paying a Hedge Provider Termination Amount; (iii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in purchasing one or more replacement transactions under a Hedge Agreement, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions and any swap replacement premia applied or to be applied by the Issuer in making any swap termination payment due from it to a Hedge Provider; and (iv) in the case of any credit in respect of Tax (as such term is defined in the relevant Hedge Agreement), allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that has given rise to an Additional Amount, an amount equal to the amount to be paid by the Issuer to the relevant Hedge Provider in respect of such Tax credit, allowance, set-off or repayment) received by or on behalf of the Issuer or the Trustee shall be credited, if clearly attributable to the principal amount of any Mortgage or an exchange of principal under the Currency Swap Agreement, to the Principal Ledger and, otherwise, to the Revenue Ledger;

- (xix) all amounts to be credited to the First Loss Ledger in accordance with sub-clause 6.1.2 of the Deed of Charge shall be credited to such ledger and debited to the Revenue Ledger and all amounts released from the First Loss Fund in accordance with clause 6.4 of the Deed of Charge shall be debited to the First Loss Ledger;
- (xx) all borrowings under the Subordinated Loan Agreement made for the purpose of purchasing hedging arrangements and/or related Hedge Guarantees entered into in connection with Interest Rate Converted Mortgages or otherwise (other than as referred to in sub-clauses (iii), (iv), (ix) and (x) above and other than borrowings for the purpose of establishing or maintaining any Shortfall Fund which shall be credited to the Shortfall Ledger or for the purpose of paying any Hedge Provider Subordinated Amount) shall be credited to the Revenue Ledger and payments to purchase hedging arrangements and/or related Hedge Guarantees or other hedging arrangements entered into in connection with Interest Rate Converted Mortgages shall be debited to the Revenue Ledger; and
- (xxi) amounts referred to in Clause 6.19.4 shall be credited to the Revenue Ledger.

- 6.5.3 The Administrator acknowledges the Issuer's intentions as described in Recitals (F) and (G) above and undertakes to perform its obligations under this Agreement in accordance with good practice according to market standards so as to ensure that amounts received are monitored, allocated, transferred and paid out in accordance with the terms of those recitals.
- 6.5.4 To the extent the DFA Pre-Funding Reserve Ledger Release Date has not occurred, and notwithstanding the security created by or pursuant to the Deed of Sub-Charge and Assignment, PML as Administrator shall determine on or before the Principal Determination Dates relating to Interest Payment Dates falling in each of January 2017, January 2018 and January 2019 an amount equal to any amount which must be paid out by the Issuer on such Interest Payment Date to ensure compliance by the Issuer with the payments condition for the purposes of Regulation 11 of the Taxation of Securitisation Companies Regulations 2006, and on or before such Principal Determination Date shall debit such amount from the Discretionary Further Advance Pre-Funding Reserve Ledger and shall credit such amount to the Principal Ledger of the Transaction Account and either apply such amounts to purchase Discretionary Further Advances or apply such amounts as Available Redemption Funds in prepayment of the Notes in accordance with the Principal Priority of Payments on the immediately following Interest Payment Date.
- 6.5.5 In the event that, on any Interest Payment Date falling before enforcement, any funds are held by or on behalf of the Issuer which are not specifically required or permitted by any of the provisions of the Relevant Documents to be retained by the Issuer, an amount equal to such funds shall be paid by or on behalf of the Issuer to the Seller by way of Deferred Purchase Consideration.
- 6.5.6 If the Administrator is at any time in any doubt as to which ledger a particular amount should be credited, it shall consult the Issuer.
- 6.5.7 The Administrator, shall also record all amounts debited to the Transaction Account and/or debited or credited to any of the ledgers in accordance with the terms of this Agreement and/or the Deed of Charge.
- 6.5.8 If at any time the Seller has a second mortgage or charge over any Property in the manner envisaged by sub-clause 8.1.2, the Seller agrees that it will take no action to encourage the relevant Borrower to make payments in respect of the second mortgage or charge in preference to the relevant Mortgage and if at any time the Seller receives moneys from a Borrower and it is unsure as to whether such moneys have been paid in respect of the Mortgage or a relevant second mortgage or charge, it will promptly pay such amount into the Transaction Account, **provided however that** this sub-clause 6.5.8 shall have effect only to the extent that it does not constitute or create and is not deemed to constitute or create any mortgage, charge or other security interest of any kind.

## 6.6 **Rating and the Transaction Account and the Collection Account**

- 6.6.1 The Transaction Account shall at all times be maintained with a bank (a) (i) which has a short-term issuer default rating by Fitch of at least F1; and (ii)



which has a long term issuer default rating by Fitch of at least A; and whose long-term unsecured and unsubordinated debt is rated at least A3 by Moody's; or (b) that has ratings (other than that specified in (a) above) as are consistent with the then current criteria of the relevant Rating Agencies as being the minimum ratings to support the then current ratings of the Most Senior Class of Rated Notes. If such criteria are no longer satisfied in relation to the Operating Bank: (1) the Administrator will give notice thereof to the Rating Agencies and the Trustee; and (2) the Administrator and the Issuer will use commercially reasonable efforts to transfer the Transaction Account to another bank which does satisfy such criteria within 30 calendar days of such occurrence (or such longer period as the Trustee and Moody's may agree). Upon the transfer of the Transaction Account to another bank the Administrator will procure that (i) the new account is charged to the Trustee in the same manner as the Transaction Account is charged to the Trustee pursuant to the Deed of Charge and the bank shall be requested to acknowledge receipt of notice of such charge; (ii) the provisions of this Clause 6.6.1 shall apply to such bank account; (iii) the provisions of the Deed of Charge and this Agreement relating to payments from the Transaction Account shall apply to such new bank account; and (iv) the arrangements for operation of such bank account shall be the same as in relation to the Transaction Account, all to the satisfaction of the Trustee.

- 6.6.2 The Seller agrees that the Collection Account shall at all times be maintained with a bank (a)(i) which has a short-term issuer default rating by Fitch of at least F2 and (ii) which has a long term issuer default rating by Fitch of at least BBB+; and whose long term unsecured and unguaranteed debt is rated at least Baa3 by Moody's; or (b) that has ratings (other than that specified in (a) above) as are consistent with the then current criteria of the relevant Rating Agencies as being the minimum ratings to support the then current ratings of the Most Senior Class of Rated Notes. If such criteria are no longer satisfied in relation to the bank with which the relevant Collection Account is maintained: (1) the Administrator will give notice thereof to the Rating Agencies and the Trustee; and (2)(a) the Issuer and (b) the Administrator (as applicable) will use commercially reasonable efforts to transfer the Collection Account to another bank which does satisfy such criteria within 30 calendar days of such occurrence (or such longer period the Trustee and Moody's may agree). Upon the transfer of that Collection Account to another bank, the Administrator will procure that (a) all direct debit payments made by borrowers under the Mortgages and all other moneys paid in respect of the Mortgages purchased by the Issuer (including cheque payments, redemption moneys and moneys recovered on the sale of Properties following enforcement of any Mortgage) are made or paid into the new Collection Account and (b) the Seller executes a declaration of trust in the same terms, *mutatis mutandis*, as the Collection Account Declaration of Trust in respect of such new Collection Account.
- 6.6.3 Notwithstanding sub-clauses 6.6.1 and 6.6.2, the Administrator may at any time transfer:
- (a) the Collection Account to HSBC Bank plc without the consent of the Trustee or any other party hereto **provided that** at such time HSBC

Bank plc (i) has a short-term issuer default rating by Fitch of at least F2 and (ii) has a long term issuer default rating by Fitch of at least BBB+; and whose long term, unsecured and unguaranteed debt is rated at least Baa3 by Moody's; or HSBC Bank plc has at such time such other ratings as are consistent with the then current criteria of the relevant Rating Agencies as being the minimum ratings required to support the then current ratings of the Most Senior Class of Rated Notes; and/or

- (b) the Transaction Account to HSBC Bank plc and/or Barclays Bank plc without the consent of the Trustee or any other party hereto **provided that** at such time HSBC Bank plc (i) has a short-term issuer default rating by Fitch of at least F1 and (ii) has a long term issuer default rating by Fitch of at least A; and whose long term, unsecured and unguaranteed debt is rated at least A3 by Moody's; or HSBC Bank plc or, as the case may be, Barclays Bank plc has at such time such other ratings as are consistent with the then current criteria of the relevant Rating Agencies as being the minimum ratings required to support the then current ratings of the Most Senior Class of Rated Notes.

6.6.4 Upon the transfer of the Transaction Account to HSBC Bank plc and/or Barclays Bank plc pursuant to sub-clause 6.6.3, the Administrator will procure that (i) at the time the transfer is effective, the new account is charged to the Trustee in the same manner as the Transaction Account is charged to the Trustee pursuant to the Deed of Charge and HSBC Bank plc or, as the case may be, Barclays Bank plc shall be requested to acknowledge receipt of notice of such charge; (ii) the provisions of this Clause 6 shall apply to such bank account; (iii) the provisions of the Deed of Charge and this Agreement relating to payments from the Transaction Account shall apply to such new bank account; and (iv) the arrangements for operation of such bank account shall be the same as in relation to the Transaction Account and the Administrator shall notify the Trustee of such transfer as soon as practicable and deliver to the Trustee a certificate (substantially in the form of Schedule 12 (*Form of Transaction Account transfer certificate*)) confirming that conditions (i) to (iv) have been met as soon as reasonably practicable following the completion thereof.

6.6.5 Upon the transfer of any Collection Account to HSBC Bank plc pursuant to sub-clause 6.6.3, the Administrator will notify the Trustee of such transfer as soon as reasonably practicable and procure that (a) all direct debit payments made by borrowers under the Mortgages and all other moneys paid in respect of the Mortgages purchased by the Issuer (including cheque payments, redemption moneys and moneys recovered on the sale of Properties following the enforcement of any Mortgage) are made or paid into the new Collection Account; (b) the Seller executes a new declaration of trust in the same terms, *mutatis mutandis*, as the Collection Accounts Declaration of Trust in respect of such new Collection Account; and (c) (i) notice is given to HSBC Bank plc of the new declarations of trust executed pursuant to (b) above and the assignment of the rights of the Issuer under such declarations of trust; and (ii) the Trustee is provided with a copy of such notice and a copy of the new

declarations of trust and the Administrator shall deliver to the Trustee a certificate confirming that conditions (a) to (c) have been met as soon as reasonably practicable following the completion thereof.

- 6.6.6 The Administrator shall notify the Rating Agencies of any transfer of any Collection Account and/or the Transaction Account to HSBC Bank plc and/or (in the case of the Transaction Account) Barclays Bank plc pursuant to sub-clause 6.6.3 as soon as practicable following completion thereof.

## 6.7 **Withdrawals**

The Administrator may, from time to time, make withdrawals on behalf of the Issuer from the Transaction Account and any Hedge Collateral Account as permitted by this Agreement, the Deed of Charge or any Hedge Agreement, but not otherwise.

## 6.8 **Records**

The Administrator shall keep and maintain records, on a Mortgage by Mortgage basis, for the purposes of identifying amounts paid by each Borrower, any amount due by a Borrower and the balance from time to time outstanding on a Borrower's account. The Administrator will provide such information to the Issuer, the Trustee or to their order at any time upon request, subject to the provisions of the Data Protection Acts 1984 and 1998 or other applicable legislation current from time to time. The Administrator shall also keep and maintain records on the Collection Account.

## 6.9 **Trust**

If the Administrator, receives (including in its capacity as agent for the Issuer or the Trustee) any money whatsoever arising from the Mortgages or any collateral security therefor or any contract of insurance, which money belongs to the Issuer or the Trustee or is to be paid to the Issuer or the Trustee or into the Transaction Account pursuant to this Agreement, the Mortgage Sale Agreement or otherwise, it will hold such money on trust for the Issuer or the Trustee, as the case may be, and shall keep such money separate from all other money belonging to the Administrator, and shall forthwith upon receipt thereof pay the same in accordance with sub-clause 6.5.1 into the Transaction Account.

## 6.10 **First Loss Ledger**

- 6.10.1 On the Closing Date a sum equal to the First Loss Fund Initial Amount on the Closing Date shall be drawn down under the Subordinated Loan Agreement and credited to the First Loss Ledger.

- 6.10.2 On each Interest Payment Date there shall be transferred to the First Loss Fund (crediting the First Loss Ledger), in accordance with the Deed of Charge, from amounts standing to the credit of the Revenue Ledger on that date (debiting the Revenue Ledger) an amount equal to any payments of the kind described in paragraphs (a) and (e) of sub-clause 6.1.1 of the Deed of Charge which have been debited to the First Loss Ledger during the Interest Period in question and (if relevant) in respect of which the First Loss Fund has not been replenished on an earlier Mortgage Payment Date during the Interest Period in

question in accordance with the provisions of sub-clause 6.10.3, **provided that** the amount of the First Loss Fund shall not, on any Interest Payment Date, exceed the Required Amount applicable on that Interest Payment Date.

- 6.10.3 On each Mortgage Payment Date (other than an Interest Payment Date) there shall be transferred to the First Loss Fund (crediting the First Loss Ledger) from amounts standing to the credit of the Revenue Ledger on that date (debiting the Revenue Ledger) an amount equal to the lesser of (i) any payments of the kind described in paragraphs (a) and (e) of sub-clause 6.1.1 of the Deed of Charge which have been debited to the First Loss Ledger since the immediately preceding Mortgage Payment Date and (ii) the amount which would result in the First Loss Fund being equal to the Required Amount applicable on the immediately preceding Interest Payment Date.
- 6.11 If on any Interest Payment Date a payment or provision of the kind described in paragraphs (a) to (k) (inclusive) of sub-clause 6.1.2 of the Deed of Charge is to be made resulting in a debit to the Revenue Ledger and there are insufficient funds standing to the credit of the Revenue Ledger for that purpose having taken account of any amounts which may be transferred from the Shortfall Fund and scheduled releases from the Margin Reserve Fund on such Interest Payment Date pursuant to Clause 5.4 and sub-clause 6.14.2, then an amount equal to the deficiency or, if less, an amount equal to the First Loss Liquidity Excess Amount or, as the case may be, the Actual Liquidity Amount (after applying any amounts standing to the credit of the Interest Shortfall Ledger) shall on that date be transferred to the Revenue Ledger (crediting the Revenue Ledger and debiting the First Loss Ledger) from the First Loss Fund subject to the provisions of sub-clauses 6.1.7 and 6.1.8 of the Deed of Charge.
- 6.12 Amounts may be credited and debited to the First Loss Ledger in accordance with sub-clause 6.1.2 and clause 6.4 of the Deed of Charge.

#### 6.13 **Shortfall Ledger**

The Shortfall Ledger shall be opened and maintained in accordance with sub-clause 6.2.3, and shall be operated in accordance with Clauses 5.3 and 5.4.

#### 6.14 **Margin Reserve Fund Ledger**

- 6.14.1 The following amounts shall be drawn down under the Subordinated Loan Agreement and credited to the Margin Reserve Fund Ledger: (i) on the Closing Date, an amount equal to the Margin Reserve Fund Initial Amount and credited to the Margin Reserve Fund Ledger; and (ii) to the extent required on each date an Additional Mortgage is purchased by the Issuer, an amount equal to the applicable Additional Margin Shortfall (if any) in respect of such Additional Mortgage (the "**Additional Margin Reserve Amount**").
- 6.14.2 On each Interest Payment Date set out in Schedule 8 (*Application of Margin Reserve Fund Amounts (Loan Margin)*), Schedule 9 (*Application of Margin Reserve Fund Amounts (Pre-Funding Cost)*) and Schedule 10 (*Application of Margin Reserve Fund Amounts (DFA Pre-Funding Cost)*), the amounts relevant to such Interest Payment Date specified in Schedule 8 (*Application of Margin Reserve Fund Amounts (Loan Margin)*), Schedule 9 (*Application of*

*Margin Reserve Fund Amounts (Pre-Funding Cost)*) and Schedule 10 (*Application of Margin Reserve Fund Amounts (DFA Pre-Funding Cost)*) shall be debited from the Margin Reserve Fund Ledger and credited to the Revenue Ledger for application in accordance with sub-clause 6.1.2 of the Deed of Charge.

