

EXECUTION VERSION

DATED 23 JULY 2015

PARAGON MORTGAGES (NO.23) PLC
AS THE ISSUER

CITICORP TRUSTEE COMPANY LIMITED
AS THE TRUSTEE

PARAGON FINANCE PLC
AS SUBORDINATED LENDER AND THE ISSUE SERVICES PROVIDER

PARAGON MORTGAGES (2010) LIMITED
AS THE SELLER, THE ADMINISTRATOR AND THE PARAGON CORPORATE
SERVICES PROVIDER

HOMELoAN MANAGEMENT LIMITED
AS THE SUBSTITUTE ADMINISTRATOR

LLOYDS BANK PLC
AS THE ORIGINAL CURRENCY SWAP PROVIDER

MACQUARIE BANK LIMITED
AS AN INITIAL BASIS HEDGE PROVIDER

LLOYDS BANK PLC
AS AN INITIAL BASIS HEDGE PROVIDER

STRUCTURED FINANCE MANAGEMENT LIMITED
AS THE SFM CORPORATE SERVICES PROVIDER AND AS THE SUBSTITUTE
ADMINISTRATOR FACILITATOR

AND

CITIBANK, N.A., LONDON BRANCH
AS THE PRINCIPAL PAYING AGENT, REFERENCE AGENT, REGISTRAR AND
ACCOUNT BANK

DEED OF SUB-CHARGE
AND ASSIGNMENT

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THIS DEED OF SUB-CHARGE AND ASSIGNMENT is made as a deed on 23 July 2015

BETWEEN:

- (A) **PARAGON MORTGAGES (NO. 23) PLC** (registered number 9386326) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ (the "**Issuer**");
- (B) **CITICORP TRUSTEE COMPANY LIMITED** (registered number 235914) whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**", which expression shall, without limiting Clause 1.2, include such company and all other persons or companies for the time being acting as trustee or trustees under the Trust Deed referred to below);
- (C) **PARAGON FINANCE PLC ("PFPLC")** (registered number 1917566) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ in its capacity as the subordinated lender (the "**Subordinated Lender**") and in its capacity as the issue services provider (the "**Issue Services Provider**");
- (D) **PARAGON MORTGAGES (2010) LIMITED ("PML")** (registered number 6595834) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ in its capacities as the Seller (the "**Seller**") the Administrator (the "**Administrator**") and the Paragon Corporate Services Provider (the "**Paragon Corporate Services Provider**");
- (E) **HOMELoAN MANAGEMENT LIMITED** a company incorporated under the laws of England and Wales (registered number 2214839) whose registered office is at The Pavillions, Bridgwater Road, Bristol BS13 8AE (the "**Substitute Administrator**");
- (F) **MACQUARIE BANK LIMITED** acting through its office at Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, in its capacity as a hedge provider (an "**Initial Basis Hedge Provider**");
- (G) **LLOYDS BANK PLC** a public company incorporated under the laws of England (registered number 00002065) with its registered office at 25 Gresham Street, London EC2V 7HN, in its capacity as a hedge provider (an "**Initial Basis Hedge Provider**");
- (H) **LLOYDS BANK PLC** a public company incorporated under the laws of England (registered number 00002065) with its registered office at 25 Gresham Street, London EC2V 7HN, in its capacity as currency swap provider (the "**Original Currency Swap Provider**"), which expression shall include any replacement currency swap provider under any Currency Swap Agreement (as defined below);
- (I) **STRUCTURED FINANCE MANAGEMENT LIMITED** (registered number 3853947) whose registered office is at 35 Great St. Helen's, London EC3A 6AP (as "**SFM Corporate Services Provider**" and "**Substitute Administrator Facilitator**"); and
- (J) **CITIBANK, N.A., LONDON BRANCH** acting through its London office at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, as the principal paying agent for the Notes (the "**Principal Paying Agent**"), the reference agent (the "**Reference Agent**") and, registrar (the "**Registrar**" and together with the Principal

Paying Agent and the Reference Agent, the "**Agents**") and the transaction account bank (the "**Account Bank**"), which expression shall include whenever the context so admits, any successor principal paying agent, reference agent, registrar and account bank for the time being appointed under this Deed.

WHEREAS:

This deed of sub-charge and assignment is supplemental to the Trust Deed of even date herewith and made between the Issuer and the Trustee constituting the Notes of the Issuer.

IT IS HEREBY AGREED AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

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

"**Accession Undertaking**" means a form of deed of accession to the Deed of Charge substantially in the form set out in Schedule 3 (*Form of Accession Undertaking*) to this Deed;

"**Account Bank**" means Citibank N.A., London Branch and any other bank or successor bank which holds the Transaction Account;

"**Account Banks**" means the Collection Account Bank and the Account Bank (and each an "**Account Bank**");

"**Account Bank Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Trustee, the Administrator and the Account Bank;

"**Act**" means the Law of Property Act 1925;

"**Additional Amounts**" means, if a Hedge Provider is required by law to make any deduction or withholding for or on account of United Kingdom tax from any payments payable by it under the relevant Hedge Agreement on any Interest Payment Date, such additional amount that such Hedge Provider is required to pay in accordance with the relevant Hedge Agreement to ensure that the Issuer receives (after any deduction or withholding) the full amount it would have otherwise received from that Hedge Provider had no deduction or withholding been made;

"**Additional Subordinated Lender**" means a person (other than PFPLC (in its capacity as Subordinated Lender)) from whom the Issuer may borrow pursuant to the Subordinated Loan Agreement, as contemplated by the proviso to Clause 11.2 and which has undertaken in a manner and form satisfactory to the Trustee to be bound by this Deed as if it had originally been a party hereto;

"**Administration Agreement**" means the agreement of even date herewith between the Administrator, the Issuer, the Seller and the Trustee as from time to time varied with the approval of the Trustee and any agreement to which the Trustee is a party

under which a substitute administrator is appointed to render services of the nature referred to in such agreement other than the Substitute Administrator Agreement;

"Administration Subordinated Fee" has the same meaning given to it in clause 11 of the Administration Agreement;

"Administrator Secured Amounts" means the monies and liabilities which the Issuer covenants and undertakes in this Deed to pay or discharge to the Administrator;

"Agency Agreement" means the agency agreement of even date herewith between, among others, the Issuer and the Agents, as from time to time varied in accordance with the provisions thereof;

"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;

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

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

"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;

"Borrower" means:

- (a) in relation to each Individual Mortgage, the same as in the Mortgage Conditions; and
- (b) in relation to each Corporate Mortgage, the company named as the "Borrower" in the Mortgage Conditions;

"Business Day" has the meaning given to it in Condition 4(a), whether or not there are any Notes outstanding;

"CRR Deed of Covenant" means the deed of covenant to be entered into on or about the Closing Date between PML, PGC, the Issuer and the Trustee pursuant to which PML and PGC will provide certain undertakings to the Issuer and the Trustee;