- 6.14.3 On each Interest Payment Date, the relevant Additional Margin Reserve Amount (if any), or part thereof, in respect of each Additional Mortgage, modified to the extent necessary from time to time to take into account any additional releases required in respect of Additional Margin Reserve Amounts, shall be debited from the Margin Reserve Fund Ledger and credited to the Revenue Ledger for application in accordance with sub-clause 6.1.2 of the Deed of Charge.
- 6.14.4 The Administrator shall, on the last Business Day of each calendar month draw down under the Subordinated Loan Agreement and transfer to the Transaction Account and credit to the Margin Reserve Fund Ledger an amount equal to the aggregate of the Margin Reserve Fund Ledger Conversion Required Amounts relating to all Proposed Interest Rate Converted Mortgages identified as such pursuant to Clause 4.10.3.
- 6.14.5 On each Interest Payment Date, the Administrator will debit from the Margin Reserve Fund Ledger and credit to the Revenue Ledger the aggregate of the Interest Rate Converted Mortgage Release Amounts applicable to each Interest Rate Converted Mortgage for the Collection Period ending on the immediately preceding Principal Determination Date.
- 6.14.6 If on any Interest Payment Date, the Administrator determines that the amount credited to the Margin Reserve Fund Ledger of the Transaction Account in respect of any Interest Rate Converted Mortgage exceeds the Margin Reserve Fund Ledger Conversion Required Amount (that would be applicable in respect of such Interest Rate Converted Mortgage if calculated by reference to the Current Balance of such Mortgage as at the Principal Determination Date immediately preceding such Interest Payment Date (instead of the Current Balance at the date of conversion), and by reference to the number of years in the remaining term of the Mortgage for which the Product Conversion Rate Reduction Amount is applicable as at the Principal Determination Date immediately preceding such Interest Payment Date (instead of the term as at the date of conversion)) in respect of such Interest Rate Converted Mortgage, then the amount of such excess shall be released from the Margin Reserve Fund Ledger and applied in repayment of principal amounts outstanding under the Subordinated Loan Agreement.
- 6.14.7 If on any Interest Payment Date, the Administrator determines that any Proposed Interest Rate Converted Mortgage did not become an Interest Rate Converted Mortgage as a result of (i) the Interest Rate Converted Mortgage Conditions not being satisfied on any day in the Collection Period ending on the Principal Determination Date immediately preceding such Interest Payment Date or (ii) the relevant Borrower electing not to proceed with the conversion, then the Administrator shall release the Margin Reserve Fund Ledger Conversion Required Amount credited to the Margin Reserve Fund

Ledger of the Transaction Account in respect of such Proposed Interest Rate Converted Mortgage and apply such amount in repayment of principal amounts outstanding under the Subordinated Loan Agreement.

## **6.15 Interest Shortfall Ledger**

6.15.1 On any Principal Determination Date while any Class A Note, Class B Note or Class C Note remains outstanding, an amount equal to the Potential Interest Shortfall Amount shall be debited to the Principal Ledger and credited to the Interest Shortfall Ledger.

6.15.2 If on any Interest Payment Date there are insufficient funds standing to the credit of the Revenue Ledger (after making any transfer on such Interest Payment Date referred to in Clause 5.4 and sub-clause 6.14.2) and the First Loss Liquidity Excess Amount of the First Loss Ledger to pay amounts payable on that Interest Payment Date under paragraphs (a) to (d), (f) and (h) of sub-clause 6.1.2 of the Deed of Charge, the lesser of the shortfall and the balance standing to the credit of the Interest Shortfall Ledger will be transferred from the Interest Shortfall Ledger to the Revenue Ledger and applied by the Administrator on any Interest Payment Date towards the payment in order of priority of:

- (a) the amounts referred to in items (a) to (d) of sub-clause 6.1.2 of the Deed of Charge (in the order of priority set out in sub-clause 6.1.2 of the Deed of Charge);
- (b) the amounts referred to in item (f) of sub-clause 6.1.2 of the Deed of Charge only if and to the extent that the sum of the debit balance on the Principal Deficiency Ledger, when expressed as a positive amount, does not exceed: (i) 50 per cent. of the Principal Liability Outstanding of the Class B Notes; and (ii) the aggregate of the Principal Liability Outstanding of the Class C Notes and the Class E Notes;
- (c) the amounts referred to in item (h) of sub-clause 6.1.2 of the Deed of Charge only if and to the extent that the sum of the debit balance on the Principal Deficiency Ledger, when expressed as a positive amount, does not exceed the aggregate of: (i) 50 per cent. of the Principal Liability Outstanding of the Class C Notes; and (ii) the Principal Liability Outstanding of the Class E Notes.

Any amount standing to the credit of the Interest Shortfall Ledger applied in accordance with this sub-clause 6.15.2 shall be debited to the Principal Deficiency Ledger in accordance with sub-clause 6.2.2. Any credit balance on the Interest Shortfall Ledger after an Interest Payment Date will be transferred and credited to the Principal Ledger.

## **6.16 Retained Pre-Closing Accruals and Arrears**

6.16.1 The Seller shall notify to the Issuer on each Purchase Date the total aggregate amount of the Retained Pre-Closing Accruals and Arrears to be retained by the Seller on such Purchase Date.

- 6.16.2 The Administrator shall, in accordance with sub-clause 13.10.1, notify the Issuer of the aggregate amount that in accordance with sub-clause 6.16.5 has been received by the Issuer in respect of the Retained Pre-Closing Accruals and Arrears.
- 6.16.3 Any notification pursuant to this sub-clause 6.16.1 shall be binding and conclusive evidence of such Retained Pre-Closing Accruals and Arrears (and any receipt thereof) and the Trustee and the Issuer shall be entitled to rely on the same.
- 6.16.4 The Seller shall be entitled to be paid, and the Administrator shall pay to the Seller, Retained Pre-Closing Accruals and Arrears forthwith upon receipt of monies by the Issuer under each Mortgage or its related security where such Retained Pre-Closing Accruals and Arrears are owed under that Mortgage.
- 6.16.5 For the purpose of determining whether any monies received by the Issuer are in respect of Retained Pre-Closing Accruals and Arrears monies (whether arising from payments received under a Mortgage or its related collateral security or pursuant to a claim under the buildings insurance policy, or from the sale of a Mortgage or the enforcement or calling up of the security thereof) will, for the purposes of the Relevant Documents and in particular for the purpose of determining amounts due to the Seller under the Mortgage Sale Agreement, be deemed to be applied in or towards satisfying:
- (a) *first*, Retained Pre-Closing Accruals and Arrears in respect of such Mortgage;
  - (b) *secondly*, interest accrued and unpaid in respect of such Mortgage (other than Retained Pre-Closing Accruals and Arrears);
  - (c) *thirdly*, any fees, costs or expenses in respect of such Mortgages (other than Retained Pre-Closing Accruals and Arrears); and
  - (d) *fourthly*, the principal amount outstanding under such Mortgage.

## 6.17 Hedge Collateral

- 6.17.1 In the event that pursuant to the terms of a Hedge Agreement a Hedge Provider pays or transfers Hedge Collateral to the Issuer, the Administrator shall:
- (a) create the Hedge Collateral Ledger, with such sub-ledgers as the Administrator considers appropriate, in the books of the Issuer if not already created so as to record the amount and type of such Hedge Collateral and identify the relevant Hedge Agreement in respect of which it has been posted;
  - (b) upon receipt of such Hedge Collateral, credit it to and record the relevant details in the Hedge Collateral Ledger;
  - (c) to the extent that such Hedge Collateral is in the form of cash, pay it into the relevant Hedge Collateral Cash Account; and

- (d) to the extent that such Hedge Collateral is in the form of securities, arrange for it to be credited to the relevant Hedge Collateral Securities Account.

6.17.2 If and when the terms of the relevant Hedge Agreement permit such Hedge Collateral to be applied in or towards satisfaction of the Hedge Provider's obligations under the relevant Hedge Agreement, and in the event that such Hedge Collateral is to be so applied, the Administrator shall:

- (a) where the relevant Hedge Collateral is in the form of cash, and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement hedging transactions under a Hedge Agreement, transfer the relevant amount of cash from the relevant Hedge Collateral Cash Account to the Transaction Account; and/or
- (b) where the relevant Hedge Collateral is in the form of securities, and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement hedging transactions under a Hedge Agreement, realise the Hedge Collateral and pay the amount of the net proceeds into the Transaction Account,

and, in each case, make the appropriate debits and credits to the Hedge Collateral Ledger, apply such amount as if it had been paid to the Issuer by the Hedge Provider under the relevant Hedge Agreement and make appropriate credits to the Principal Ledger (in so far as such amount relates to principal) and to the Revenue Ledger (for the remainder of such amount).

6.17.3 To the extent that pursuant to the terms of the relevant Hedge Agreement Hedge Collateral is to be transferred or paid to the Hedge Provider, or, following a termination of the relevant Hedge Agreement, an amount is owed to the Hedge Provider pursuant to Section 6(e) of the relevant Hedge Agreement, the Administrator shall:

- (a) where the relevant Hedge Collateral is in the form of cash, pay the relevant amount of cash out of the relevant Hedge Collateral Cash Account to the Hedge Provider; and/or
- (b) where the relevant Hedge Collateral is in the form of securities, transfer and deliver the relevant Hedge Collateral Securities to the Hedge Provider; and/or
- (c) in the case of a termination of the relevant Hedge Agreement, realise the Hedge Collateral Securities and first apply any net proceeds of all Hedge Collateral to satisfy any termination payment due to the relevant Hedge Provider pursuant to Section 6(e) of such Hedge Agreement,

and, in each case, debit the Hedge Collateral Ledger as appropriate.

6.17.4 Where:



- (a) Hedge Collateral is to be applied in satisfaction of the Hedge Provider's obligations under the relevant Hedge Agreement; and
- (b) such Hedge Collateral or the proceeds of such Hedge Collateral are in a different currency to the currency (the "**Required Hedge Collateral Currency**") in which such obligations of the Hedge Provider are payable,

then the Administrator shall arrange for such Hedge Collateral to be converted (by such person as the Administrator may reasonably select) at the prevailing spot rate of exchange into the Required Hedge Collateral Currency.

- 6.17.5 The Administrator may open and operate Hedge Collateral Accounts as it considers appropriate and shall deal with Hedge Collateral in accordance with each Hedge Agreement relating to such Hedge Collateral.
- 6.17.6 The Administrator and Issuer may enter into such Hedge Collateral Ancillary Documents as the Administrator and Issuer consider appropriate from time to time for the purposes of dealing with Hedge Collateral in accordance with each Hedge Agreement relating to such Hedge Collateral.
- 6.17.7 The terms of this Clause 6.17 shall prevail if and to the extent that they are inconsistent with the other paragraphs of this Administration Agreement and the Deed of Charge.

#### 6.18 **Hedge Replacement Premium**

- 6.18.1 Any Hedge Replacement Premium required to be applied by the Issuer to make a payment to a replacement Hedge Provider to purchase one or more replacement transactions under a Hedge Agreement shall be so applied by the Issuer at the direction of the Administrator.
- 6.18.2 Any Hedge Replacement Premium received by the Issuer from a replacement Hedge Provider upon entry by the Issuer into a replacement Hedge Agreement with such replacement Hedge Provider shall be applied firstly in making a Hedge Provider Termination Amount by the Issuer at the direction of the Administrator prior to use for any other means.

#### 6.19 **Swap Termination Principal Shortfall Amounts and Swap Termination Principal Excess Amounts**

In the event of a termination of the Original Currency Swap Agreement, on each Interest Payment Date following such termination prior to the delivery of an Enforcement Notice:

- 6.19.1 to the extent that the amount of Available Redemption Funds available to the Issuer on such Interest Payment Date under the Principal Priority of Payments that comprise the Principal Payment on the Class A1 Notes (once converted into EUR at the spot rate if less than the Original Exchange Rate, or where the Replacement Rate is less than the Original Exchange Rate, the Replacement Rate) is less than such amount in Euro converted at the Original Exchange Rate, the shortfall (such amounts being "**Swap Termination Principal**

**Shortfall Amounts**") shall be paid from any available amounts standing to credit of the Swap Termination Reserve Account;

- 6.19.2 to the extent that the amount of Available Redemption Funds available to the Issuer on such Interest Payment Date under the Principal Priority of Payments to pay the Principal Payment on the Class A1 Notes (once converted into EUR at the spot rate if greater than the Original Exchange Rate or, where the Replacement Rate is greater than the Original Exchange Rate, the Replacement Rate) is more than such amount in Euro converted at the Original Exchange Rate, the surplus (such amounts being "**Swap Termination Principal Excess Amounts**") shall be used to pay on such date any prior and unpaid Swap Termination Principal Shortfall Amounts on the Class A1 Notes, with any excess being transferred to the Swap Termination Reserve Account for the Class A1 Notes and subject to the terms of the Relevant Documents it may be applied on subsequent Interest Payment Dates to pay any future Swap Termination Principal Shortfall Amounts on the Class A1 Notes;
- 6.19.3 to the extent that on any Interest Payment Date the GBP Equivalent Principal Liability Outstanding on the Class A Notes equals NIL (the first such Interest Payment Date being the "**Class A2 Redemption Date**") and there are no available Swap Termination Principal Excess Amounts held in the Swap Termination Reserve Account, then any remaining Principal Liability Outstanding (which will be equal to the sum of any remaining unpaid Swap Termination Principal Shortfall Amounts) on the Class A1 Notes, together with any Normal Interest accruing on such Principal Liability Outstanding on and from the date thereof and any Class A1 Deferred Interest, shall only be paid at clause 6.2(g) of the Principal Priority of Payments (and for the avoidance of doubt, non payment of such remaining Principal Liability Outstanding on the Class A1 Notes or any accrued interest in respect of the Class A1 Notes on and following the Class A2 Redemption Date shall not be an Event of Default if there are no amounts standing to the credit of the Principal Ledger following application of the Principal Priority of Payments); and
- 6.19.4 to the extent that either (x) the GBP Equivalent Principal Liability Outstanding on the Class A Notes equals NIL or (y) the Issuer is party to a replacement Currency Swap Agreement which is in force as at such Interest Payment Date with an exchange rate equal to or greater than the Original Exchange Rate and there are amounts held in the Swap Termination Reserve Account as at such Interest Payment Date (or transferred or credited to the Swap Termination Reserve Account on such Interest Payment Date) and no Swap Termination Principal Shortfall Amounts are outstanding as at such Interest Payment Date, any funds standing to the credit of the Swap Termination Reserve Account as at such Interest Payment Date (or transferred or credited to the Swap Termination Reserve Account on such Interest Payment Date) shall on the next Interest Payment Date following such Interest Payment Date (after conversion into GBP by the Administrator at the spot rate of exchange), be transferred to the Transaction Account, and credited to the Revenue Ledger for application in accordance with the Revenue Priority of Payments.

On delivery of an Enforcement Notice, any excess funds (after paying any outstanding Swap Termination Principal Shortfall Amounts) standing to the credit of the Swap Termination Reserve Account shall be paid to the Principal Paying Agent for distribution through the clearing systems to the Class A1 Noteholders outside of the Enforcement Priority of Payments.

## **7. NO LIABILITY**

7.1 The Administrator shall have no liability for any obligation of a Borrower under any Mortgage or any collateral security and nothing herein shall constitute a guarantee, or similar obligation, by the Administrator of any Mortgage, Guarantee or any Borrower.

7.2 The Administrator shall have no liability for the obligations of the Issuer or the Trustee under any of the Relevant Documents or otherwise and nothing herein shall constitute a guarantee, or similar obligation, by the Administrator in respect of any thereof.

## **8. SELLER FURTHER ADVANCES, DISCRETIONARY FURTHER ADVANCES AND MANDATORY FURTHER ADVANCES**

### **8.1 Further Advances**

8.1.1 If a Borrower seeks a further advance, the Administrator shall promptly (and in any event within three Business Days of the receipt of such request) notify the Issuer and the Seller of such request and provide them with all details of such request which are available to them.

8.1.2 If, pursuant to sub-clause 8.1.1, the Administrator on behalf of the Issuer is not willing, or is unable, to make such further advance as a Discretionary Further Advance but the Seller decides that it wishes to make a further advance to that Borrower (although it is not obliged to do so), the Seller may by notice to the Issuer and the Trustee (with a copy to the Administrator) only make the further advance to the Borrower on the basis that the advance will be secured by a second mortgage or charge over the Property in question in favour of the Seller ranking after the Mortgage in point of priority.

8.1.3 If the Seller makes a further advance on the security of a second mortgage or charge over the relevant Property, the Trustee and the Issuer in accordance with their respective estates and interests shall be deemed to consent to the creation of any such second mortgage or charge made in accordance with paragraphs (a), (b) and (c) below pursuant to the Mortgage Conditions and the Trustee and the Issuer (and in the case of paragraph (c) below, the Seller) shall at the expense of the Seller:

(a) within seven days of receipt from the Seller of notice that it intends to make a further advance, execute and deliver or instruct and authorise the Administrator to execute and deliver to the Seller a letter of consent in such form as the Seller shall require;

(b) promptly give, or authorise the Administrator to give, the Seller access to the Mortgage Deeds or copies thereof to enable the Seller to make

any investigations which it requires prior to making the further advance; and

- (c) promptly execute all documents and do all things reasonably considered necessary or desirable to facilitate the creation of such second mortgage or charge and to postpone all rights of the Seller thereunder to those present and future rights of the Issuer and the Trustee in the Mortgage including, for the avoidance of doubt, future Mandatory Further Advances and Discretionary Further Advances.

## 8.2 Discretionary Further Advances

8.2.1 Subject to sub-clause 8.5 below, if the Administrator, pursuant to sub-clause 8.1.1, on behalf of the Issuer decides to make the further advance requested by the Borrower it may only make such Discretionary Further Advance to the Borrower on the basis that the advance will be secured on the relevant Property and if the following conditions are satisfied:

- (a) upon the making of any such Discretionary Further Advance, the Lending Guidelines will be satisfied so far as applicable subject to such waivers as might be within the discretion of a reasonably prudent mortgage administrator;
- (b) to the extent that the Administrator on behalf of the Issuer has reason to believe that any such Discretionary Further Advance to be made to a Borrower may result in a regulated agreement (as defined in the Consumer Credit Acts 1974 and 2006 and the Regulated Activities Order), the applicable provisions of the Consumer Credit Acts 1974 and 2006, the Financial Services and Markets Act 2000, the Regulated Activities Order and the Consumer Credit Sourcebook of the FCA Handbook relating to regulated agreements will be complied with;
- (c) in the period between a Principal Determination Date and an Interest Payment Date, no such Discretionary Further Advance may be made out of funds notified by the Administrator to the Issuer and the Principal Paying Agent as being available to redeem Notes on that Interest Payment Date pursuant to Condition 5(a);
- (d) prior to making the Discretionary Further Advance, the Administrator shall ask the Borrower to confirm that no second charge has been created over the relevant Property; if the Administrator has received notice (actual or constructive) that the relevant Borrower has created a second charge over the relevant Property, the Administrator shall ensure that such Discretionary Further Advance is not made to such Borrower unless such second charge has been expressly postponed to the charge securing such Discretionary Further Advance or unless the second charge is to be, and is, redeemed out of the proceeds of the Discretionary Further Advance simultaneously with the making of the Discretionary Further Advance;

- (e) the Discretionary Further Advance must not result in Clause 8.5 being contravened;
- (f) no Discretionary Further Advance (other than by way of capitalisation of interest unless that would amount to a further advance under the terms of the relevant Mortgage) may be made to a Borrower whose obligations are guaranteed by another person without the prior written consent of that person; and
- (g) the Administrator may not agree to make any Discretionary Further Advance unless the Administrator is satisfied that the Issuer has funds available for this purpose firstly, credited to the Discretionary Further Advance Pre-Funding Reserve Ledger and secondly, in the Principal Ledger to do so or the Subordinated Lender or any Additional Subordinated Lender has agreed to advance sufficient funds to the Issuer pursuant to the Subordinated Loan Agreement.

8.2.2 If the Administrator decides to make a Discretionary Further Advance pursuant to and in accordance with sub-clause 8.2.1, it shall:

- (a) execute and deliver on behalf of the Issuer, or as the case may be, the Seller, a letter of consent to the Borrower and promptly execute all documents and do all things reasonably considered necessary or desirable to facilitate the making of the Discretionary Further Advance; and
- (b) in relation to a Discretionary Further Advance made to a Borrower where a second charge has been expressly postponed to such Discretionary Further Advance in accordance with sub-clause 8.2.1(d):
  - (i) where title to the Property in relation to the relevant Mortgage (being Property located in England or Wales) is registered at the Land Registry make an application for registration of the deed by which such second charge has been expressly postponed to such Discretionary Further Advance to the Land Registry and use its reasonable efforts to procure that such deed is registered; and
  - (ii) where the title to the Property in relation to the relevant Mortgage (being Property located in England or Wales) is unregistered, endorse a note of such deed of postponement on the relevant Mortgage and keep the deed of postponement with the Mortgage Deeds;

8.2.3 In addition to any Discretionary Further Advances funded by the Issuer pursuant to sub-clauses 8.2.1 and 8.2.2 above, the Administrator on behalf of the Issuer may fund a Discretionary Further Advance to a Borrower as part of its arrears and defaults policy by capitalising, in relation to any particular Borrower, any sums due and payable under the Mortgage **provided that** in doing so it is exercising such discretion as would be exercised by a reasonably prudent mortgage administrator.

- 8.2.4 No Discretionary Further Advance shall be made pursuant to sub-clause 8.2.1 or sub-clause 8.2.3 if the effect thereof would be to extend the final maturity date of the relevant Mortgage beyond 31 December 2040 and, subject to the provisions of sub-clause 8.2.1 and Clause 8.5, any Discretionary Further Advance may be made if it will not cause this limit to be exceeded.
- 8.2.5 Discretionary Further Advances will be advanced in the same manner as Mandatory Further Advances and accordingly sub-clauses 8.3.1, 8.3.2, 8.3.3 and 8.3.4 (so far as is applicable) shall apply to Discretionary Further Advances as they apply to Mandatory Further Advances, *mutatis mutandis*.

### 8.3 Mandatory Further Advances

- 8.3.1 If a Mandatory Further Advance is to be made to a Borrower and if the Mortgage pursuant to which such Mandatory Further Advance is to be made is secured on Property which comprises registered land in England or Wales or comprises land in England or Wales which is the subject of an application for first registration the Seller agrees to make such Mandatory Further Advance in accordance with the relevant Mortgage Conditions **provided that**, subject to the provisions of Clause 8.4, if at any time the Issuer has become the registered proprietor or registered owner of such Mortgage (or, in the case of unregistered land in England and Wales, if at any time the unregistered land Transfer has taken effect) the Seller will make such Mandatory Further Advance as agent for the Issuer and as the creditor (in relation to the Borrower) for the purposes of the Consumer Credit Acts 1974 and 2006.
- 8.3.2 The Issuer hereby agrees that, in all cases where the Seller makes a Mandatory Further Advance, but subject always to Clause 8.4, the funds for the making of each such Mandatory Further Advance will be made available by it to the Seller or to its order in the manner specified in sub-clause 8.3.3.
- 8.3.3 The funds for the making of any Mandatory Further Advance will be made available to the Seller or to its order by the Issuer in the following manner. The Administrator shall, on behalf of the Issuer:
- (a) draw funds from the Transaction Account (debiting the Principal Ledger); or
  - (b) if at any time when the relevant Mandatory Further Advance is to be made there are insufficient funds standing to the credit of the Principal Ledger draw funds under the Subordinated Loan Agreement (crediting the Principal Ledger and then debiting the Principal Ledger) in the amount required to make up such deficiency; or
  - (c) without prejudice to (b) above, draw funds under the Subordinated Loan Agreement (such funds being available at the discretion of the Subordinated Lender) if the Issuer so opts instead of using the funds standing to the credit of the Principal Ledger,

and, in the case of each of (a), (b) or (c) above, pay the funds so drawn to the Seller so that the Seller is put in funds in order to enable it to make the

relevant Mandatory Further Advance and the Seller hereby agrees with all other parties hereto to apply any such funds so received by it solely for such purposes and pending such application to hold such funds on trust for the Issuer.

- 8.3.4 For the avoidance of doubt, no Mandatory Further Advance shall be made to a Borrower nor shall any drawings as contemplated in sub-clause 8.3.3 be made by the Administrator to provide funds to the Seller for the making of any Mandatory Further Advance if the Seller or the Administrator has notice that the relevant Borrower was or is in breach of the relevant Mortgage Conditions.
- 8.3.5 In the event that the Seller fails to make any Mandatory Further Advance to a Borrower in circumstances where it had agreed to make such advance by virtue of the provisions of sub-clause 8.3.1 and where it had been put in funds by the Administrator to make such advance pursuant to sub-clause 8.3.3, the Seller shall indemnify the Issuer and the Trustee against any loss resulting from that failure. Full satisfaction by the Seller of its obligations under such indemnity by way of a payment to the Issuer or the Trustee shall constitute a full discharge and release of the Seller from any claim which the Issuer or the Trustee may have against the Seller arising from such failure to make any Mandatory Further Advance.
- 8.4 Notwithstanding the provisions of Clause 8.3, no Mandatory Further Advance shall be made in relation to any Individual Mortgage, by the Issuer or by the Seller or the Administrator, in each case as agent for or otherwise on behalf of the Issuer, (or in the case of the Administrator, on behalf of the Seller, as the case may be) if the making of such Mandatory Further Advance will involve the Issuer in carrying on a regulated activity in the United Kingdom in breach of section 19 of the Financial Services and Markets Act 2000.
- 8.5 Neither the Issuer nor the Administrator on behalf of the Issuer shall advance, or agree to advance, to a Borrower a Discretionary Further Advance if:
- 8.5.1 the sum of:
- (a) all Discretionary Further Advances (other than any Discretionary Further Advance made by way of capitalisation of arrears) which have been made since the Closing Date or which are proposed to be made on or before the date on which that Discretionary Further Advance is proposed to be made;
  - (b) all Mandatory Further Advances which have been made since the Closing Date or which are to be made on or before the date on which that Discretionary Further Advance is proposed to be made;
  - (c) which, in the case of each of paragraphs (a) and (b) 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

- (d) all Mandatory Further Advances which may be required to be made after the making of that Discretionary Further Advance,

would at the date of that Discretionary Further Advance exceed a combined aggregate cumulative limit of 8 per cent. of the GBP Equivalent of the Initial Principal Amount of the Notes;

- 8.5.2 at the last Principal Determination Date, 2 per cent. or more of the Mortgages, by Current Balance, are more than three months in arrears (as such term is defined in the Trust Deed);
- 8.5.3 on the immediately preceding Interest Payment Date there is a balance of less than zero on the Principal Deficiency Ledger unless an amount has been or is drawn down under the Subordinated Loan Agreement prior to the making of that Discretionary Further Advance which has reduced or reduces to zero any such debit balance on the Principal Deficiency Ledger;
- 8.5.4 on the immediately preceding Interest Payment Date the First Loss Fund was not at least equal to the Required Amount unless an amount has been or is drawn down under the Subordinated Loan Agreement prior to the making of that Discretionary Further Advance which has replenished or replenishes the First Loss Fund to the Required Amount;
- 8.5.5 the Seller or the Administrator have notice that the relevant Borrower was or is in breach of the relevant Mortgage Conditions;
- 8.5.6 on the immediately preceding Principal Determination Date, it is determined that the making of that Discretionary Further Advance (including any Discretionary Further Advance by way of capitalisation of arrears) will not cause the weighted average for all of the Mortgages of the ratio of:
- (a) the principal amount advanced under each Mortgage (including the amount of any further advance advanced under that Mortgage) together with any further advance due to be made under that Mortgage (including any mortgage indemnity insurance premium and fees or other amounts added to that advance); to
  - (b) the most recent valuation received by the Seller of the Property to which that Mortgage relates for security purposes in the opinion of a valuer approved by the Seller,
- (such ratio to be expressed as a percentage) to be increased by more than one percentage point (or such higher number of percentage points or parts thereof as the Issuer and the Administrator may from time to time agree) from the level at which such weighted average stood on the second Principal Determination Date after the Closing Date;
- 8.5.7 at the last Principal Determination Date, the aggregate Current Balance of the Mortgages of the 20 largest borrowers exceeded £25,000,000; or



8.5.8 at the last Principal Determination Date, the interest charging rate for Discretionary Further Advances was less than 4.50% above month GBP LIBOR for sterling deposits determined quarterly;

**UNLESS**, with regard to the conditions outlined in sub-clauses 8.5.2 to 8.5.8, the Administrator has agreed with the Issuer to the making of such Discretionary Further Advance or, in the case of sub-clauses 8.5.1, 8.5.2, 8.5.3, 8.5.4, 8.5.6, 8.5.7, and 8.5.8 the Subordinated Lender or any Additional Subordinated Lender have agreed to make an advance under the Subordinated Loan Agreement to fund such Discretionary Further Advance and to the extent that any such Discretionary Further Advance is funded by such an advance under the Subordinated Loan Agreement, the restrictions in sub-clauses 8.5.1, 8.5.2, 8.5.3, 8.5.4, 8.5.6, 8.5.7, and 8.5.8 shall not apply.

## 9. **ADDITIONAL MORTGAGES**

9.1 The Administrator shall, in accordance with and to the extent permitted by the Mortgage Sale Agreement and this Agreement, on behalf of the Issuer and following an Additional Mortgage Request arrange for the Issuer to purchase from the Seller in accordance with the Mortgage Sale Agreement, such Additional Mortgages as mentioned in the Additional Mortgage Request and pay from the Transaction Account the Additional Payment to the Seller and in accordance with sub-clause 6.5.2 debit or, as the case may be, credit the appropriate ledgers.

9.2 The Administrator shall only arrange for the purchase of Additional Mortgages in accordance with Clause 9.1 above if the aggregate, following such purchase, of all Additional Payments (excluding any FRS 26 Adjustment Amounts) does not exceed the Additional Mortgage Amount and provided that such Additional Mortgage Requests are delivered to the Administrator by the Seller on or before the second Principal Determination Date and only if the conditions to further purchases of Additional Mortgages in the Mortgage Sale Agreement are satisfied.

9.3 If an Additional Mortgage to be purchased by the Issuer includes any FRS 26 Adjustment Amount the Issuer shall draw down, in accordance with the provisions of the Subordinated Loan Agreement, an amount equal to the relevant FRS 26 Adjustment Amount and such FRS 26 Adjustment Amount shall be credited to the Transaction Account. For the avoidance of doubt, no FRS 26 Adjustment Amount shall ever be debited from the Pre-Funding Reserve Ledger.

9.4 The Administrator also covenants with and undertakes to each of the Issuer and the Trustee to ensure that no Additional Mortgages shall be sold to or purchased by the Issuer, if applicable, unless each of the following conditions is satisfied on the relevant Purchase Date:

9.4.1 Fitch and Moody's 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 (or in the case of Fitch only, provided that Fitch have confirmed to the Administrator that its policy is not to provide any ratings confirmation, the Administrator confirms in writing to the Trustee that it has notified Fitch of the proposed purchase and Fitch has not raised any objections thereto);

- 9.4.2 The Issuer and each party which is selling an Additional Mortgage (including any Warehouse), shall have delivered to the Trustee on the relevant Purchase Date:
- (a) a solvency certificate dated such Purchase Date and signed by a director or an authorised officer of that company;
  - (b) a certificate of a director of the Seller 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 Mortgages purchased on the Closing Date; and
  - (c) an agreed upon procedures review conducted by a third-party and completed prior to the second Principal Determination Date with respect to the Mortgage Documentation in existence prior to the second Principal Determination Date and used to document the Additional Mortgages;
- 9.4.3 no Enforcement Notice has been served and there is no existing event of default under Condition 9 (*Events of Default*);
- 9.4.4 the Reversionary Period in respect of any Additional Mortgage shall not exceed a period of 5.6 years from the Closing Date;
- 9.4.5 other than in respect of the Non-Reversionary LIBOR-Linked Mortgages, the reversionary rate in respect of any Additional Mortgage (other than those Additional Mortgages reverting to the standard variable rate) following expiry of the Reversionary Period must be equal to or greater than 4.5 per cent. over the three month London Interbank Offered Rate for sterling deposits determined quarterly;
- 9.4.6 the aggregate Current Balance of the Mortgages of the 20 largest borrowers must not exceed £25,000,000;
- 9.4.7 no Additional Mortgages purchased on such Purchase Date shall have a maturity beyond 31 December 2040; and
- 9.4.8 such purchase of Additional Mortgages is authorised by the Mortgage Sale Agreement and such other conditions as are specified in the Mortgage Sale Agreement are satisfied.