"Charged Property" means the assets, rights and undertaking of the Issuer for the time being held as security (whether fixed or floating) for the Secured Amounts under this Deed; and references to the **"Charged Property"** include references to any part of it;

"Class A1 Notes" has the meaning given to it in the Trust Deed;

"Class A1 Noteholders" has the meaning given to it in the Trust Deed;

"**Class A2 Notes**" has the meaning given to it in the Trust Deed;

"**Class A2 Noteholders**" has the meaning given to it in the Trust Deed;

"**Class A Noteholders**" has the meaning given to it in the Trust Deed;

"**Class A Notes**" has the meaning given to it in the Trust Deed;

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

"**Class B Noteholders**" has the meaning given to it in the Trust Deed;

"**Class B Notes**" has the meaning given to it in the Trust Deed;

"**Class C Noteholders**" has the meaning given to it in the Trust Deed;

"**Class C Notes**" has the meaning given to it in the Trust Deed;

"**Class E Noteholders**" has the meaning given to it in the Trust Deed;

"**Class E Notes**" has the meaning given to it in the Trust Deed;

"**Clearing Systems**" has the meaning given to it Condition 1(b);

"**Collection Account**" has the meaning given to it in the Administration Agreement;

"**Collection Account Bank**" means Barclays Bank plc and any other bank or successor bank which holds the Collection Account;

"**Collection Account Declaration of Trust**" has the meaning given to it in the Administration Agreement;

"**Collection Account Provider**" has the meaning given to it in the Administration Agreement;

"**Conditions**" has the meaning given to it in the Trust Deed;

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

"**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 the Cross-collateral Mortgage Rights Accession Deed;

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

"**Currency Swap Interest Amount**" means an amount in GBP payable by the Issuer to a Currency Swap Provider under the terms of the Currency Swap Agreement on an

Interest Payment Date intended to match the amount of interest which would have accrued on the Class A1 Notes during the Interest Period ending on (but excluding) that Interest Payment Date if those Notes comprised GBP Notes and the relevant Note Interest Rate Margin had been equal to the spread specified in the relevant Currency Swap Agreement and by reference to the GBP Equivalent of the Principal Liability Outstanding of the Class A1 Notes as at the start of that Interest Period;

"Currency Swap Principal Amount" means an amount in GBP payable by the Issuer to a Currency Swap Provider under the terms of the Currency Swap Agreement on each Interest Payment Date equal to the aggregate of Principal Payments allocated on the relevant Principal Determination Date to the Class A1 Notes;

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

"Current Balance" means at any time, in relation to a Mortgage, the then outstanding balance, including arrears of interest and all other sums due but unpaid under such Mortgage at such time but excluding, for the avoidance of doubt, any accrued interest thereon which has not yet fallen due for payment;

"Deemed Principal Amount Outstanding" has the meaning given to it in the Administration Agreement;

"Deferred Purchase Consideration" has the meaning given to it in the Mortgage Sale Agreement;

"Discretionary Further Advance" has the meaning given to it in the Administration Agreement;

"Discretionary Further Advance Pre-Funding Reserve Ledger" has the meaning given to it in the Administration Agreement;

"document" means any deed, instrument (including a negotiable instrument) or other document of any kind;

"Enforcement Notice" means a notice given by the Trustee under Condition 9 causing the Notes to become immediately due and repayable;

"Enforcement Priority of Payments" means the priority of payments set out in Clause 8.2;

"Final Discharge Date" means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Financial Indebtedness" means indebtedness whether actual or contingent, present or future in respect of:

- (a) moneys borrowed and debt balances at banks;
- (b) any debenture, bond, loan stock or other security;

- (c) any acceptance credit;
- (d) any liability in respect of sale and lease-backs or finance leases (or any transaction having a similar effect) having been entered into primarily as a method of raising finance or financing the acquisition of the asset leased;
- (e) any currency or interest swap or cap or collar arrangement or any other hedging agreement;
- (f) any guarantee, indemnity or similar assurance against financial loss of any person;
- (g) amounts raised pursuant to the issue of redeemable shares; or
- (h) amounts raised under any transaction having the commercial effect of a borrowing;

"Fitch" means Fitch Ratings Limited;

"First Loss Liquidity Excess Amount" has the meaning given to it in Clause 6.1.7;

"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;

"GBP Equivalent" has the meaning given to it in the Administration Agreement;

"GBP Equivalent Principal Amount Outstanding" has the meaning given to it in the Administration Agreement;

"GBP Equivalent Principal Liability Outstanding" has the meaning given to it in the Administration Agreement;

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

"Global Notes" means the Notes represented by one or more permanent global notes in fully registered form without interest coupons sold to non-U.S. persons outside the United States in reliance of Regulation S of the United States Securities Act 1933 as amended;

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

"Hedge Collateral" has the meaning given to it in the Administration Agreement;

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

"Hedge Collateral Custodian" means, where any Hedge Provider provides Hedge Collateral to the Issuer comprising securities, a suitably rated entity which provides a hedge collateral custody account to the Issuer for the purpose of holding such securities;

"Hedge Collateral Custody Agreement" means an agreement entered into between, *inter alios*, the Hedge Collateral Custodian and the Issuer which governs the operation of a hedge collateral custody account for the purpose of holding any Hedge Collateral in the form of securities provided by the Hedge Provider to the Issuer;

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

"Hedge Provider Subordinated Amounts" means on any Interest Payment Date in relation to a Hedge Agreement the amount, if any, due to the relevant Hedge Provider on that Interest Payment Date pursuant to Section 6(e) of the relevant Hedge Agreement (but only to the extent that such amount cannot be satisfied by the application of Hedge Collateral) in connection with a termination of that Hedge Agreement where such termination has arisen as a result of an "Event of Default" where that Hedge Provider is the "Defaulting Party" or as a result of an "Additional Termination Event" which results from a downgrade by one or more Rating Agencies of that Hedge Provider and the failure by that Hedge Provider to take one or more of the remedial actions specified in the relevant Hedge Agreement (and for these purposes Event of Default, Defaulting Party, and Additional Termination Event each have the meanings indicated in that Hedge Agreement);

"Hedge Provider Termination Amount" has the meaning given to it in the Administration Agreement;

"Hedge Replacement Premium" has the meaning given to it in the Administration Agreement;

"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 meaning given to it 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" means, in relation to each Note, the initial face principal amount of that Note upon issue of the relevant Global Note relating to that Note;

"Initial Purchase Consideration" has the meaning given to it in the Mortgage Sale Agreement;

"Insurance Contracts" means the insurance contracts described in Schedule 1 or any other policies providing equivalent cover;

"Interest Payment Date" has the meaning given to it in Condition 4(a);

"Interest Period" has the meaning given to it in Condition 4(a);

"Interest Shortfall Ledger" has the meaning given to it in the Administration Agreement;

"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 issues of the Notes incurred by the Issue Services Provider and on behalf of the Issuer and the payment by the Issuer of an arrangement fee to the Issue Services Provider;

"Issuer Cash Account" has the meaning given to it in the Administration Agreement;