The Administrator will deliver to the Trustee (with a copy to the Issuer) within 5 Business Days of the relevant Purchase Date a certificate that all the above conditions have been satisfied.

## 10. REDEMPTION OF MORTGAGES

- 10.1 Upon repayment in full of all sums secured by a Mortgage, the Seller, or, failing which, the Administrator, shall (subject, in the case of the Administrator, to the continued existence of all necessary powers of attorney) execute on behalf of the Issuer and the Trustee, a reconveyance, receipt or discharge of the Mortgage and of the collateral security. The Issuer and the Trustee shall forthwith upon payment in

full as aforesaid release, or authorise the Administrator to release, the relevant Mortgage Deeds to the person or persons entitled thereto. In order to enable the Administrator to take such action on their behalf as is referred to above, the Issuer shall deliver to the Administrator on or before the Closing Date a power of attorney in the form set out in Schedule 5 (*Form of Power of Attorney of the Issuer*) and the Trustee shall deliver to the Administrator on or before the Closing Date a power of attorney in the form set out in Schedule 6 (*Form of Trustee's Power of Attorney*) together with evidence of due execution and its authority to grant the same. The Issuer and the Trustee shall in addition give such further or other authority as may be reasonably requested by the Administrator for the purpose of discharging any Mortgage which has been paid in full and any collateral security therefor.

- 10.2 The Administrator undertakes that prior to any actual release by it of, or receipt of authorisation to it to release, the relevant Mortgage Deeds, it will obtain a letter from a solicitor, licensed or qualified conveyancer or authorised practitioner addressed to themselves and the Trustee confirming that the relevant Mortgage Deeds are being released to the person or persons entitled thereto. In the event that such solicitor or licensed or qualified conveyancer requires possession of the relevant Mortgage Deeds for the purposes of giving such confirmation, the Administrator shall be entitled to release the relevant Mortgage Deeds to such solicitor or licensed or qualified conveyancer to be held to the order of the Administrator pending receipt of such confirmation and repayment in full of all sums secured by such Mortgage whereupon the Administrator shall be entitled to authorise the relevant solicitor or licensed or qualified conveyancer to release the relevant Mortgage Deeds to the person or persons entitled thereto.

## 11. REMUNERATION

- 11.1 The Issuer shall pay to the Administrator for its services hereunder an administration fee which:

11.1.1 shall be paid to the Administrator in arrear on each Interest Payment Date calculated as at the Principal Determination Date immediately preceding such Interest Payment Date and paid as specified in accordance with the applicable priority of payments; and

11.1.2 shall, for so long as PML is the Administrator, be calculated on the basis of actual days elapsed from the Closing Date (in respect of the calculation on the first Principal Determination Date) and from the previous Principal Determination Date (in respect of the calculations on all Principal Determination Dates except the first) and a 365 day year (or 366 day year in the case of a leap year) (i) at the rate of not more than 0.15 per cent. per annum (the "**Administration Senior Fee**") and (ii) at the rate of not more than 0.15 per cent. per annum (the "**Administration Subordinated Fee**") (in each case inclusive of any amounts in respect of VAT) of the aggregate Interest Charging Balances of the outstanding Mortgages administered by the Administrator on the first day of the Collection Period which ends on the relevant Principal Determination Date (or, in the case of the payment due on the first Interest Payment Date, on the then aggregate Interest Charging Balances on the Closing Date).

- 11.2 For the avoidance of doubt it is hereby declared that the Seller or Administrator, as the case may be, shall continue to be entitled to receive and retain in full for its own account the aggregate of all commissions paid by any insurance companies as a result of the placing with them by it of buildings insurance in relation to any of the Properties. If the receipt of such commissions is held to be part of the consideration for any supply for VAT purposes by the Seller or Administrator, as the case may be, to the Issuer, the Issuer shall not be obliged to pay any amount in respect of such VAT liability of the Seller or Administrator.
- 11.3 Each payment by the Issuer to the Administrator under this Clause 11 shall be subject to clauses 6, 7 and 8 of the Deed of Charge and Clause 21.14 below.

## **12. COSTS AND EXPENSES**

- 12.1 The Issuer will reimburse the Administrator for all out-of-pocket costs, expenses and charges (not being costs, expenses and liabilities of the Issuer falling within Clause 12.2 but including, without limitation, the proportion of any premium paid by the Administrator under the Fidelity Insurance Policy (or other policies providing equivalent cover) referred to in sub-clause 14.5.1) properly incurred by the Administrator in the performance of the Services on the Interest Payment Date falling at the end of the Interest Period during which they are incurred, subject to and in accordance with clauses 6, 7 and 8 of the Deed of Charge, but the Issuer shall only be obliged to reimburse the Administrator in respect of any VAT incurred by the Administrator on such costs and expenses to the extent that such VAT is not recoverable by the Administrator by way of repayment, credit or set off.
- 12.2 The Issuer authorises the Administrator on its behalf to incur those costs, expenses and liabilities to third parties which must necessarily be incurred in the enforcement of any Mortgage or the rights and remedies in relation thereto of the Issuer and/or the Trustee. For the avoidance of doubt it shall solely be the obligation of the Issuer to reimburse the Administrator, on the Interest Payment Date falling at the end of the Interest Period during which they are incurred, such costs, expenses and liabilities subject to and in accordance with clauses 6, 7 and 8 of the Deed of Charge.
- 12.3 The Administrator waives any right that it might otherwise have against the Trustee or the Seller to indemnity or reimbursement in connection with its appointment as Administrator under this Agreement or its appointment as attorney of the Trustee or the Seller under the Power of Attorney and each of the Issuer and the Seller waives any right that it might otherwise have against the Trustee of contribution, indemnity or reimbursement arising out of the same.

## **13. INFORMATION**

### **13.1 Maintenance of Records**

- 13.1.1 The Administrator shall keep the Loan Files in a secure place and shall maintain in an adequate form such records as are necessary to enforce each Mortgage and, where relevant, the collateral security therefor.
- 13.1.2 The Administrator shall keep the Loan Files in relation to the Mortgages in such a way that they can be clearly distinguished from the loan files relating to

other mortgages or charges in respect of which the Administrator is a mortgagee, chargee or administrator. The Administrator shall keep the Trustee informed of the location of such Loan Files and duplicate computer tapes.

### **13.2 Annual Budget**

Not later than 30 September 2015 and thereafter no later than the date falling 90 days after each accounting reference period of the Issuer, the Administrator shall, deliver to the Issuer an annual budget for the Issuer, each annual budget to be based on an accounting reference period ending on the next following 30 September. Each annual budget shall contain without limitation:

- 13.2.1 an estimate, identified by category, of all the expenses and liabilities expected to arise during that accounting reference period;
- 13.2.2 an estimate of all the income, identified by category, expected to arise during that accounting reference period;
- 13.2.3 in respect of the Issuer's annual budget, assumptions in relation to the Rate of Interest applicable to each class of Notes during that accounting reference period; and
- 13.2.4 such other information as the Issuer may reasonably require,

such budget to be divided into three-monthly periods.

### **13.3 Budget Updates**

If at any time in the opinion of the Administrator, there has been a material adverse change in the financial circumstances of the Issuer since the preparation of the last annual budget delivered pursuant to Clause 13.2, the Administrator, shall deliver to the Issuer within 45 days of such determination that there has been such a material adverse change, a revised annual budget report for the Issuer adjusted to take into account actual circumstances and all further relevant known information.

### **13.4 Quarterly Management Accounts**

The Administrator, shall on behalf of the Issuer prepare a management account for each Collection Period, the first such accounts being for the period from the Closing Date to the Principal Determination Date falling in September 2015 in the form of the agreed draft, and the Administrator shall deliver such quarterly management account to the Issuer not later than the first day of the second month of the next following Collection Period.

### **13.5 Minimum Mortgage Rate**

The Administrator shall calculate the Minimum Mortgage Rate on the first Business Day of each Interest Period in accordance with the provisions of Schedule 3 (*Minimum Mortgage Rate and Shortfall*) and any shortfall in accordance with the provisions of that Schedule.

### **13.6 Bank Account Statements**

The Administrator shall take all reasonable steps to ensure that the Operating Bank furnishes a monthly statement in relation to the Transaction Account to the Issuer. The Administrator shall submit quarterly reconciliations of the Transaction Account to the Issuer.

### **13.7 Statutory Accounts**

The Administrator shall prepare, on behalf of the Issuer, a profit and loss account, balance sheet and directors' report and any other reports or information required by English law to be attached thereto or incorporated therein for the Issuer in respect of each accounting reference period of the Issuer and shall cause such accounts to be audited by auditors approved by the Issuer and shall procure so far as it is able so to do that the auditors of the Issuer shall make a report thereon as required by relevant law and copies of all such documents shall be delivered to the Issuer as soon as practicable after the end of each accounting reference period of the Issuer. The auditors to the Issuer shall also confirm to the Issuer that the statutory accounts of the Issuer prepared pursuant to this Clause 13 have been audited in accordance with generally accepted auditing practices of the United Kingdom. For these purposes the Issuer approves Deloitte & Touche LLP as the auditors of the Issuer.

### **13.8 Access to Books and Records**

The Administrator shall, subject to all applicable laws, permit the auditors of the Issuer and any other person nominated by the Trustee at any time upon reasonable notice to have access to all books of record and account relating to the administration of the Mortgages and related matters in accordance with this Agreement.

### **13.9 Statutory Obligations**

The Administrator will use its reasonable endeavours, on behalf of the Issuer, to:

13.9.1 prepare, assist or procure the preparation of and file all reports, annual returns, statutory forms and other returns which the Issuer is required by relevant law to prepare and file; and

13.9.2 to the extent that the Issuer has delegated any of its obligations under EMIR to a third party, provide assistance and information to such third party as it may reasonably request in order to satisfy the Issuer's obligations under EMIR.

### **13.10 Further Information**

13.10.1 The Administrator, shall prepare, make available on a website and deliver to the Issuer and/or the Trustee and/or the Rating Agencies the following information:

- (a) in respect of each calendar month, no later than 30 days following the end of the relevant calendar month:

- (i) a report including all the information set out in Part A (*Contents of Monthly Investor Report*) of Schedule 7 (*Contents of Investor Report*); and
  - (ii) any further information required from time to time to meet the Bank of England's Discount Window Facility requirements for residential mortgage backed securities; and
- (b) in respect of each Collection Period no later than 30 days following the end of the relevant Collection Period:
- (i) a report having the same form and content as the reports made available on the website of The Paragon Group of Companies PLC from time to time for residential mortgage backed securities issued by Paragon Group Companies; and
  - (ii) a report including all the information set out in Part B (*Contents of Quarterly Investor Report*) of Schedule 7 (*Contents of Investor Report*).

13.10.2 Not later than 15 Business Days after the end of each Interest Period, the Administrator shall deliver to the Trustee a certificate signed by a duly authorised executive of the Administrator to the effect that the Administrator has during such Interest Period fulfilled all its obligations under this Agreement or if there has been any breach of any such obligation, specifying such breach and its nature and status and the action, if any, which the Administrator is taking or proposes to take in order to remedy such breach.

13.10.3 Not later than two Business Days prior to each Interest Payment Date, the Administrator will in accordance with the Conditions publish on the Relevant Screen (as defined in the Conditions) the Principal Amount Outstanding and the Pool Factor for each Note of a particular class.

13.10.4

- (a) If, prior to the giving of an Enforcement Notice on any Interest Payment Date, the full amount of interest due on the Class B Notes, the Class C Notes and the Class E Notes then outstanding which would in the absence of Condition 4(b)(i) fall due for payment is not paid, the Administrator shall on behalf of the Issuer prepare and deliver to the Trustee by close of business on the second Business Day following such Interest Payment Date a report signed by a duly authorised officer of the Administrator and by a duly authorised officer of the Issuer and addressed to the Trustee setting out:
- (i) the cash balances on the Transaction Account at opening of business on such Interest Payment Date;
  - (ii) the balances shown on each ledger maintained in the books of the Issuer at the opening of business on such Interest Payment Date;

- (iii) all cash payments or transfers which took place on such Interest Payment Date; and
- (iv) all movements between ledgers in the books of the Issuer on such Interest Payment Date;
- (b) the Trustee, in the case of paragraph (a), may make such enquiries regarding such figures and ask for such clarification and further details as it may request, and the answers to such enquiries and such clarification and details shall be provided within one Business Day of being requested;
- (c) the Administrator on behalf of the Issuer shall, at the same time as the report or certificate referred to in (a) above is provided, provide to the Trustee confirmation from the Operating Bank confirming the amount of the Transaction Account balance on the relevant date or dates; and
- (d) if having received such reports and such further information as it may request and such confirmation of amounts standing to bank accounts, the Trustee shall conclude that there were indeed insufficient funds to make the relevant payment, the Trustee shall be under no obligation to make any further enquiry or calculation or take any other further steps and the Trustee's conclusion shall be conclusive for all purposes. If the Trustee does not so conclude then the Trustee may without further enquiry or any further steps give such certificate to the Issuer, as is referred to in Condition 9 (*Events of Default*) and such certificate shall be conclusive for all purposes.

## 14. INSURANCES

14.1 The Administrator will administer the arrangements for insurance to which the Issuer and/or the Trustee is a party to or in which any of the aforementioned has an interest in and which relate to the Mortgages or the businesses of the Issuer.

14.2 The Administrator shall use reasonable endeavours to obtain the consent of the insurer under each such insurance to the Substitute Administrator (or any other person with the insurer's consent) administering the Mortgages.

### 14.3 Block Buildings Insurance

14.3.1 The Administrator shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of any applicable Block Buildings Policy or would reduce the amount payable on any claim thereunder. The Administrator shall use its reasonable endeavours to keep in full force and effect each Block Buildings Policy (or another policy providing equivalent cover) in relation to any Mortgage and associated Property to which it applies other than assuming any liability for the premium thereon.

14.3.2 The Administrator shall take such action as the Issuer and/or the Trustee shall reasonably direct and in the absence of such direction may on behalf of the Issuer pay premiums due and payable under any applicable Block Buildings



Policy in order that the cover provided by such Block Buildings Policy shall not lapse.

- 14.3.3 If a claim is made under any Block Buildings Policy for an amount less than or equal to £5,000 (or such other figure as is for the time being the maximum amount of insurance proceeds which the Administrator in accordance with its then normal practice permit to be paid direct to borrowers) (the "**Maximum Amount**") the proceeds of such claim will be sent directly to the Borrower. The Administrator may procure the preparation and submission on behalf of the Issuer and the Trustee of any claim under any Block Buildings Policy in excess of the Maximum Amount. In such a case the Administrator may (but shall not be obliged to) instruct a valuer to check that satisfactory reinstatement has taken place and to review the value of the Property in respect of which the claim was made as security for the relevant Mortgage. The Administrator will arrange for the proceeds of any such claim in excess of the Maximum Amount only to be paid to the relevant Borrower after the Administrator has satisfied itself that all amounts due and owing from the Borrower under his Mortgage have been paid and subject to clauses 6, 7 and 8 of the Deed of Charge.
- 14.3.4 The Administrator shall manage the arrangements for collection and payment by Borrowers of premiums in relation to Block Buildings Policies (whether collected as part of a Monthly Payment or otherwise) in accordance with the relevant Mortgage Conditions, and the payment thereof to the relevant insurance company subject to clauses 6, 7 and 8 of the Deed of Charge.
- 14.3.5 Upon receipt of notice that any Property is not insured against fire and other perils (including subsidence) under a householder's comprehensive insurance policy or similar policy in accordance with the terms of each Mortgage, the Administrator will to the extent it is able and at the cost of the Issuer arrange such insurance in accordance with the terms of each Mortgage.
- 14.3.6 Upon receipt by the Administrator of a notice from an insurance company stating that a Property of a Borrower is no longer insured the Administrator, as agent of the Issuer shall to the extent they are able procure that the Property the subject of the notice is insured under a Block Buildings Policy.
- 14.3.7 The Administrator shall not permit any Property to cease to be insured under a Block Buildings Policy, unless such property qualifies for cover under the Mortgage Impairment Contingency Policy.

#### 14.4 **Mortgage Impairment Contingency Policy**

- 14.4.1 The Administrator shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of the Mortgage Impairment Contingency Policy or such other policy or policies of insurance providing similar cover of which the Issuer has the benefit or which would reduce the amount payable on any claim under any of the foregoing. The Administrator shall use reasonable endeavours to keep the Mortgage Impairment Contingency Policy (or, in each case, such other policy or policies

providing equivalent cover) in full force and effect other than assuming any liability for the premium thereon.

- 14.4.2 The Administrator shall prepare and submit on behalf of the Issuer and the Trustee any claim under the Mortgage Impairment Contingency Policy or such other policy or policies of insurance aforesaid.

#### **14.5 Fidelity Insurance Policy**

- 14.5.1 The Administrator shall use reasonable endeavours to maintain the Fidelity Insurance Policy (or other policies providing equivalent cover) in respect of the performance by the Administrator of the Services.
- 14.5.2 The Issuer shall reimburse to the Administrator on demand on any Interest Payment Date the proportion of the premium paid by the Administrator which is attributable to the cover extended to the Issuer subject to and in accordance with clauses 6, 7 and 8 of the Deed of Charge as a cost or expense incurred by the Administrator falling within Clause 12.1.
- 14.5.3 The Administrator shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of the Fidelity Insurance Policy or reduce the amount payable on any claim thereunder.
- 14.5.4 The Administrator shall prepare and submit on behalf of the Issuer and the Trustee any claim under the Fidelity Insurance Policy.

#### **15. MORTGAGE DEEDS**

- 15.1 The Administrator shall keep the Mortgage Deeds and the Insurance Contracts in safe custody to the order of the Issuer and the Trustee and shall not without the prior written consent of the Trustee and the Issuer part with possession, custody or control of them otherwise than to a sub-contractor or delegate appointed pursuant to Clause 4.3 or to a solicitor, licensed or qualified conveyancer or authorised practitioner subject to the usual undertaking or to the Land Registry or for the purposes of the redemption of Mortgages subject to the conditions of Clause 10 (*Redemption of Mortgages*).
- 15.2 The Mortgage Deeds and the Insurance Contracts shall be kept in such manner so that they are readily identifiable and distinguishable from the title deeds, life policies and insurance contracts of other properties and mortgages and charges which are held by or on behalf of the Administrator.
- 15.3 The Administrator shall deliver such Mortgage Deeds to or to the order of the Trustee upon written request made by or on behalf of the Trustee at any time and shall provide access to the Mortgage Deeds to the Trustee and its agents at all reasonable times. The Administrator acknowledges that the Mortgage Deeds in its possession, custody or control will be, after execution of the Deed of Charge, held to the order of the Issuer and the Trustee and that it has no beneficial interest therein whatsoever and irrevocably waives any rights or lien which it might have therein or to which it might at any time be entitled.

15.4 The Administrator shall use all reasonable endeavours to ensure that within six months from the Closing Date all Mortgage Deeds are in the possession or custody, or under the control, of the Administrator. Where, for any reason, all such Mortgage Deeds are not in the possession or custody, or under the control of, the Administrator within such six month period, then the Administrator shall deliver to the Issuer and the Trustee within one month of such date a schedule detailing the missing Mortgage Deeds and other such documents and their whereabouts (if then known to the Administrator).

## 16. **DATA PROTECTION**

The Administrator will endeavour to procure that each of them, the Issuer, each Warehouse and the Seller have all appropriate registrations, licences and authorities required under the Data Protection Act 1998 to enable each of them to perform their respective obligations under this Agreement and the Mortgage Sale Agreement.

## 17. **SOFTWARE**

17.1 The Administrator will use all reasonable endeavours to negotiate with the relevant parties so that any intellectual property rights not owned by it but used by it in connection with the performance of its obligations under this Agreement and in particular all software programs used in connection with the Mortgages and their administration are licensed or sub-licensed to the Issuer, the Trustee and, if appointed, any substitute administrator so as to permit the Issuer, the Trustee and, if appointed, any substitute administrator to use such intellectual property rights only in connection with the administration of the Mortgages free of charge for so long as any of the Mortgages are outstanding or, in relation to any substitute administrator, for such period as contemplated by sub-clause 17.3.2. For the avoidance of doubt, the Administrator, shall not be in breach of its obligations under this Agreement if such rights and/or software programs are not so licensed or sub-licensed to the Issuer, the Trustee and, if appointed, any substitute administrator at any time after the Administrator has ceased to be the Administrator.

17.2 As regards any such intellectual property rights which are owned by the Administrator, the Administrator grants to the Issuer, the Trustee and, if appointed, any substitute administrator a licence to use such intellectual property rights only in connection with the administration of the Mortgages free of charge for so long as any of the Mortgages are outstanding, or in relation to any substitute administrator, for such period as contemplated by sub-clause 17.3.2.

### 17.3

17.3.1 The Administrator will, not later than five days after the end of each Collection Period, deposit with the Trustee an up-to-date duplicate set of all computer records containing information on the Borrowers and the Mortgages and will, on demand by the Trustee, supply the Trustee with a hard copy of the information contained on such computer tapes.

17.3.2 If this Agreement is terminated then:

- (a) the licence under Clause 17.2 shall continue in force for a period of six months from the date of termination of this Agreement, when it shall immediately terminate; and
- (b) during such six month period the Administrator shall use reasonable endeavours to assist the Issuer and/or any substitute administrator, to
  - (i) establish and implement a computer system for administering the Mortgages and to load the data held by the Administrator in relation to Borrowers and the Mortgages onto that system, and
  - (ii) make available the software licences referred to in Clause 17.2 above.

17.4 The Administrator covenants that it will take no action and will not omit to take any action the effect or likely effect of which will be to terminate any existing licence agreement in relation to any such intellectual property rights or bring to an end its right to grant the licence contained in Clause 17.2, provided always that a licence agreement may be terminated if it is replaced by a substitute arrangement under which the intellectual property rights, including rights to computer software, are such that the services resulting therefrom are at least as good as under the previous arrangement.

## 18. COVENANTS OF ADMINISTRATOR

18.1 The Administrator hereby covenants with and undertakes to each of the Issuer and the Trustee that without prejudice to any of its specific obligations hereunder:

- 18.1.1 it will devote the same amount of time and attention to and will exercise the same level of skill, care and diligence in, the performance of the Services as it would if it were administering mortgages or charges of a similar type which it administers on behalf of, and/or are beneficially owned by a Paragon Group Company;
- 18.1.2 it will comply with any proper written directions, orders and instructions which the Issuer or the Trustee may from time to time give to it in accordance with the provisions of this Agreement (and in the event of any conflict those of the Trustee shall prevail);
- 18.1.3 it will use its reasonable endeavours to obtain and keep in force all licences, approvals, authorisations and consents which may be necessary in connection with the performance of the Services;
- 18.1.4 save as otherwise agreed with the Issuer and the Trustee it will provide free of charge to the Issuer office space, facilities, equipment and staff sufficient to fulfil the obligations of the Issuer under this Agreement;
- 18.1.5 it will not knowingly fail to comply with any legal requirements in the performance of the Services;
- 18.1.6 it will make all payments required to be made by it pursuant to this Agreement on the due date for payment thereof in Sterling for value on such day without set off or counterclaim;
- 18.1.7 it will not amend or terminate any of the Relevant Documents, without in any case the prior written consent of the Trustee;

- 18.1.8 it will take all reasonable steps to enforce the obligations of each Hedge Provider under each Hedge Agreement and of any Hedge Guarantor under any Hedge Guarantee and of any other provider or guarantor of any other hedging arrangements entered into by the Issuer;
- 18.1.9 it will administer the Mortgages and any related collateral security with due and proper regard to the principles and procedures set out in the Administration Manual or in such other manner as would a reasonably prudent mortgage administrator administering its own mortgages and charges of a similar type;
- 18.1.10 without prejudice to the provisions of the Subordinated Loan Agreement, it will, on behalf of the Issuer, request a drawing under the Subordinated Loan Agreement in the amount required pursuant to Clause 8.3 to fund a Mandatory Further Advance (or a part thereof) or a Discretionary Further Advance (or a part thereof), as the case may be or, where relevant, in order to reduce the balance of the Principal Deficiency Ledger to zero or to replenish the First Loss Fund to the Required Amount;
- 18.1.11 to the extent that carrying out the Services in accordance with the provisions of this Agreement requires the Administrator to obtain any authorisation, licence, approval or consent under the Financial Services and Markets Act 2000 (a "**FSMA Authorisation**"), the Administrator shall delegate or subcontract the performance of such services to either: (i) a Paragon Group Company which has the necessary FSMA Authorisation which will use any reasonable endeavours to keep in force any such FSMA Authorisation or (ii) a third party which has the necessary FSMA Authorisation; and
- 18.1.12 to the extent that the carrying on by the Issuer of its business as contemplated by the Relevant Documents requires the Issuer to obtain any FSMA authorisation then the Administrator will procure that the Issuer obtains and further maintains such FSMA authorisation.
- 18.2 The covenants and undertakings of the Administrator in Clause 18.1 shall remain in force until this Agreement is terminated but without prejudice to any right or remedy of the Issuer and/or the Trustee arising from breach of any such covenant prior to the date of termination of this Agreement.
- 18.3 The Administrator hereby covenants with and undertakes to each of the Trustee and the Substitute Administrator to forward to them an Administrator Report within three Business Days from each Principal Determination Date.

19. **SERVICES NON-EXCLUSIVE**

Nothing in this Agreement shall prevent the Administrator from rendering or performing services similar to those provided for in this Agreement to or for itself or other persons, firms or companies or from carrying on business similar to or in competition with the business of the Issuer.

20. **APPOINTMENT OF ADMINISTRATOR AS REPORTING ENTITY UNDER ARTICLE 8B OF THE CRA REGULATION**

- 20.1 Each of the Issuer and Seller as originator (in its capacity as the originator of the Underlying Agreements) (each, a "**Relevant Entity**" and, together, the "**Relevant Entities**") hereby appoints the Administrator (in its capacity as such) to act as the designated reporting entity for the purposes of complying with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3) (together, the "**Article 8b requirements**") in respect of any relevant Notes issued by the Issuer.
- 20.2 The Administrator hereby accepts its appointment as the designated reporting entity as described in Clause 20.1 above and agrees on behalf of each Relevant Entity to perform (or to procure the performance of) all activities as are reasonably required in order for that Relevant Entity to comply with the Article 8b requirements applicable to it from time to time in respect of any relevant Notes issued by the Issuer and to carry out such activities in accordance with the Article 8b requirements and any related technical reporting instructions made by the European Securities and Markets Authority ("**ESMA**").
- 20.3 Without prejudice to the foregoing, on or after 1 January 2017, the Administrator undertakes to provide notice on behalf of the Relevant Entities to ESMA of its appointment as the designated reporting entity for the purposes of complying with the Article 8b requirements and to provide such notice in accordance with article 2(2) of Regulation (EU) No. 2015/3 and any corresponding formal guidance provided by ESMA.
- 20.4 The Issuer, Seller and the Administrator hereby agree that the Administrator may delegate its obligations under this Clause 20 to any affiliate or third party which it reasonably considers to be suitably qualified to perform such obligations (provided that the Administrator shall be solely responsible for the costs and performance of any such third party, and, for the avoidance of doubt, the Administrator shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of the Administrator under this Clause 20 and the performance or non-performance or the manner of performance of any affiliate or third party shall not affect the Administrator's obligations under this Clause 20).

21. **TERMINATION**

- 21.1 If any of the following events (each, together with the events specified in Clause 21.2, a "**Termination Event**") shall occur:
- 21.1.1 default is made by the Administrator in the payment on the due date of any payment due and payable by it under this Agreement and such default continues unremedied for a period of two Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer, any Seller and/or the Trustee requiring the same to be remedied;

- 21.1.2 the Administrator has failed to provide the Substitute Administrator and the Trustee with the Administrator Report within three Business Days from the relevant Principal Determination Date;
- 21.1.3 the Issuer has not paid the principal or interest on the Notes when it is due and payable as a result of the Administrator failing to comply with its covenants or perform its other obligations under this Agreement;
- 21.1.4 default is made by the Administrator in the performance or observance of any of its other covenants and obligations under this Agreement, which in the opinion of the Trustee is materially prejudicial to the interests of holders of the Most Senior Class of Notes and (except where in the reasonable opinion of the Trustee, such default is incapable of remedy, when no such continuation and/or notice as is hereinafter mentioned will be required) such default continues unremedied for a period of 14 days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or the Trustee requiring the same to be remedied, **provided however that** where the relevant default occurs as a result of a default by any person to whom the Administrator has sub-contracted or delegated part of its obligations hereunder such default shall not constitute a Termination Event if within such 14 day period the Administrator terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or the Trustee may reasonably specify to remedy such default or to indemnify the Issuer and the Trustee against the consequences of such default;
- 21.1.5 an order is made or an effective resolution passed for winding up of the Administrator;
- 21.1.6 the Administrator ceases or threatens to cease to carry on its business or a substantial part of its business or stops payment or threatens to stop payment of its debts or the Administrator is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or
- 21.1.7 proceedings are initiated against the Administrator under any applicable liquidation, administration, insolvency, composition, reorganisation (other than a reorganisation the terms of which have been approved by the Trustee and where the Administrator is solvent) or other similar laws, save where such proceedings are being contested in good faith by the Administrator, or an administrative or other receiver, administrator or other similar official is appointed in relation to the Administrator or in relation to the whole or any substantial part of the undertaking or assets of the Administrator or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Administrator, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Administrator and in any of the foregoing cases it shall not be discharged within 15 days; or if the

Administrator shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally,

then the Issuer or Trustee may at once or at any time thereafter while such default continues by notice in writing to the Administrator (with a copy to the Substitute Administrator Facilitator) terminate the appointment of the Administrator with effect from a date (not earlier than the date of the notice) specified in the notice in accordance with Clauses 21.5, 21.6, 21.7 and 6 of this Agreement.

21.2 If at any time:

21.2.1 the Administrator (or any sub-contractor or delegate of the Administrator appointed by the Administrator to perform the relevant Services) does not have any FSMA authorisation which it is required to have in order to enable it to perform the Services without it; or

21.2.2 the Issuer is carrying on a regulated activity in the United Kingdom in breach of section 19 of the Financial Services and Markets Act 2000 in circumstances where the Issuer is not itself so authorised and is not exempt from being so authorised,

the appointment of the Administrator will, unless the Administrator, the Trustee and the Issuer agree otherwise in writing, terminate with immediate effect in accordance with Clauses 21.1 and 21.9 and the Administrator shall notify in writing to the Substitute Administrator Facilitator of the termination of its appointment.

21.3 Subject to Clause 21.1 above, if any of the events in sub-clauses 21.1.1, 21.1.2 or 21.1.3 has occurred while HML is appointed as Substitute Administrator and is able to assume the duties and obligations of the Administrator on the terms set out in the Substitute Administrator Agreement, the appointment of the Administrator will, unless the Administrator, the Trustee and the Issuer agree otherwise, terminate with immediate effect in accordance with Clauses 21.4 and 21.6 of this Agreement.

21.4 Without prejudice to Clauses 21.1 and 21.2, if the Substitute Administrator's obligations have been terminated in accordance with the Substitute Administration Agreement or the Substitute Administrator is unable to assume all of the duties and obligations of the Administrator on the terms set out in the Substitute Administrator Agreement in accordance with Clause 21.3, then the Issuer or Trustee may at once or at any time thereafter while such default continues by notice in writing to the Administrator (with a copy to the Substitute Administrator Facilitator) terminate the appointment of the Administrator in respect of the Cash Bond Management Services only with effect from a date (not earlier than the date of the notice) specified in the notice in accordance with Clauses 21.5 and 21.7.