"Issuer Profit Amount" means, for the first accounting reference period of the Issuer, determined in accordance with Chapter 3, Part 15 Companies Act 2006, an aggregate of £1,000, paid in equal instalments on each Interest Payment Date falling within that accounting reference period, and £250 on each Interest Payment Date falling thereafter, which shall be credited to the Issuer Profit Ledger for the Issuer to retain as a profit for entering into the transaction;

"Issuer Profit Ledger" has the meaning given to it in the Administration Agreement;

"Joint Lead Managers" means (i) Macquarie Bank Limited, London Branch, (ii) Lloyds Bank plc (iii) Morgan Stanley & Co. International plc and (iv) Natixis;

"Liquidity Amount" means while any Class A Note (other than, following the Class A2 Redemption Date, the Class A1 Notes), Class B Note or Class C Note remains outstanding, on each relevant Interest Payment Date, an amount determined on the immediately preceding Principal Determination Date equal to the aggregate of 2.5 per cent. of:

- (a) the GBP Equivalent Principal Liability Outstanding of the Class A Notes;
- (b) the Principal Liability Outstanding of the Class B Notes only if and to the extent that 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 B Notes; and (ii) the

aggregate of the Principal Liability Outstanding of the Class C Notes and the Class E Notes; and

- (c) the Principal Liability Outstanding of the Class C Notes only if and to the extent that 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,

and following the redemption in full of the Class A Notes (other than, following the Class A2 Redemption Date, the Class A1 Notes), the Class B Notes and the Class C Notes, the Liquidity Amount will equal zero;

"Mandatory Further Advance" has the meaning given to it in the Administration Agreement;

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

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

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

"Mortgage Sale Agreement" means the agreement of even date herewith between the Seller, the Administrator, each Warehouser, the Issuer and the Trustee relating to the sale and purchase of the Mortgages as from time to time varied with the prior written approval of the Trustee;

"Noteholders" has the meaning given to it in the Trust Deed;

"Notes" has the meaning given to it in the Trust Deed;

"Note Interest Rate Margin" has the meaning given to it in Condition 4 (*Interest*);

"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 Bank plc;

"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;

"Payments Priorities" means, together, the Revenue Priority of Payments, the Principal Priority of Payments, and the Enforcement Priority of Payments;

"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 this Deed of Charge on the same terms as the Initial Basis Hedge Providers;

"PGC" means The Paragon Group of Companies PLC;

"powers" in relation to the Trustee and any Receiver, means their respective powers, discretions, authorities and rights under this Deed or the general law;

"Principal Amount Outstanding" has the meaning given to it in Condition 5(c);

"Principal Liability Outstanding" has the meaning given to it in Condition 5(c);

"Principal Payment" means the amount allocated to a Note in accordance with Condition 5(a);

"Principal Priority of Payments" means the priority of payments set out in Clause 6.2;

"Principal Receipts" means, on any Principal Determination Date, the moneys standing to the credit of the Transaction Account and representing the credit balance on the Principal Ledger;

"Protection Notice" means a notice given by the Trustee in accordance with Clause 7.1;

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

"purchaser" has (in relation to any part of the Charged Property situated in England and Wales or governed by the law of England and Wales) the meaning given to it by section 205 of the Act;

"Rated Notes" means the Class A Notes, the Class B Notes and the Class C Notes;

"Rating Agencies" means Moody's and Fitch;

"**receiver**" includes a manager, and also a receiver and manager and an administrative receiver;

"**Receiver**" means a receiver, manager, receiver or manager or administrative receiver appointed under this Deed or pursuant to statutory powers, and includes more than one such receiver and any substituted receiver;

"**Regulations**" means the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296);

"**Relevant Documents**" means the Subscription Agreement dated on or about 21 July 2015 and other agreements relating to the issue of the Notes (or any of them), the Mortgage Sale Agreement, this Deed, the Issue Services Fee Letter, the SFM Corporate Services Agreement, the Paragon Corporate Services Letter, the Subordinated Loan Agreement, the Trust Deed, the Agency Agreement, the Notes, the Administration Agreement, the Substitute Administrator Agreement, the Substitute Administrator Facilitator Agreement, any Hedge Agreement, the CRR Deed of Covenant, the Cross-collateral Mortgage Rights Deed, the Cross-collateral Mortgage Rights Accession Deed, the Mortgages, the Insurance Contracts and any other insurances in which the Issuer has an interest at any time, the Collection Account Declaration of Trust, the Account Bank Agreement, any Hedge Collateral Custody Agreement (if applicable) and all other agreements and documents comprised in the security for the Notes;

"**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;

"**Required Amount**" means the amount of the First Loss Fund on the Closing Date or such other amount (including a reduction thereof) as may be consistent with the criteria of the Rating Agencies, **provided that**, if on any Principal Determination Date, either: (a) the then Current Balance of Mortgages which are then more than two months in arrears in aggregate constitute more than 3 per cent. of the then aggregate Current Balance of all of the Mortgages (for these purposes, a Mortgage will be more than two months in arrears at any time if, at such time, amounts totalling in aggregate more than two times the then current monthly payment due from the Borrower under such Mortgage have not been paid and/or have been capitalised within the 12 months immediately preceding such time), or (b) the aggregate amount debited to the Principal Deficiency Ledger in respect of enforcement of Mortgages since the Closing Date exceeds 2 per cent. of the GBP Equivalent of the Initial Principal Amount of the Notes, then the Required Amount will be increased to equal 4 per cent. of the GBP Equivalent of the aggregate Initial Principal Amount of the Notes on the Closing Date. If, after application of any funds required to be applied from the First Loss Fund on any Interest Payment Date, there remains on that Interest Payment Date a surplus over the Required Amount in the First Loss Fund, that surplus will be released from the

First Loss Fund and applied in repayment of principal amounts outstanding under the Subordinated Loan Agreement;

"**Revenue Ledger**" has the meaning given to it in the Administration Agreement;

"**Revenue Priority of Payments**" means the priority of payments set out in Clause 6.1.2;

"**Retained Pre-Closing Accruals and Arrears**" has the meaning given to it in the Mortgage Sale Agreement;

"**Secured Amounts**" means the monies and liabilities which the Issuer covenants and undertakes in this Deed to pay or discharge and (except in Clause 4 and Clause 10) references to the "**Secured Amounts**" include references to any of them;

"**Secured Parties**" means the Trustee, the Noteholders, any Receiver, the Administrator, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, each Additional Subordinated Lender, the Issue Services Provider, each Agent, the Substitute Administrator, the Substitute Administrator Facilitator, the Hedge Providers, the Account Bank, the Seller and any Hedge Collateral Custodian;

"**Security Interest**" means any mortgage, sub-mortgage, charge, sub-charge, pledge, lien, or other security interest, howsoever created or arising other than any of the foregoing which arise by operation of law;

"**Seller Secured Amounts**" means the monies and liabilities which the Issuer covenants and undertakes in this Deed to discharge to the Seller and references to "**Seller Secured Amounts**" include references to any of them;