21.5 On and after termination of the appointment of the Administrator pursuant to Clause 21.1, Clause 21.2 Clause 21.3 or Clause 21.4, all authority and power of the Administrator under this Agreement shall be terminated and be of no further effect and the Administrator shall not thereafter hold themselves out in any way as the agent of the Issuer or the Trustee, except to the extent required for such Administrator to



continue to perform the services required under this Agreement pending the Substitute Administrator's assumption of performance of such services provided that if the duties and obligations of the Administrator are terminated in relation to the Cash Bond Management Services only pursuant to Clause 21.4, the provisions of this Clause shall only apply to the authority and power of the Administrator necessary for the performance of the Cash Bond Management Services only and all necessary authority and powers provided to the Administrator under this Agreement to perform all Services other than the Cash Bond Management Services shall continue unaffected.

- 21.6 Upon termination of the appointment of the Administrator pursuant to Clauses 21.1, 21.2 or 21.3, the Administrator shall forthwith deliver (and in the meantime hold on trust for, and to the order of the Trustee) to the Trustee or as it shall direct the relevant Loan Files, the Mortgage Deeds, the Insurance Contracts, all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the Issuer and the Trustee and the Mortgages and any other security therefor, any moneys then held by the Administrator on behalf of the Issuer and/or the Trustee and any other assets of the Issuer or the Trustee and shall take such further action as the Trustee may reasonably direct.

The Administrator will, in addition, provide all relevant information contained on computer records in the form of computer disks, together with details of the layout of the files encoded on such computer disks. The Administrator shall co-operate and consult with and assist the Substitute Administrator, the Trustee or their nominees for the purposes of explaining the file layouts and the format of the computer disks generally. Upon termination of the Administrator pursuant to Clause 21.1 or 21.2, the Issuer shall notify the Substitute Administrator in writing of the occurrence of such termination and request the Substitute Administrator to assume the duties and obligations of the Administrator on the terms set out in the Substitute Administrator Agreement immediately upon receipt of such notice of termination.

- 21.7 Upon termination of the Administrator's duties and obligations in respect of the Cash Bond Management Services pursuant to Clause 21.4, the Administrator shall forthwith deliver (and in the meantime hold on trust for, and to the order of the Issuer and the Trustee) to the Substitute Administrator or to any other person as the Issuer or the Trustee shall direct:

21.7.1 the Administrator Reports;

21.7.2 the relevant papers and records in its possession or under its control relating to the Cash Bond Management Services; and

21.7.3 all relevant information contained on computer records in the form of computer disks, together with details of the layout of the files encoded on such computer disks.

The Administrator shall co-operate and consult with and assist the Substitute Administrator, the Issuer, the Trustee or their nominees for the purposes of explaining the file layouts and the format of the computer disks generally.

- 21.8 If the Substitute Administrator is unable, for any reason whatsoever, to assume the duties and obligations of the Administrator on the terms set out in the Substitute

Administrator Agreement, or the Substitute Administrator's obligations have been terminated in accordance with clause 14 of the Substitute Administration Agreement then the Issuer (with the assistance of the Substitute Administrator Facilitator) shall appoint another substitute administrator capable of assuming such duties and obligations (or any relevant part thereof) on terms substantially similar to those of this Administration Agreement, subject to clause 9.1 of the Deed of Charge.

- 21.9 Upon execution of any substitute administration agreement in accordance with Clause 21.8, the Issuer shall promptly execute a charge of its interest in such agreement in favour of the Trustee in accordance with the terms of the Deed of Charge (and in particular, but without limitation, clause 3.6 of the Deed of Charge), *mutatis mutandis*, to the satisfaction of the Trustee.
- 21.10 This appointment of the Administrator may be terminated upon the expiry of not less than six months' notice of termination given by the Administrator to the Issuer, the Trustee and the Substitute Administrator Facilitator, provided that:
- 21.10.1 the Issuer, the Trustee and the Substitute Administrator consent in writing to such termination;
- 21.10.2 a substitute administrator (which can include the Substitute Administrator in which case the terms of the Substitute Administrator Agreement shall apply) shall be appointed, such appointment to be effective not later than the date of termination of the appointment of the Administrator (and the Administrator shall notify the Rating Agencies in writing of the identity of such substitute administrator), and such substitute administrator (if other than the Substitute Administrator) enters into an agreement substantially on the terms of this Agreement (in particular, but without limitation, taking account of the provisions of sub-clause 5.5.1) but subject to clause 8.1 of the Deed of Charge and the Administrator shall not be released from its obligations under this Agreement until such substitute administrator (if other than the Substitute Administrator) has entered into such new agreement;
- 21.10.3 such substitute administrator has experience of administering mortgages and charges of residential property in England and Wales and (if other than the Substitute Administrator) is approved by the Trustee; and
- 21.10.4 the Administrator certifies that, in its reasonable opinion, the then current ratings of the Class A Notes, the Class B Notes and the Class C Notes by the Rating Agencies would not be adversely affected as a result thereof unless otherwise agreed by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders respectively.
- 21.11 The Administrator shall deliver to the Issuer, the Trustee, the Substitute Administrator and the Substitute Administrator Facilitator as soon as reasonably practicable but in any event within five days of becoming aware thereof a notice of any Termination Event or any Event of Default (as defined in Condition 9 (*Events of Default*)) or any event which with the giving of notice or lapse of time or certification would constitute the same.

- 21.12 Termination of the appointment of the Administrator, or termination of this Agreement, shall be without prejudice to liabilities of the Issuer or the Trustee due to the Administrator incurred before the date of such termination or vice versa. The Administrator shall have no right of set off or any lien in respect of such amounts against amounts held by it on behalf of the Issuer.
- 21.13 This Agreement shall terminate at such time as neither the Issuer nor the Trustee has any further interest in any of the Mortgages or, if later, upon discharge of all Secured Amounts other than the Administrator Secured Amounts and the Seller Secured Amounts.
- 21.14 On termination of the appointment of the Administrator under the provisions of this Clause 21, the Administrator shall be entitled to receive all fees and other moneys accrued up to the date of termination but shall not be entitled to any other or further compensation provided that if the duties and obligations of the Administrator are terminated in relation to the Cash Bond Management Services only pursuant to Clause 21.4 then the Administrator shall be entitled to continue to receive all fees and other moneys payable to the Administrator under this Agreement less any fees and other moneys payable to the successor Administrator which has assumed performance of the Cash Bond Management Services. Such moneys so receivable by the Administrator shall be paid solely by the Issuer on the dates on which they would otherwise have fallen due hereunder. For the avoidance of doubt, such termination shall not affect the Administrator's rights to receive payment of all amounts due to it by the Issuer other than under this Agreement, including but without limitation, all amounts due under the Paragon Corporate Services Letter and the Deed of Charge.
- 21.15 Prior to termination of this Agreement, the Administrator, the Seller, the Trustee and any substitute administrator shall if the Issuer, the Trustee or any Substitute Administrator requires co-operate to obtain the agreement of the Borrowers to a new bank mandate permitting the Issuer, the Trustee or such substitute administrator to operate the Direct Debiting Scheme.
- 21.16 Any provision of this Agreement which is stated to continue after termination of the Agreement shall remain in full force and effect notwithstanding termination.
- 21.17 The parties hereto agree that to the extent there is a conflict between the provisions of the Administration Agreement and the Substitute Administrator Agreement (as amended from time to time) and the description of the provisions of those agreements in any Relevant Document, the provisions of the Administration Agreement and the Substitute Administrator Agreement shall prevail.

## 22. **THE TRUSTEE**

- 22.1 In the event that there is any change in the identity of the Trustee in accordance with the Trust Deed, the retiring Trustee, the Administrator, the Seller and the Issuer shall execute such documents and take such actions as such new Trustee may reasonably require for the purpose of vesting in such Trustee the rights of the Trustee under this Agreement and the Deed of Charge and, if so determined by the new Trustee, releasing the retiring Trustee from further obligations thereunder and, while any Note remains outstanding, shall give notice thereof to the Rating Agencies.

22.2 Nothing herein contained shall impose any obligation or liability on the Trustee to assume or perform any of the obligations of the Issuer, the Seller or the Administrator hereunder or render it liable for any breach thereof.

23. **FURTHER ASSURANCE**

23.1 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, **provided that**, where a party requests such further acts or things, that party will be responsible for the reasonable costs of those parties co-operating with such request to the extent such requires the performance of an act or thing by each co-operating party which is not (or could not reasonably be expected to be) within the duties or the obligations of the relevant co-operating party pursuant to this Agreement or any other Relevant Document.

23.2 Without prejudice to the generality of Clause 23.1, the Issuer, the Trustee and the Seller shall upon request by the Administrator forthwith give to the Administrator such further powers of attorney or other written authorisations or mandates and instruments as are necessary to enable the Administrator to perform the Services.

24. **CONFIDENTIALITY**

None of the parties hereto shall during the continuance of this Agreement or after its termination disclose to any person, firm or company whatsoever any information relating to the business, finances or other matters of a confidential nature of any other party hereto of which it may in the course of its duties hereunder or otherwise have become possessed and all the parties hereto shall use all reasonable endeavours to prevent any such disclosure as aforesaid, **provided however that** the provisions of this Clause 24 shall not apply:

24.1.1 to any information already known to the recipient otherwise than as a result of entering into any of the Relevant Documents;

24.1.2 to any information subsequently received by the recipient which it would otherwise be free to disclose;

24.1.3 to any information which is or becomes public knowledge otherwise than as a result of the conduct of the recipient;

24.1.4 to any extent that the recipient is required to disclose the same pursuant to any law or order of any court or pursuant to any direction, request or requirement (whether or not having the force of law) of any central bank or any governmental or other authority (including, without limitation, any official bank examiners or regulators);

24.1.5 to the extent that the recipient needs to disclose the same for the protection or enforcement of any of its rights under any of the Relevant Documents or in connection herewith or therewith or, in the case of the Trustee, for the purpose of discharging, in such manner as it thinks fit, its duties under or in connection

with such agreements in each case to such persons as require to be informed of such information for such purposes;

- 24.1.6 to any information which the Rating Agencies may require to be disclosed to them; or
- 24.1.7 to any disclosure by the Substitute Administrator to its parent undertaking **provided that** the Substitute Administrator shall procure that its parent undertaking (i) is made aware of the confidential nature of such information and the terms of this Clause and (ii) complies with all the provisions of this Clause as if it were a party to this Agreement.

Notwithstanding any provision herein, any person (and each employee, representative, or other agent of such person) may disclose to any and all other persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such person relating to such U.S. tax treatment and U.S. tax structure.

## 25. NOTICES

- 25.1 Any notices to be given pursuant to this Agreement to any of the parties hereto or to the Rating Agencies shall be sufficiently served if delivered by hand or sent by prepaid post or by facsimile transmission or by email transmission and shall be deemed to be given upon receipt and shall be delivered or sent:
  - 25.1.1 in the case of the Issuer to 51 Homer Road, Solihull, West Midlands B91 3QE (facsimile number 0121 712 2072 or email to Company\_Secretary@Paragon-group.co.uk) for the attention of: The Company Secretary, with a copy to: (facsimile number 020 7398 6325 or email to directors-uk@sfmeurope.com) for the attention of: The Directors;
  - 25.1.2 in the case of PFPLC, to the address appearing at the beginning of this Agreement (facsimile number: 0121 712 2072, for the attention of The Company Secretary or email to Company\_Secretary@Paragon-group.co.uk for the attention of The Company Secretary);
  - 25.1.3 in the case of PML, to the address appearing at the beginning of this Agreement (facsimile number: 0121 712 2072, for the attention of the Company Secretary or email to Company\_Secretary@Paragon-group.co.uk for the attention of The Company Secretary);
  - 25.1.4 in the case of the Trustee, to the address appearing at the beginning of this Agreement (facsimile number: 020 7500 5877, for the attention of: Agency & Trust);
  - 25.1.5 in the case of Fitch to SF\_Surveillance@fitchratings.com for the attention of: Surveillance - European Structured Finance Ratings);
  - 25.1.6 in the case of Moody's to Monitor.RMBS@moodys.com for the attention of RMBS Monitoring; and

25.1.7 in the case of the Substitute Administrator Facilitator, to 35 Great St. Helen's, London EC3A 6AP, United Kingdom (facsimile number: 020 7398 6325, for the attention of The Directors),

or to such other address or facsimile number or email address or for the attention of such other person or entity as may from time to time be notified by any party to the others by written notice in accordance with the provisions of this Clause 25.

## 25.2

25.2.1 The Administrator shall, while any Note remains outstanding, give notice to the Rating Agencies of:

- (a) any amendment which the Trustee considers material to any of the Relevant Documents;
- (b) the Class A Notes, the Class B Notes, the Class C Notes or the Class E Notes being repaid in full;
- (c) any repurchase by the Seller of a Mortgage pursuant to clause 8 of the Mortgage Sale Agreement; and
- (d) any Event of Default under the Notes.

25.2.2 The Administrator shall within 30 days of the end of each Collection Period give or otherwise make available to the Rating Agencies in accordance with sub-clause 13.10.1 information on or a report in respect of:

- (a) the number and aggregate or principal amount of all Mortgages respectively 30, 60 and 90 days in arrears at the end of such Interest Period;
- (b) the number of Mortgages in respect of which orders for possession were granted during the preceding Interest Period;
- (c) the number of Mortgages in respect of which orders for possession were pending during the preceding Interest Period; and
- (d) the gross and net losses incurred in respect of Mortgages in respect of which Enforcement Procedures have been completed during such preceding Interest Period.

## 26. NO VARIATION AND WAIVER

No variation or waiver of this Agreement shall be effective unless it is in writing and signed by (or by some person duly authorised by) each of the parties. No single or partial exercise of, or failure or delay in exercising, any right under this Agreement shall constitute a waiver or preclude any other or further exercise of that or any other right.

27. **ASSIGNMENT**

27.1 The Issuer may not assign or transfer any of its rights and obligations under this Agreement without the prior written consent of the Trustee and the Administrator except that the Issuer may assign its rights hereunder without such consent only by way of the Deed of Charge.

27.2 The Administrator may not assign or transfer any of its rights and obligations under this Agreement to any other person without the prior written consent of the Issuer and the Trustee.

28. **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.

29. **GOVERNING LAW**

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

**IN WITNESS WHEREOF** the parties have caused this Agreement to be executed as a deed the day and year first before written at London.

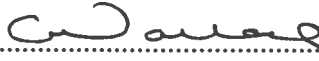
**EXECUTION PAGE**

**EXECUTED** as a **DEED** and delivered by )  
**PARAGON MORTGAGES (NO.23) 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 directors

Signature: 

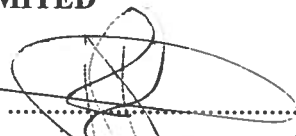
Witness Name: Olivia van Wallegem

Occupation: Paralegal

Address: .....

**Clifford Chance LLP**  
**10 Upper Bank Street**  
**London E14 5JJ**


**PARAGON MORTGAGES (2010)  
LIMITED**

By:  .....

Name: MARKLEY .....

Title: Director

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

Signature: 

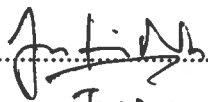
Witness Name: Olivia van Wallegem

Occupation: Paralegal

Address: .....

**Clifford Chance LLP**  
**10 Upper Bank Street**  
**London E14 5JJ**

**CITICORP TRUSTEE COMPANY  
LIMITED**

By:  .....

Name: JUSTIN NG .....

Title: Attorney

## SCHEDULE 1 THE SERVICES

### 1. The Mortgage and Loan Administration Services

The Administrator shall:

- (a) operate the Transaction Account and ensure that payments are made into and from each such account in accordance with this Agreement; **provided however that** nothing herein shall require the Administrator to make funds available to the Issuer to enable such payments to be made other than as expressly required by the provisions of this Agreement;
- (b) keep records/books of account/documents for the Issuer and in relation to the Mortgages;
- (c) keep records for all taxation purposes including VAT;
- (d) notify Borrowers of any change in their Monthly Payment;
- (e) assist the auditors of the Issuer and Holdings and provide information to them upon reasonable request;
- (f) ensure that the Issuer adopts the amortised cost basis of accounting in relation to its loan relationships;
- (g) prepare and send an annual statement to Borrowers in its usual form;
- (h) provide a redemption statement upon the request of a Borrower's solicitor or licensed or qualified conveyancer;
- (i) notify Borrowers of any change in the premium payable on any Block Buildings Policy arising from such policy being index-linked and the cover increasing as a result thereof and of changes generally in the premium payable under any Block Buildings Policy;
- (j) from time to time on behalf of the Issuer calculate in accordance with and in the manner provided in the Paragon Corporate Services Letter the amounts payable under the Paragon Corporate Services Letter;
- (k) from time to time on behalf of the Issuer calculate in accordance with and in the manner provided in the Issue Services Fee Letter the amounts payable under the Issue Services Fee Letter; and
- (l) from time to time on behalf of the Issuer calculate in accordance with and in the manner provided in the Subordinated Loan Agreement (and promptly notify the parties thereto) the interest rate and amount of principal and interest payable by the Issuer on, or in respect of, the Subordinated Loan Agreement.

## 2. General Services

The Administrator shall:

- (a) make all filings, give all notices and make all registrations and other notifications required in the day-to-day operation of the business of the Issuer and Holdings;
- (b) arrange for all payments due to be made by the Issuer under any of the Relevant Documents to be made, provided that such moneys are at the relevant time available to the Issuer and provided further that nothing herein shall constitute a guarantee by the Administrator of all or any of the obligations of the Issuer under any of the Relevant Documents;
- (c) keep general books of account and records of the Issuer and Holdings and provide accounting services, including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts, and supervising and assisting in the preparation of tax returns of the Issuer and Holdings;
- (d) make all returns and filings required to be made by the Issuer and Holdings;
- (e) provide company secretarial and administration services to the Issuer and Holdings including the keeping of all registers and the making of all returns required by U.K. regulatory authorities, co-operate in the convening of board and general meetings and provide registered office facilities for the Issuer;
- (f) itself on behalf of the Issuer pay, or procure the payment in accordance with the Deed of Charge of, all the out-of-pocket expenses of the Issuer incurred in the performance of the Administrator's duties hereunder including without limitation:
  - (i) all taxes which may be due or payable by the Issuer;
  - (ii) all registration, recording, transfer, filing and other fees, stamp duty and other charges payable in respect of the purchase by the Issuer of the Mortgages from the Seller;
  - (iii) all necessary filing and other fees in compliance with regulatory requirements;
  - (iv) all legal and audit fees and other professional advisory fees;
  - (v) all communication expenses including postage, telephone and telex charges;
  - (vi) fees payable to The London Stock Exchange plc and/or the UK Listing Authority; and
  - (vii) all premiums payable by the Issuer in respect of the Insurance Contracts;

- (g) subject to the provisions of this Agreement (including, but without limitation, Clause 6.4) take all reasonable steps to recover all sums due to the Issuer;
- (h) determine the Principal Liability Outstanding, Principal Amount Outstanding and the Pool Factor and (if applicable) the GBP Equivalent Principal Liability Outstanding, GBP Equivalent Principal Amount Outstanding, Swap Termination Principal Shortfall Amounts and Swap Termination Principal Excess Amounts for each Note for each Interest Period and determine the Available Redemption Funds on each Principal Determination Date and the principal payment in respect of each Note to be made on the Interest Payment Date to which such Principal Determination Date relates;
- (i) take all such actions and do all things which it would be reasonable to expect a reasonably prudent mortgage administrator to do in administering its mortgages and charges;
- (j) provide services in relation to Hedge Collateral held by or on behalf of the Issuer from time to time (including, without limitation, in connection with the transfer, receipt, administration and/or holding of Hedge Collateral, the making of calculations, determinations, communications or valuations, the opening and maintenance of the Hedge Collateral Accounts and the Hedge Collateral Ledger; and the entering into of Hedge Collateral Ancillary Documents);
- (k) provide services in relation to Hedge Replacement Premium and Hedge Provider Termination Amounts (including, without limitation, in connection with the transfer, receipt, administration and/or holding of such amounts and the making of calculations, determinations, communications or valuations);
- (l) to the extent applicable:
  - (i) act as agent of the Issuer in respect of the rights, obligations, functions and powers of the Issuer under the Hedge Agreement;
  - (ii) perform, on behalf of the Issuer, such other functions specified in the Hedge Agreement to be performed by the Issuer; and
  - (iii) perform, on behalf of the Issuer, all of its obligations under Article 9 of EMIR in respect of the reporting of any transactions entered into under any Hedge Agreement, and all of its obligations under Article 11 of EMIR in respect of risk-mitigation techniques for "OTC derivative contracts" (as such term is defined in EMIR);
- (m) on behalf of the Issuer, monitor whether the Issuer is a NFC- (as such term is defined in the Hedge Agreement) and whether the Issuer is subject to a clearing obligation pursuant to EMIR in respect of any transaction and make any notifications that are required to be made if the Issuer is no longer a NFC- (as such term is defined in the Hedge Agreement) or becomes subject to a clearing obligation under EMIR and, to the extent that the Issuer has delegated any of its obligations under EMIR to a third party, provide assistance and

information to such third party as it may reasonably request in order to satisfy the Issuer's obligations under EMIR;

- (n) make the notifications and determinations it is required to make pursuant to the terms of the Original Currency Swap Agreement; and
- (o) notify the Original Currency Swap Provider when investor reports become available on the website pursuant to Clause 13.10.1 (*Further Information*) and take all reasonable steps to ensure the Original Currency Swap Provider has continued access to such website.

### 3. **Estimation**

- (a) In the event that an Administrator Report is not prepared with respect to a Collection Period (the "**Determination Period**"), the Administrator shall calculate the amounts available to the Issuer to make payments for such Determination Period based on the Administrator Report in respect of the three preceding Collection Periods in accordance with Schedule 11 (*Determinations and Reconciliation*), for the purposes of complying with its obligations hereunder. The Administrator shall make such estimations on the basis of information available to it at such time and shall not be liable (in the absence of negligence, bad faith and wilful default) for the accuracy of such estimations.
- (b) Upon subsequent receipt of the Administrator Report in relation to the Determination Period, the Administrator will apply the reconciliation calculations set out in Schedule 11 (*Determinations and Reconciliation*).
- (c) Any:
  - (i) calculations properly done on the basis of such previous Administrator Reports;
  - (ii) payments made under any of the Notes and Relevant Documents in accordance with such calculations;
  - (iii) reconciliation calculations; and
  - (iv) reconciliation payments made as a result of such reconciliation calculations,

each in accordance with paragraphs 1, 2 and 3 of Schedule 11 (*Determinations and Reconciliation*) to this Agreement, shall be deemed to be done in accordance with the provisions of the Relevant Documents and no default by the Administrator in the performance of its obligations under this Agreement (or an Event of Default in respect of the Issuer) shall occur solely as a result of calculating and applying amounts in accordance with this paragraph and Schedule 11 (*Determinations and Reconciliation*) and no liability will attach to the Administrator in connection with the exercise by it of its powers, duties and discretion for such purposes.

**SCHEDULE 2  
INSURANCES**

**PART A  
BUILDINGS POLICIES**

1. **Block Buildings Policies (to the extent that such policies relate to the Properties)**

AXA Insurance UK plc: LPBDX6335079

2. **Other Buildings Policies**

Those building insurance policies on the Properties (not being any of the Block Buildings Policies) where, among others, the Seller, the Issuer or the Trustee, or one or more of them is a named insured or where any of their respective interests are noted.

**PART B  
OTHER INSURANCE CONTRACTS**

1. The Fidelity Insurance Policy.
2. The Mortgage Impairment Contingency Policy to the extent that such policy relates to the Mortgages.

**SCHEDULE 3**  
**MINIMUM MORTGAGE RATE AND SHORTFALL**

1. Minimum Mortgage Rate on a date shall mean the aggregate of:
  - (i) GBP LIBOR; and
  - (ii) 4 per cent. per annum (or such higher percentage as the Issuer may from time to time select and notify to the Noteholders in the quarterly investor report) until (and including) the Interest Payment Date falling in October 2020, and thereafter 4.5 per cent. per annum (or such higher percentage as the Issuer may from time to time select and notify to the Noteholders in the quarterly investor report).

2. The average chargeable yield (not taking into account any delinquencies on the Mortgage Portfolio) on the Mortgages on a date shall be calculated as follows:

$$A = \frac{(M_0 \times MR_0 + M_1 \times MR_1 + M_2 \times MR_2 \dots + M_x \times MR_x) + (C \times \frac{365^*}{X})}{M_0 + M_1 + M_2 \dots + M_x}$$

where:

M<sub>0</sub> to M<sub>x</sub> are the aggregate principal amounts outstanding (including further advances made) on the immediately preceding Principal Determination Date of the Mortgages then owned by the Issuer on which interest is payable at the same rate;

MR<sub>0</sub> to MR<sub>x</sub> are the various rates of interest payable on different Mortgages expressed as a per annum percentage rate;

C is the aggregate of all amounts expected to be received by the Issuer under all hedging arrangements entered into by the Issuer and all income received by the Issuer from the investment of funds standing to the credit of the Transaction Account and scheduled releases from the Margin Reserve Fund Ledger in accordance with Schedule 8 (*Application of Margin Reserve Fund Amounts (Loan Margin)*), Schedule 9 (*Application of Margin Reserve Fund Amounts (Pre-Funding Costs)*) and Schedule 10 (*Application of Margin Reserve Fund Amounts (DFA Pre-Funding Cost)*), any Interest Rate Converted Mortgage Release Amount and all amounts recovered in respect of early redemption amounts or guarantees relating thereto and the net amount expected to be received (expressed as a positive number) or paid (expressed as a negative number) by the Issuer under each Hedge Agreement or such other hedging arrangements in each case during the Interest Period in which the date of calculation falls;

X is the number of days in that Interest Period;

and expressed as a percentage.

3. The shortfall is:

$$(M - A) \times (M_0 + M_1 + M_2 + \dots M_x) \times \left( \frac{X}{365} \right)$$

where M is the Minimum Mortgage Rate referred to above **provided that** if the result of the foregoing calculation would be a negative number the shortfall shall be zero; and

where the other symbols are as indicated in paragraph 2 above.



**SCHEDULE 4**  
**POTENTIAL INTEREST SHORTFALL AMOUNT**

The Potential Interest Shortfall Amount on any Principal Determination Date shall be calculated as follows (unless the result of such calculation would be a negative number in which event the Potential Interest Shortfall Amount on such Principal Determination Date shall be zero):

$$P = A + B + C - (D + E + F + G + H)$$

where:

- P is the Potential Interest Shortfall Amount;
- A is the aggregate amount of interest due and overdue on the Class A2 Notes and the amount payable to the Currency Swap Provider in respect of the Class A1 Notes (as referred to in sub-clause 6.1.2(d) of the Deed of Charge), the Class B Notes (as referred to in sub-clause 6.1.2(f) of the Deed of Charge and the Class C Notes (as referred to in sub-clause 6.1.2(h) of the Deed of Charge) on the next Interest Payment Date;
- B is the aggregate of all amounts (not included within A above) which are referred to in sub-clauses 6.1.2(a) to (c) of the Deed of Charge and which are payable on the next Interest Payment Date;
- C is the aggregate amount (not included within A and B above) of any payments to third parties of amounts received in respect of Mortgages to which such third party is properly entitled expected to be made debiting the Revenue Ledger (in priority to any of the amounts referred to in A and B above) pursuant to sub-clause 6.1.1 of the Deed of Charge on or before the next Interest Payment Date;
- D is the balance standing to the credit of the Revenue Ledger on such Principal Determination Date;
- E is the amount of income expected to arise from any Authorised Investments on or before the next Interest Payment Date;
- F is the amount then standing to the credit of the Shortfall Fund and the First Loss Liquidity Excess Amount of the First Loss Fund and scheduled releases from the Margin Reserve Fund Ledger in accordance with Clause 6.14 (*Margin Reserve Ledger*);
- G is the aggregate amount of interest payable on or before the next Interest Payment Date by those Borrowers who paid the amount due from them on the most recent Mortgage Payment Date; and
- H is the aggregate of the amount receivable by the Issuer under all Hedge Agreements and Hedge Guarantees or any other hedging arrangements entered into by the Issuer or guarantees relating thereto plus the amount receivable (expressed as a positive number) under each Hedge Agreement or such other hedging arrangement in each case on or before the next Interest Payment Date, excluding (i) any Hedge Collateral provided by a Hedge Provider, except to the extent that such Hedge Collateral is

applied in or towards the satisfaction of amounts due by the relevant Hedge Provider to the Issuer in accordance with the terms under which the Hedge Collateral was provided and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement; (ii) any Hedge Replacement Premium applied by the Issuer in paying a Hedge Provider Termination Amount; (iii) any Hedge Replacement Premium applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement and (iv) in the case of any credit in respect of Tax (as such term is defined in the relevant Hedge Agreement), allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that has given rise to an Additional Amount, an amount equal to the amount to be paid by the Issuer to the relevant Hedge Provider in respect of such Tax credit, allowance, set-off or repayment.

**SCHEDULE 5**  
**FORM OF POWER OF ATTORNEY OF THE ISSUER**

**THIS DEED OF POWER OF ATTORNEY** is made and given on [•] 2015 whereby **PARAGON MORTGAGES (NO. 23) PLC** (registered number 9386326) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ (the "**Issuer**") **HEREBY APPOINTS** each Attorney severally and separately to be the true and lawful attorney of the Issuer for the purposes and on the terms hereinafter set forth. In this Deed, "**Attorney**" means **PARAGON MORTGAGES (2010) LIMITED** whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

**NOW THIS DEED WITNESSETH**

1. The Issuer **HEREBY APPOINTS** the Attorney as its true and lawful Attorney:
  - (a) to execute under hand or seal any instrument necessary or expedient to discharge, vacate or release:
    - (i) any and every mortgage or charge assigned or transferred to the Issuer by Paragon Mortgages (2010) Limited (the "**Seller**") under a mortgage sale agreement dated the same date as this Power of Attorney (the "**Mortgage Sale Agreement**") between, among others, the Seller, each Warehouse, the Issuer and Citicorp Trustee Company Limited (the "**Trustee**"); and
    - (ii) any and every mortgage or charge over real or personal or moveable property assigned or transferred to the Issuer by the Seller,  
  
(such mortgages, charges, sub-mortgages or sub-charges to be known together as the "**Charges**"), in such form as the Attorney shall consider appropriate;
  - (b) to execute under hand or under seal or otherwise perfect any deed, assurance, agreement, instrument or act which may be required by a mortgagor, registered proprietor or registered owner of land charged by way of legal mortgage or charge to the Issuer or which properly should be re-transferred by the Issuer to the Seller or which may be reasonably required by the Seller in respect of any Hedge Agreement or Hedge Guarantee (each as defined in the administration agreement dated the same date as this Power of Attorney (the "**Administration Agreement**") between, among others, each Attorney, the Issuer, the Seller and the Trustee) or any other hedging arrangement to be transferred by the Issuer to the Seller, in each case as the Attorney shall consider necessary and proper;
  - (c) during any period while no application for registration or recording at the Land Registry of the Trustee as proprietor or owner of a Charge is outstanding following the valid service of a Protection Notice on the Issuer:
    - (i) to exercise its rights, powers and discretions under the Charge (including the right to fix the rate of interest payable under the Charge and to calculate the Monthly Payments of interest and principal

payable by Borrowers in respect of Repayment Mortgages) and any collateral security therefor and any related rights;

- (ii) to make further advances to Borrowers in circumstances where a Borrower is entitled to receive a further advance under the Mortgage Conditions;
- (iii) to demand, sue for and receive all moneys due or payable under the Charge or any such collateral security or related rights (including rights under the Insurance Contracts); and
- (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 surrenders instruments and deeds as may be requisite or advisable.