"**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;

"**Subordinated Lender Secured Amounts**" means the monies and liabilities which the Issuer covenants and undertakes in this Deed to pay or discharge to each Subordinated Lender and references to "**Subordinated Lender Secured Amounts**" include references to any of them;

"Subordinated Loan Agreement" means the agreement of even date herewith between the Subordinated Lender, the Issuer and the Trustee relating to the provision of a loan facility by the Subordinated Lender to the Issuer;

"Subsidiary" means a subsidiary within the meaning of section 1159 of the Companies Act 2006 and includes a subsidiary undertaking as defined in section 1162 of the Companies Act 2006;

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

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

"Swap Termination Principal Shortfall Amounts" has the meaning given to it in the Administration Agreement;

"Swap Termination Reserve Account" has the meaning given to it in the Administration Agreement;

"Transaction Account" has the meaning given to it in the Administration Agreement;

"Trust Deed" means the Trust Deed of even date herewith and made between the Issuer and the Trustee constituting the Notes, together with the Schedules thereto, and any document supplemental thereto and the schedules (if any) thereto, all as may from time to time be varied in accordance with the provisions contained therein;

"Trustee Secured Amounts" means the monies and liabilities which the Issuer covenants and undertakes in this Deed to pay or discharge to the Trustee; and references to the **"Trustee Secured Amounts"** include references to any of them;

"VAT" has the meaning given to it in the Administration Agreement;

"Withheld Amount" means, in respect of each Interest Payment Date, an amount equal to any withholding or deduction the Issuer is required by any applicable law (as modified by the practice of any governmental revenue authority) to make for or on account of any tax from any amounts payable by it under a Hedge Agreement or such Interest Payment Date; and

"Withholding Compensation Amounts" means on any Interest Payment Date amounts payable by the Issuer to a Hedge Provider in relation to a Hedge Agreement, subject to and in accordance with the order set out in Clause 6.1.2 and Clause 8.2 (as the case may be) which are, following any withholding or deduction made by the Issuer or a Hedge Provider pursuant to a Hedge Agreement equal to (i) any Additional Amounts paid by the relevant Hedge Provider(s) to the Issuer on such Interest Payment Date together with, to the extent not paid by the Issuer to a Hedge Provider on any previous Interest Payment Date, an amount equal to any Additional Amounts paid by such Hedge Provider(s) under a Hedge Agreement on any previous Interest Payment Date, and (ii) any Withheld Amount in respect of such Interest Payment Date together with, to the extent not paid by the Issuer to such Hedge Provider(s) on any previous Interest Payment Date, an amount equal to any Withheld Amount in respect of any previous Interest Payment Date being together the amount payable by

the Issuer to a Hedge Provider pursuant to the paragraph indicated as being the "Withholding Compensation Amounts Provision" in Part 5 of the Schedule to the Hedge Agreement.

- 1.2 References to the Issuer, to the Trustee, to the Administrator, to the Substitute Administrator, to the Substitute Administrator Facilitator, to any Hedge Provider, to the Subordinated Lender, to any Additional Subordinated Lender, to the Seller, the SFM Corporate Services Provider, to the Paragon Corporate Services Provider, to each Agent, the Account Bank, the Hedge Collateral Custodian and to the Issue Services Provider include references to their successors, transferees and assigns and persons deriving title under or through them respectively (to the extent permitted by the relevant documents); and any reference to any statute or statutory provision shall be deemed also to refer to any statutory modification or re-enactment thereof and to any statutory instruments, orders or regulations made thereunder or under any such re-enactment.
- 1.3 References herein to the Notes include the Conditions and any references to an amount of money due or payable by reference to any of the Notes shall include any sum covenanted to be paid by the Issuer under the Trust Deed in respect of such Notes.
- 1.4 Where reference is made in this Deed to the Administration Agreement the provisions to which reference is made shall be deemed to be included in this Deed to the extent necessary to give effect thereto.
- 1.5 References herein to a particular numbered clause of the Administration Agreement shall, in relation to any agreement under which a substitute administrator (other than the Substitute Administrator as the administrator of last resort) is appointed Administrator, be construed as a reference to the provisions (if any) in such agreement which correspond to the provisions of such particular numbered clause of the Administration Agreement in effect at the date hereof.
- 1.6 The Clause headings in this Deed shall not affect its interpretation.
- 1.7 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. References in this Deed to Clauses and Schedules shall, unless the context otherwise requires, be references to Clauses of, and the Schedules to, this Deed.
- 1.8 For the avoidance of doubt but subject to Clause 10.2, references to the Trustee in this Deed are to it acting in its capacity as trustee for the Noteholders, any Receiver, the Administrator, the Subordinated Lender, any Additional Subordinated Lender, each Hedge Provider, the Seller, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, each Agent, the Substitute Administrator Facilitator, the Substitute Administrator, the Account Bank and any Hedge Collateral Custodian.
- 1.9 References herein to any agreement or other document shall be deemed also to refer to such agreement or document as modified, notated, supplemented or replaced from time to time.

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

2. COVENANTS TO PAY

2.1 The Issuer covenants with and undertakes to the Trustee that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer:

- (a) to or to the order of the Trustee and/or any Receiver under this Deed, the Trust Deed and the Conditions at the times and in the manner provided herein or therein;
- (b) under or in respect of the Notes; and
- (c) to the Trustee on any account whatsoever, whether as principal or surety and whether or not jointly with another.

2.2 The Issuer covenants with and undertakes to PML in its capacities as the Administrator and the Paragon Corporate Services Provider that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer to PML in its capacity as the Administrator and the Paragon Corporate Services Provider under the Administration Agreement or any other similar agreement or the Substitute Administrator Agreement or this Deed or any agreement with the Administrator referred to in Clause 6.1.2(u) on any account whatsoever, whether as principal or surety and whether or not jointly with another. Monies due, owing or payable by the Issuer to the Administrator or any other person in its capacity as the Administrator which have accrued in respect of the period prior to the termination of the Administrator's or such other person's appointment as Administrator under the Administration Agreement or any other similar agreement or the Substitute Administrator Agreement shall continue to be due, owing or payable to it in that capacity notwithstanding such termination.

2.3 The Issuer covenants with and undertakes to the Seller that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to the Seller (other than any such monies or liabilities from time to time due, owing or payable to it in its capacity as a Noteholder) under the Mortgage Sale Agreement, the Administration Agreement or this Deed.

2.4 The Issuer covenants with and undertakes to each Hedge Provider that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to such Hedge Provider (in the capacity as Hedge Provider only) under the Hedge Agreement(s) or this Deed.

2.5 The Issuer covenants with and undertakes to the Substitute Administrator that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to the Substitute Administrator (in its capacity as administrator of last resort only and not, for the

avoidance of doubt, in its capacity as Administrator) under the Substitute Administrator Agreement or this Deed.

- 2.6 The Issuer covenants with and undertakes to the Substitute Administrator Facilitator that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer to such additional Substitute Administrator Facilitator under the Substitute Administrator Facilitator Agreement or this Deed.
- 2.7 The Issuer covenants with and undertakes to the Subordinated Lender and any Additional Subordinated Lender that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer to such Subordinated Lender or Additional Subordinated Lender under the Subordinated Loan Agreement or this Deed.
- 2.8 The Issuer covenants with and undertakes to the Issue Services Provider that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to the Issue Services Provider under the Issue Services Fee Letter or this Deed.
- 2.9 The Issuer covenants with and undertakes to each Agent that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to the Agents under the Agency Agreement or this Deed.
- 2.10 The Issuer covenants with and undertakes to the SFM Corporate Services Provider that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to the SFM Corporate Services Provider under the SFM Corporate Services Agreement or this Deed.
- 2.11 The Issuer covenants with and undertakes to the Account Bank that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to the Account Bank under the Account Bank Agreement or this Deed.
- 2.12 The Issuer covenants with and undertakes to any Hedge Collateral Custodian that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Issuer to such Hedge Collateral Custodian under any Hedge Collateral Custody Agreement or this Deed.

3. SECURITY

3.1 The Mortgages and the Insurance Contracts

The Issuer with full title guarantee hereby sub-charges, conveys, transfers and assigns to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts:

- (a) subject to the subsisting rights of redemption of Borrowers, all right, title, interest and benefit of the Issuer existing now or in the future in and under the Mortgages to which the Issuer is at present beneficially entitled or to which it

becomes beneficially entitled in the future including for the avoidance of doubt:

- (i) all sums of principal, interest or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal monies payable or to become payable under the Mortgages or the unpaid part thereof and the interest due or to become due thereon and the other sums due under the Mortgages, but excluding any Retained Pre-Closing Accruals and Arrears in respect of any Mortgage (provided that the principal moneys payable under any such Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for the redemption of the relevant Mortgage has passed); and
 - (ii) the benefit of all security interests for such principal monies and interest and other sums, the benefit of all consents to mortgage signed by occupiers of the Properties relating to the Mortgages and the benefit of and the right to sue on all obligations and covenants with, or vested in, the mortgagee in respect of each Mortgage and the right to exercise all powers of the mortgagee in relation to each such Mortgage; and
 - (iii) all the estate and interest in the Properties relative to the Mortgages vested in the mortgagee subject to redemption or censer; and
 - (iv) all causes and rights of action against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any Mortgage or affecting the decision to make any relevant advance; and
 - (v) the benefit of any guarantee or surety vested in the mortgagee relating to any of the Mortgages, and any other collateral security relating to such Mortgages; and
- (b) all right, title, interest and benefit of the Issuer (whether present or future) in relation to the Insurance Contracts including the rights to receive the proceeds of any claim insofar only as they relate to the Mortgages but not insofar as they relate to any amount or sum the benefit of which is excluded from the charges herein provided pursuant to Clause 3.1(a)(i); and
- (c) subject to the subsisting rights of redemption, all right, title, interest and benefit of the Issuer (whether present or future) in any other charges and insurances (in each case including as aforesaid) of which the Issuer may have the benefit at the date hereof or may acquire in the future,

TO HOLD the same unto the Trustee absolutely as trustee for the Secured Parties, subject to Clause 4 (*Redemption*).

3.2 Rights against Companies in the Paragon Group of Companies

3.2.1 The Issuer with full title guarantee hereby conveys, transfers and assigns to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its right, title, interest and benefit present and future in:

- (a) the Mortgage Sale Agreement;
- (b) the Administration Agreement;
- (c) the Agency Agreement;
- (d) the Subordinated Loan Agreement;
- (e) the Issue Services Fee Letter;
- (f) the SFM Corporate Services Agreement;
- (g) the Paragon Corporate Services Letter;
- (h) the Collection Account Declarations of Trust;
- (i) the Cross-collateral Mortgage Rights Deed;
- (j) the Cross-collateral Mortgage Rights Accession Deed;
- (k) the CRR Deed of Covenant;
- (l) the Subscription Agreement;
- (m) the Substitute Administrator Agreement;
- (n) the Substitute Administrator Facilitator Agreement;
- (o) the Account Bank Agreement; and
- (p) any Hedge Collateral Custody Agreement,

including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof **TO HOLD** the same unto the Trustee absolutely as trustee for the Secured Parties, subject to Clause 4 (*Redemption*).

3.2.2 Notwithstanding such assignment, each of the parties hereto agrees that the Seller, the Subordinated Lender, each Additional Subordinated Lender, the Issue Services Provider, each Agent and the Administrator may continue to make all payments becoming due to the Issuer under any of the Mortgage Sale Agreement, the Administration Agreement, the Subordinated Loan Agreement, the Issue Services Fee Letter, the Agency Agreement, the Account Bank

Agreement, any Hedge Collateral Custody Agreement and the Collection Account Declaration of Trust in the manner envisaged by such agreements (which payment shall constitute a good discharge to the Seller, the Subordinated Lender, each Additional Subordinated Lender, the Issue Services Provider, each Agent, the Account Bank, any Hedge Collateral Custodian or the Administrator, as the case may be) until receipt of express written notice from the Trustee or the Receiver requiring such payments to be made elsewhere, which notice shall not be given at any time prior to the service of an Enforcement Notice or a Protection Notice.

3.3 **Rights in respect of Hedging Arrangements**

- 3.3.1 The Issuer with full title guarantee hereby conveys, transfers and assigns to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its right, title, interest and benefit present and future in each Hedge Agreement and each Hedge Collateral Ancillary Document (subject in each case to any right of set-off or netting contained therein) including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof **TO HOLD** the same unto the Trustee absolutely as trustee for the Secured Parties, subject to Clause 4 (*Redemption*).
- 3.3.2 Notwithstanding such assignment each of the parties hereto agrees that each Hedge Provider may continue to make all payments becoming due to the Issuer under any Hedge Agreement and any Hedge Collateral Ancillary Document respectively in the manner envisaged by such agreements (which payment shall constitute a good discharge to each Hedge Provider as appropriate) until receipt of express notice from the Trustee or the Receiver requiring such payments to be made elsewhere, which notice shall not be given at any time prior to the service of an Enforcement Notice or a Protection Notice.

3.4 **Issuer Cash Accounts**

- 3.4.1 The Issuer with full title guarantee hereby assigns by way of first fixed security for the discharge and payment of the Secured Amounts absolutely to the Trustee, as trustee for the Secured Parties, all its right, title, interest and benefit present and future in and to all sums of money which may now be or hereafter are from time to time standing to the credit of each Issuer Cash Account, any Swap Termination Reserve Account and any other bank or other account in which the Issuer may at any time acquire any right, title, interest or benefit (including, for the avoidance of doubt, any Hedge Collateral Cash standing to the credit of any Hedge Collateral Cash Account) together with all interest accruing from time to time thereon and the debt represented by each such account, subject to Clause 4 (*Redemption*).