2. The Issuer DECLARES THAT:

- (a) this Power of Attorney shall continue in force until notice of the revocation of such Power shall have been received by the Attorney; and
- (b) it will ratify and confirm any act done by each Attorney in exercise of this Power of Attorney,

**provided however that** save in respect of the power contained in paragraph 1(c) hereof, for the avoidance of doubt, this Power of Attorney shall not authorise the Attorney to sell any of the Charges.

Words and expressions not otherwise defined in this Power of Attorney shall bear the meaning ascribed to them in the Mortgage Sale Agreement and the Administration Agreement.

This Power of Attorney is governed by, and shall be construed in accordance with, English law.

**IN WITNESS WHEREOF** these presents have been executed as a deed the day and year first before written.

**EXECUTED** as a **DEED** and delivered by     )  
**PARAGON MORTGAGES (NO.23) PLC**     )  
acting by two Directors being     )

SFM Directors Limited; and     .....

SFM Directors (No.2) Limited     .....

**SCHEDULE 6**  
**FORM OF TRUSTEE'S POWER OF ATTORNEY**

**THIS DEED OF POWER OF ATTORNEY** is given on [•] 2015 by **CITICORP TRUSTEE COMPANY LIMITED** whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**") in favour of each Attorney severally and separately. In this Deed, "**Attorney**" means **PARAGON MORTGAGES (2010) LIMITED** whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

- (a) By a mortgage sale agreement (the "**Mortgage Sale Agreement**") dated the same date as this Power of Attorney and made between, among others, Paragon Mortgages (2010) Limited, Paragon Mortgages (No.23) PLC (the "**Issuer**") and the Trustee the Issuer agreed to purchase certain Mortgages beneficially owned by the Seller in accordance with the terms of the Mortgage Sale Agreement.
- (b) By an administration agreement (the "**Administration Agreement**") dated the same date as this Power of Attorney and made between each Attorney, the Issuer, the Seller and the Trustee, the Seller, the Trustee and the Issuer each agreed (according to their respective estates and interests) to appoint the Attorney as its lawful agent in its name and on its behalf to provide administration services to the Issuer in relation to the Mortgages and, where relevant, collateral security therefor, and to exercise the rights, powers and discretions and to perform the duties and obligations of the Issuer in respect of the Mortgages and, where relevant, the collateral security.
- (c) Pursuant to the Mortgage Sale Agreement and for the better performance of its obligations under the Administration Agreement, the Trust Deed and the Deed of Charge (each as defined in the Administration Agreement) and at the request of the Attorney the Trustee has agreed to enter into these presents for the purposes hereinafter appearing.

**NOW THIS DEED WITNESSETH** that the Trustee **HEREBY APPOINTS** the Attorney to be its true and lawful attorney for it and in its name to do any of the following acts, deeds and things or any of them as may be within the power of the Trustee under or pursuant to the Trust Deed and the Deed of Charge:

- 1. To exercise its rights powers and discretions in respect of the Mortgages, including without limitation any right to fix the rate or rates of interest payable under the said Mortgages and to calculate the Monthly Payments of interest and principal payable by Borrowers in respect of Repayment Mortgages, and, where relevant, in respect of the collateral security therefor and any related rights.
- 2. To exercise all the powers exercisable by the Trustee by reason of it being the registered sub-proprietor or sub-creditor of a sub-charge or sub-security of any of the Mortgages over the grantee's interest under any Mortgage.
- 3. To demand, sue for and receive all moneys due or payable under or in respect of the Mortgages or any collateral security therefor or under or in respect of any Hedge Agreement or Hedge Guarantee (each as defined in the Administration Agreement) or any other hedging arrangement in which it has an interest or in respect of any rights related to any of the aforesaid (including rights under the Insurance Contracts).

4. Upon payment of such moneys as are referred to in paragraph 3 above or of any part thereof to give good receipts and discharges for the same and to execute such receipts, releases, re-assignments, surrenders, instruments and deeds as may be requisite or advisable.
5. From time to time and with the consent of the Trustee to substitute and appoint severally one or more attorneys (the "**Substitute Attorneys**") for all or any of the purposes aforesaid,

**provided however that** for the avoidance of doubt this Power of Attorney shall not authorise the Attorney or any Substitute Attorney to sell, transfer, assign, sub-charge or create any security interest over any of the Mortgages or collateral security or any Hedge Agreement or Hedge Guarantee or any other hedging arrangement other than as contemplated by the Mortgage Sale Agreement, the Trust Deed and the Deed of Charge

**AND** the Trustee hereby agrees at all times hereafter to ratify and confirm any act, matter or deed whatsoever the Attorney or any Substitute Attorney shall lawfully do or cause to be done under or concerning these presents to the extent that such act or acts and execution are within the power of the Trustee and within the contemplation of this Power of Attorney.

Words and expressions not otherwise defined in this Power of Attorney shall bear the meaning ascribed to them in the Mortgage Sale Agreement and the Administration Agreement.

This Power of Attorney is governed by, and shall be construed in accordance with, English law.

**IN WITNESS** whereof these presents have been executed as a deed this day and year first before written.

**Executed as a deed by:**  
acting by its duly authorised attorneys

**Citicorp Trustee Company Limited**

Signature .....

By .....  
Name:  
Title: Attorney

Witness Name:  
Occupation:  
Address:

**SCHEDULE 7**  
**CONTENTS OF INVESTOR REPORTS**

**PART A**  
**CONTENTS OF MONTHLY INVESTOR REPORT**

The following information in respect of the Mortgages on an aggregated basis:

1. Loan to value ratios (including maximum and minimum);
2. Product summary by rate fixing method;
3. Product summary by repayment type;
4. Loan size;
5. Property tenure;
6. Seasoning;
7. Maturity of mortgages;
8. Loan purpose;
9. Geographical dispersion;
10. Number of months in arrears for receiver of rent cases and non receiver of rent cases;
11. Occupancy; and
12. Letting occupancy.

**PART B**  
**CONTENTS OF QUARTERLY INVESTOR REPORT**

1. Any changes in rate or rates of interest chargeable to Borrowers.
2. Retained Pre-Closing Accounts and Arrears that have been paid to the Seller during the Collection Period.
3. The aggregate amount of principal received in connection with the Mortgages redeemed in whole or in part during the Collection Period.
4. Mandatory Further Advances made in aggregate between the Closing Date and the end of the Collection Period.
5. Discretionary Further Advances made in aggregate between the Closing Date and the end of the Collection Period.
6. Discretionary Further Advances made during the Collection Period.
7. Enforcement Procedures in progress as at the end of the Collection Period.



8. Enforcement Procedures completed as at the end of the Collection Period.
9. Mortgages repurchased by the Seller pursuant to clauses 8.6 or 8.7 of the Mortgage Sale Agreement.
10. Balance of the Principal Deficiency Ledger.
11. Balance of the First Loss Fund.
12. Additional Mortgages purchased by the Issuer (if applicable).
13. Quarterly redemption rate for the Collection Period and the lifetime redemption rate.
14. Expenses paid in the Interest Period.
15. Number and aggregate or principal amount of all Mortgages respectively 30, 60 and 90 days in arrears at the end of each Collection Period.
16. Gross and new losses incurred in respect of Mortgages in respect of which Enforcement Procedures have been completed during such preceding Collection Period.
17. The balance of the Margin Reserve Fund Ledger.
18. The Minimum Mortgage Rate.
19. The retained interest of PFPLC in the form of the first loss tranche required to satisfy the retention requirement under Article 405 of Regulation (EU) No. 575/2013.

**SCHEDULE 8**  
**APPLICATION OF MARGIN RESERVE FUND AMOUNTS (LOAN MARGIN)**

The amounts detailed below will be debited from the Margin Reserve Fund Ledger and credited to the Revenue Ledger on the Interest Payment Dates falling in the months listed below:

**PM23 Margin Reserve Fund Loan Margin Initial Amount:** an amount of 0.18 (being equal to £542,117.18 per cent. of the aggregate GBP Equivalent of the Initial Principal Amount of the Notes)

**Scheduled Release**

<b>Interest Payment Date</b>	<b>Amount Released (£)</b>	<b>% of the initial current balance of the Class A Notes, Class B Notes, Class C Notes and Class E Notes</b>
1 <sup>st</sup>	£63,459.95	0.02%
2 <sup>nd</sup>	£85,721.79	0.03%
3 <sup>rd</sup>	£91,525.97	0.03%
4 <sup>th</sup>	£91,586.11	0.03%
5 <sup>th</sup>	£90,745.57	0.03%
6 <sup>th</sup>	£86,203.98	0.03%
7 <sup>th</sup>	£32,873.81	0.01%

## SCHEDULE 9

### APPLICATION OF MARGIN RESERVE FUND AMOUNTS (PRE-FUNDING COST)

The amounts detailed below will be debited from the Margin Reserve Fund Ledger and credited to the Revenue Ledger on the Interest Payment Dates falling in the months listed below:

**PM23 Margin Reserve Fund Pre-Funding Cost Initial Amount:** an amount of £229,520.52 (being equal to 0.08 per cent. of the aggregate GBP Equivalent of the Initial Principal Amount of the Notes)

#### Scheduled Release

Interest Payment Date	% of the initial current balance of the Class A Notes, Class B Notes, Class C Notes and Class E Notes
1 <sup>st</sup>	0.03% plus the product of (x) the Completed Prefunding Proportion and (y) 0.04%
2 <sup>nd</sup>	0.04% minus the product of (x) the Completed Prefunding Proportion and (y) 0.04%

"**Completed Prefunding Proportion**" means the amount credited to the Pre-Funding Reserve Ledger utilised for funding the purchase of Additional Mortgages up to and including the first Principal Determination Date divided by the amount standing to the credit of the Pre-Funding Reserve Ledger as at the Closing Date.

**SCHEDULE 10**  
**APPLICATION OF MARGIN RESERVE FUND AMOUNTS (DFA PRE-FUNDING COST)**

The amounts detailed below will be debited from the Margin Reserve Fund Ledger and credited to the Revenue Ledger on the Interest Payment Dates falling in the months listed below:

**PM23 Margin Reserve Fund Pre-Funding Cost Initial Amount:** an amount of £222,309.18 (being equal to 0.07 per cent. of the aggregate GBP Equivalent of the Initial Principal Amount of the Notes)

**Scheduled Release**

<b>Interest Payment Date</b>	<b>Amount Released (£)</b>	<b>% of the initial current balance of the Class A Notes, Class B Notes, Class C Notes and Class E Notes</b>
1 <sup>st</sup>	£8,507.67	0.00%
2 <sup>nd</sup>	£11,343.56	0.00%
3 <sup>rd</sup>	£11,220.26	0.00%
4 <sup>th</sup>	£11,220.26	0.00%
5 <sup>th</sup>	£11,343.56	0.00%
6 <sup>th</sup>	£11,343.56	0.00%
7 <sup>th</sup>	£11,096.96	0.00%
8 <sup>th</sup>	£11,220.26	0.00%
9 <sup>th</sup>	£17,015.34	0.01%
10 <sup>th</sup>	£17,015.34	0.01%
11 <sup>th</sup>	£16,645.45	0.01%
12 <sup>th</sup>	£16,830.40	0.01%
13 <sup>th</sup>	£17,015.34	0.01%
14 <sup>th</sup>	£17,015.34	0.01%
15 <sup>th</sup>	£16,645.45	0.01%
16 <sup>th</sup>	£16,830.40	0.01%

**SCHEDULE 11**  
**DETERMINATIONS AND RECONCILIATION**

1. In respect of any Determination Period the Administrator shall:
  - (a) determine the Interest Determination Ratio by reference to the three most recently received Administrator Reports (or, where there are not at least three previous Administrator Reports, all previous Administrator Reports received in the preceding Collection Periods);
  - (b) calculate the Revenue Receipts for such Determination Period as the product of: (i) the Interest Determination Ratio; and (ii) all payments received by the Issuer during such Determination Period; and
  - (c) calculate the Principal Receipts for such Determination Period as the product of: (i) 1 minus the Interest Determination Ratio; and (ii) all payments received by the Issuer in respect of the Issuer Interest during such Determination Period.
  
2. Following any Determination Period, upon delivery of the Administrator Reports in respect of such Determination Period, the Administrator shall reconcile the calculations made in accordance with paragraph 1(b) above to the actual collections set out in the Administrator Reports as follows:
  - (a) if the Reconciliation Amount is a positive number, the Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Revenue Ledger as Available Principal; and
  - (b) if the Reconciliation Amount is a negative number, the Administrator shall on the immediately following Interest Payment Date pay or provide for such amount by allocating amounts standing to the credit of the Principal Ledger as Available Revenue.
  
3. If amounts standing to credit of the Revenue Ledger or Principal Ledger, as the case may be, are insufficient to pay or provide for the applicable Reconciliation Amount in full on the relevant Interest Payment Date the Administrator shall reallocate amounts standing to the credit of the Revenue Ledger or Principal Ledger (as applicable) in accordance with paragraph 2(a) or 2(b) respectively in respect of each subsequent Collection Period (to be applied accordingly on the immediately following Interest Payment Date) until such Reconciliation Amount is paid or provided for in full; and
  
4. if the Administrator is required to provide for a Reconciliation Amount in determining Available Revenue and Available Principal in respect of any Interest Payment Date, the Administrator shall pay or provide for such Reconciliation Amount in accordance with the terms of the Administration Agreement and the Administrator shall promptly notify the Issuer and the Trustee of such Reconciliation Amount.

In this Schedule 11 (*Determinations and Reconciliations*):

**"Administrator Report"** means a report to be provided by the Administrator in respect of each Collection Period in accordance with the terms of the Administration Agreement;

**"Available Revenue"** means the moneys standing to the credit of the Transaction Account and representing the credit balance on the Revenue Ledger;

**"Available Principal"** means the moneys standing to the credit of the Transaction Account and representing the credit balance on the Principal Ledger;

**"Interest Determination Ratio"** means: (i) the aggregate Revenue Receipts calculated in the three preceding Administrator Reports (or such smaller number of preceding Administrator Reports as may be available on the date the Interest Determination Ratio is calculated); divided by (ii) the aggregate of the Revenue Receipts and the Principal Receipts calculated in such Administrator Reports;

**"Principal Receipts"** means, in relation to a Collection Period, the amount credited (or in relation to a Determination Period, the actual amount that should have been credited) to the Principal Ledger for such Collection Period;

**"Reconciliation Amount"** means in respect of a Determination Period: (i) the actual Principal Receipts as determined in accordance with the available Administrator Reports; less (ii) the Principal Receipts in respect of such Determination Period, determined in accordance with paragraph 1(c) above; and

**"Revenue Receipts"** means, in relation to a Collection Period, the amount credited (or in relation to a Determination Period, the actual amount that should have been credited) to the Revenue Ledger for such Collection Period.

**SCHEDULE 12**  
**FORM OF TRANSACTION ACCOUNT TRANSFER CERTIFICATE**

**PARAGON MORTGAGES (2010) LIMITED**  
51 Homer Road, Solihull, West Midlands B91 3QJ  
(Registered in England and Wales with company number 6595834)

Citicorp Trustee Company Limited  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

[•] 20[•]

Dear Sirs

**Paragon Mortgages (No.23) PLC - Transfer of Transaction Account**

We refer to the administration agreement dated 23 July 2015 between, amongst others, ourselves and yourselves (the "**Administration Agreement**"). Capitalised terms used in this letter that are not otherwise defined shall have the meaning given to them in the Administration Agreement.

Pursuant to Clause 6.6.3 of the Administration Agreement, we write to give you notice that on or around [•] the Transaction Account was transferred to [HSBC Bank plc ("**HSBC**")/Barclays Bank plc ("**Barclays**")]. We certify that [HSBC/Barclays] meets the ratings requirements of Clause 6.6.3 of the Administration Agreement and we confirm that conditions (i) to (iv) of Clause 6.6.4 of the Administration Agreement have been met.

We further certify that pursuant to Clause 6.6.6 of the Administration Agreement, the Rating Agencies have been notified of the transfer of the Transaction Account from Citibank N.A., London Branch to [HSBC/Barclays].

Yours faithfully

By:

By:

Name:

Name:

Title:

Title:

For and on behalf of **PARAGON MORTGAGES (2010) LIMITED**