- 3.4.2 During the continuance of the security the Issuer shall not, except as expressly permitted by this Deed, the Administration Agreement or any Hedge Agreement or with the prior written consent of the Trustee, withdraw from any Issuer Cash Account the whole or any part of the amount standing to the credit of that Issuer Cash Account.

3.5 **Investments**

- 3.5.1 The Issuer shall procure that, in each case where an Authorised Investment comprises the deposit of Transaction Cash (as defined in the Administration Agreement) in a deposit account with a third party, the Transaction Cash shall be deposited under instruction that it may not be paid out of such deposit account otherwise than by transferring such Transaction Cash, together with interest accrued thereon, direct to the Transaction 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).
- 3.5.2 The Issuer with full title guarantee hereby charges to the Trustee, as trustee for the Secured Parties by way of first fixed charge for the discharge and payment of the Secured Amounts, all its right, title, interest and benefit present and future in the Authorised Investments and each of them made by the Issuer in accordance with clause 4.9.1 of the Administration Agreement, all Hedge Collateral Securities, each Hedge Collateral Securities Account, all Hedge Collateral Authorised Investments and all other investments in which the Issuer may at any time acquire any right, title, interest or benefit, in each case together with all monies, income and proceeds to become payable thereunder or thereon and the benefits of all covenants relating thereto and all powers and remedies for enforcing the same, subject to Clause 4 (*Redemption*).
- 3.5.3 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).

3.6 **Rights against the Substitute Administrator and certain other parties**

- 3.6.1 The Issuer with full title guarantee hereby conveys, transfers and assigns to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its rights, title, interest and benefit present and future in, under and pursuant to the Substitute Administrator Agreement including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof **TO**

HOLD the same unto the Trustee absolutely as trustee for the Secured Parties, subject to Clause 4 (*Redemption*).

- 3.6.2 Notwithstanding such assignment each of the parties hereto agrees that the Substitute Administrator may continue to make all payments becoming due from it to the Issuer under the Substitute Administrator Agreement in the manner envisaged thereby (which payment shall constitute a good discharge to the Substitute Administrator) until receipt of express written notice from the Trustee or the Receiver requiring such payments to be made elsewhere, which notice shall not be given at any time prior to the service of an Enforcement Notice or a Protection Notice.
- 3.6.3 The Issuer with full title guarantee hereby conveys, transfers and assigns to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its rights, title, interest and benefit present and future in, under and pursuant to the Subscription Agreement including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof **TO HOLD** the same unto the Trustee absolutely as trustee for the Secured Parties, subject to Clause 4 (*Redemption*).
- 3.6.4 Notwithstanding such assignment each of the parties hereto agrees that the Joint Lead Managers (as defined in the Subscription Agreement) may continue to make all payments becoming due from it to the Issuer under the Subscription Agreement as appropriate in the manner envisaged thereby (which payment shall constitute a good discharge to the Joint Lead Managers) until receipt of express written notice from the Trustee or the Receiver requiring such payments to be made elsewhere, which notice shall not be given at any time prior to the service of an Enforcement Notice or a Protection Notice.
- 3.6.5 The Issuer with full title guarantee hereby conveys, transfers and assigns to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its rights, title, interest and benefit present and future in, under and pursuant to the SFM Corporate Services Agreement including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof **TO HOLD** the same unto the Trustee absolutely as trustee for the Secured Parties, subject to Clause 4 (*Redemption*).
- 3.6.6 Notwithstanding such assignment each of the parties hereto agrees that the SFM Corporate Services Provider may continue to make all payments becoming due from it to the Issuer under the SFM Corporate Services

Agreement in the manner envisaged thereby (which payment shall constitute a good discharge to the SFM Corporate Services Provider) until receipt of express written notice from the Trustee or the Receiver requiring such payments to be made elsewhere, which notice shall not be given at any time prior to the service of an Enforcement Notice or a Protection Notice.

- 3.6.7 The Issuer with full title guarantee hereby conveys, transfers and assigns to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its rights, title, interest and benefit present and future in, under and pursuant to the Substitute Administrator Facilitator Agreement including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof **TO HOLD** the same unto the Trustee absolutely as trustee for the Secured Parties, subject to Clause 4 (*Redemption*).
- 3.6.8 Notwithstanding such assignment each of the parties hereto agrees that the Substitute Administrator Facilitator may continue to make all payments becoming due from it to the Issuer under the Substitute Administrator Facilitator Agreement in the manner envisaged thereby (which payment shall constitute a good discharge to the Substitute Administrator Facilitator) until receipt of express written notice from the Trustee or the Receiver requiring such payments to be made elsewhere, which notice shall not be given at any time prior to the service of an Enforcement Notice or a Protection Notice.

3.7 **Floating charge**

- 3.7.1 The Issuer with full title guarantee hereby charges with the discharge and payment of the Secured Amounts by way of first floating charge to the Trustee, as trustee for the Secured Parties, the whole of its undertaking and all its property and assets whatsoever and wheresoever situate, present and future, other than any property or assets from time to time or for the time being charged by way of fixed charge, or otherwise assigned as security, by this Clause 3, subject to Clause 4 (*Redemption*).
- 3.7.2 Paragraph 14 of Schedule B1 to the Insolvency Act 1986 applies to the floating charge created pursuant to this Clause 3.7.

3.8 **Trustee**

Notwithstanding anything else in this Deed, it is hereby agreed that the Trustee does not assume, nor shall the Trustee be obliged to perform, any obligations of any other party to this Deed (including, for the avoidance of doubt, the making of further advances to Borrowers) and nothing herein shall be construed so as to transfer any of such obligations to the Trustee.

3.9 Notices and acknowledgement

3.9.1 The execution by the Issuer of this Deed shall constitute notice to the Seller, the Subordinated Lender, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Hedge Providers, each Agent, the Account Bank, the Administrator, the Substitute Administrator and the Substitute Administrator Facilitator, as appropriate, of the conveyance, transfer and assignment of all the Issuer's right, title, interest and benefit present and future in the Mortgage Sale Agreement, the Administration Agreement, the Substitute Administrator Agreement, the Substitute Administrator Facilitator Agreement, the Subordinated Loan Agreement, the Issue Services Fee Letter, the SFM Corporate Services Agreement, the Paragon Corporate Services Letter, the Collection Account Declaration of Trust, the Cross-collateral Mortgage Rights Deed, the Agency Agreement and the Hedge Agreements referred to in Clauses 3.2, 3.3 and 3.6 and the execution of this Deed by the Seller, the Subordinated Lender, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Hedge Providers, each Agent, the Account Bank, the Administrator, the Substitute Administrator and the Substitute Administrator Facilitator shall constitute acknowledgement by them respectively of such conveyance, transfer and assignment.

3.9.2 In the case of the Subscription Agreement, the Issuer shall promptly deliver to each of the Joint Lead Managers a notice of assignment in the form contained in Schedule 2 of this Agreement duly executed by or on behalf of the Issuer and shall use all reasonable endeavours to procure that the notice of assignment is acknowledged by the relevant entity.

3.10 Good Faith

Each party to this Deed represents that it has entered into this Deed and each Relevant Document to which it is a party in good faith and for commercial reasons.

4. REDEMPTION

4.1 On the payment or discharge in full by the Issuer of the Secured Amounts, the Trustee at the request and cost of the Issuer shall release or reassign the Charged Property to the Issuer or any other person entitled thereto.

4.2 If the Seller repurchases any Mortgage pursuant to and in accordance with clause 8.6 of the Mortgage Sale Agreement such Mortgage and all other rights in relation thereto shall be released from the Charged Property without any further action being required.

5. RESTRICTIONS ON EXERCISE OF CERTAIN RIGHTS

5.1 Each of the Administrator, the Hedge Providers, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the Agents, the Subordinated Lender, the Issue Services Provider, the Account Bank, the SFM Corporate Services Provider, any Hedge Collateral Custodian and the Paragon Corporate Services Provider hereby agrees with the Trustee that unless an Enforcement Notice shall have been served or unless the Trustee, having become bound to do so, fails to serve an Enforcement

Notice and/or to take any steps or proceedings pursuant to Clause 8 (*Upon Enforcement*) to enforce the security hereby created:

- 5.1.1 it shall not take any steps whatsoever to direct the Trustee to enforce the security created by or pursuant to Clause 3 (*Security*); and
 - 5.1.2 until the date falling two years after the Final Discharge Date, it shall not take any steps for the winding up, dissolution or reorganisation, or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or of any or all of its revenues and assets nor participate in any *ex parte* proceedings nor seek to enforce any judgment against the Issuer.
- 5.2 Each party hereto (other than the Issuer and the Trustee) agrees with and acknowledges to each of the Issuer and the Trustee, and the Trustee agrees with and acknowledges to the Issuer, that if at any time following:
- 5.2.1 the occurrence of either:
 - (a) the Interest Payment Date falling in January 2043 or any earlier date upon which all of the Notes of each class are due and payable; or
 - (b) the service of an Enforcement Notice; and
 - 5.2.2 realisation (defined below) of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes and to the Secured Parties in accordance with the applicable Payments Priorities,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable priority of payments, to pay in full all amounts then due and payable under any class of Notes or to any Secured Party, then the amount remaining to be paid (after such application in full of the amounts first referred to in sub-clause 5.2.2 above) under such class of Notes (and any class of Notes junior to that class of Notes) or to each such Secured Party shall, on the day following such application in full of the amounts referred to in sub-clause 5.2.2 above, cease to be due and payable by the Issuer.

For the purpose of this Clause 5.2, "**Realisation**" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

6. **PAYMENTS OUT OF THE TRANSACTION ACCOUNT PRIOR TO ENFORCEMENT**

- 6.1 The following provisions of this Clause 6 shall apply and no payment or transfer may be made under this Clause 6 at any time after an Enforcement Notice has been served.
 - 6.1.1 Notwithstanding the security created by or pursuant to Clause 3 (*Security*), appropriate payments from the Transaction Account may and shall (unless the intended recipient of the relevant payment agrees otherwise) be made at any time during an Interest Period for the following purposes:

- (a) to pay when due (debiting the Revenue Ledger, the First Loss Ledger, the Shortfall Ledger and/or the Principal Ledger as appropriate) (but subject to any right to refuse or withhold payment or offset that has arisen by reason of the Borrower's breach of the terms of the Mortgage concerned) any amount payable by the Issuer to a Borrower (other than Mandatory Further Advances or Discretionary Further Advances) under the terms of the Mortgage to which that Borrower is a party or by operation of law, and to pay when due any amount payable by the Issuer to the Seller pursuant to clause 9 of the Mortgage Sale Agreement;
- (b) if any amount has been received from a Borrower for the express purpose of payment being made by the Issuer to a third party for the provision of a service (including giving insurance cover) to either that Borrower or the Issuer, to pay such amount (debiting the Revenue Ledger) when due to such third party;
- (c) to make Authorised Investments in accordance with clause 4.9 of the Administration Agreement;
- (d) to pay to the person entitled thereto any amounts (debiting the Revenue Ledger or the Principal Ledger, as appropriate) held by the Issuer on trust or to be accounted for by the Issuer pursuant to clause 3.5 of the Mortgage Sale Agreement and to pay any amounts (debiting the Revenue Ledger) required to be paid to any Hedge Guarantor pursuant to a Hedge Guarantee (other than amounts referred to in Clause 6.1.1(g) in respect of the costs of obtaining a Hedge Guarantee);
- (e) to pay (debiting the Revenue Ledger) to the extent not previously debited thereto in respect of the payment of or provision for such amounts under Clause 6.1.2(m) any amounts due and payable by the Issuer in the course of its business to third parties other than the Seller, the Subordinated Lender (if any), any Additional Subordinated Lender, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, any Hedge Provider, the Account Bank, any Hedge Collateral Custodian the Administrator (or the Substitute Administrator or the Substitute Administrator Facilitator) and, to the extent that such payment would otherwise cause the Revenue Ledger to have a debit balance, to pay such amounts from the First Loss Fund (debiting the First Loss Ledger);
- (f) to pay (debiting the Revenue Ledger) all arrears of interest (together with interest thereon) remaining unpaid to Class A Noteholders as determined in accordance with the Conditions;
- (g) to pay the costs of obtaining Hedge Guarantees and/or other hedging arrangements whether or not under any Hedge Agreement (debiting the Revenue Ledger with the amount by which the costs so paid in any Interest Period exceed the fund provided for this purpose on the previous Interest Payment Date pursuant to Clause 6.1.2(p) and, if in any Interest Period the costs so paid fall short of the fund provided as

aforesaid, the amount of the shortfall shall be credited to the Revenue Ledger on the last day of such Interest Period);

- (h) to pay when due from cash standing to the credit of the Transaction Account (debiting the Principal Ledger) any Mandatory Further Advances due to Borrowers;
- (i) to pay when required from cash standing to the credit of the Transaction Account (and without liquidating any Authorised Investments prior to their maturity) any Discretionary Further Advances to be made by the Issuer to any Borrowers (debiting the Principal Ledger and in the case of any Discretionary Further Advance following the debiting of the Discretionary Advance Pre-Funding Ledger and the crediting of such amount to the Principal Ledger) but only to the extent permitted by the Administration Agreement; and
- (j) up to (and including) the second Principal Determination Date, to make when due (debiting the Principal Ledger) (i) any Additional Payment (excluding any FRS 26 Adjustment Amount) (the amount of such payment not to exceed the amount by which the Pre-Funding Reserve Ledger has been or is to be debited before such payment is made pursuant to paragraph (xiii) of clause 6.5.2 of the Administration Agreement for the purposes of such payment) and (ii) payment of any FRS 26 Adjustment Amount (the amount of such payment not to exceed the amount which has been advanced under the Subordinated Loan Agreement and credited to the Principal Ledger for the purposes of such payment).

The appropriate payments for any of the above purposes except:

- (i) the payment referred to in Clause 6.1.1(e);
- (ii) the payment referred to in Clause 6.1.1(c) to the extent such payment if made would result in a payment provided for in Clause 6.1.2 not being made; and
- (iii) the payment referred to in Clause 6.1.1(f) to the extent such payment if made would result in a payment provided for in Clause 6.1.2(a), (b) and (c) not being made.

may, if paid on an Interest Payment Date, be paid in priority to any of the payments referred to in Clause 6.1.2.

- 6.1.2 Notwithstanding the security created by or pursuant to Clause 3 (*Security*), amounts may and shall (unless the intended recipient of the relevant payment agrees otherwise) be withdrawn from or, in the case of the making of a provision, retained (but in the case of the provision specified in Clause 6.1.2(p) only for a period up to and including two Business Days prior to the next Interest Payment Date, immediately after which time to the extent such provision has not been paid out it will form part of Available Revenue and be paid out on the next Interest Payment Date in accordance with the priorities of

payment in this Clause 6.1.2) within the Transaction Account (in either case, debiting the Revenue Ledger) on each Interest Payment Date (including all amounts transferred from the Swap Termination Reserve Account in accordance with clause 6.19.4) of the Administration Agreement or received from each Hedge Provider except for (i) amounts received in exchange for Currency Swap Principal Amounts or 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; and (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 received by or on behalf of the Issuer) and including the First Loss Fund where required and permitted under the Relevant Documents, after the making of the payments from the Transaction Account described in Clause 6.1.1, other than those referred to in (if Clause 6.1.1(i) applies) Clause 6.1.1(e) or (if Clause 6.1.1(ii) applies) Clause 6.1.1(c) or (if Clause 6.1.1(iii) applies) Clause 6.1.1(f) (or such other payments from the Transaction Account as may be agreed in writing by each of the Trustee, the Seller, PFPLC, the Subordinated Lender, the Issue Services Provider, the SFM Corporate Services Provider, the Substitute Administrator Facilitator, the Paragon Corporate Services Provider, the Hedge Providers, the Agents, the Account Bank, any Hedge Collateral Custodian and the Administrator), in the amounts required and to the extent that such withdrawal or retention does not (if all amounts so retained were withdrawn) either cause the Transaction Account to become overdrawn or the Revenue Ledger to have a debit balance as a consequence, for application in the following order of priority (in each case only if and to the extent that payments and provisions of a higher priority have been made in full):

- (a) *first, pro rata* according to the respective amounts thereof, payment of (in each case, together with any VAT thereon in accordance with the relevant agreement) any amounts due and payable by the Issuer to the Trustee, payment of any costs or expenses properly claimed (including, without limitation, the reimbursement of such fees, costs and expenses properly paid by any agent on behalf of the Issuer) by the Agents under the Agency Agreement, payment of amounts due and payable by the

Issuer to the Substitute Administrator pursuant to the Substitute Administrator Agreement (other than the Administration Subordinated Fee, if applicable, and the commitment fee referred to therein), payment of amounts due and payable by the Issuer to the SFM Corporate Services Provider pursuant to the SFM Corporate Services Agreement, payment of amounts due and payable by the Issuer to the Account Bank pursuant to the Account Bank Agreement and payments of amounts due and payable by the Issuer to any Hedge Collateral Custodian (if applicable);

- (b) **second, pro rata** according to the respective amounts thereof, payment of (in each case, together with any VAT thereon in accordance with the relevant agreement): (a) all fees (other than the Administration Subordinated Fee), costs, expenses and commissions due and payable to the Administrator and/or the Seller and/or any substitute administrator under the Administration Agreement and/or any other person appointed to perform the services specified in the Administration Agreement; (b) the commitment fee due and payable to the Substitute Administrator under the Substitute Administrator Agreement and/or any person appointed to perform the services specified in the Substitute Administrator Agreement; (c) all fees, costs and expenses due and payable to the Substitute Administrator Facilitator under the Substitute Administrator Facilitator Agreement; and (d) surveillance fees to the Rating Agencies;
- (c) **third, pro rata** according to the respective amounts thereof, payment of any amounts due and payable to the Basis Hedge Providers under each Basis Hedge Agreement other than (a) any Hedge Provider Subordinated Amounts, (b) any Withholding Compensation Amounts and (c) any payments due and payable to a Basis Hedge Provider under any Basis Hedge Agreement entered into by the Issuer which are funded by a Hedge Replacement Premium;
- (d) **fourth, pro rata**, to the extent the Class A2 Notes remain outstanding, according to the respective amounts thereof, (i) payment of each amount due and payable to the Currency Swap Provider under the Currency Swap Agreement other than (A) any Hedge Provider Subordinated Amounts, (B) any Withholding Compensation Amounts, (C) any payments due and payable to the Currency Swap Provider under the Currency Swap Agreement or under any other hedging arrangements entered into by the Issuer which are funded by a Hedge Replacement Premium and (D) any Currency Swap Principal Amounts, in each case payable under the Currency Swap Agreement; (ii) if the Currency Swap Agreement has been terminated and no Replacement Currency Swap Agreement has been executed, payment of interest due and payable and all arrears of interest remaining unpaid on the Class A1 Notes; and (iii) payment of interest due and payable and all arrears of interest remaining unpaid on the Class A2 Notes together with (if applicable) interest thereon;

- (e) *fifth*, if on that Interest Payment Date, any Class A Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Liability Outstanding of the Class B Notes, the Class C Notes and the Class E Notes then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger; the amount of any such reduction will be deemed to be principal received when calculating the amount of Available Redemption Funds;
- (f) *sixth*, payment of interest due and payable and all arrears of interest remaining unpaid (including Deferred Interest and Additional Interest) on the Class B Notes together with (if applicable) interest thereon;
- (g) *seventh*, if on that Interest Payment Date, any Class B Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Liability Outstanding of the Class C Notes and the Class E Notes, then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger; the amount of any such reduction will be deemed to be principal received when calculating the amount of Available Redemption Funds;
- (h) *eighth*, payment of interest due and payable and all arrears of interest remaining unpaid (including Deferred Interest and Additional Interest) on the Class C Notes together with (if applicable) interest thereon;
- (i) *ninth*, if on that Interest Payment Date, any Class C Note remains outstanding and the amount of any remaining debit balance on the Principal Deficiency Ledger (expressed as a positive sum) exceeds the aggregate Principal Liability Outstanding of the Class E Notes, then an amount up to that excess shall be applied in making a provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger; the amount of any such reduction will be deemed to be principal received when calculating the amount of Available Redemption Funds;
- (j) *tenth*, provision for payment to the Issuer Profit Ledger of the Issuer Profit Amount;
- (k) *eleventh*, (taking into account any reduction of the debit balance on the Principal Deficiency Ledger under paragraphs (e), (g) and (i) above) provision for an amount up to, and to that extent reducing, any debit balance on the Principal Deficiency Ledger; the amount of any such reduction will be deemed to be principal received when calculating the amount of Available Redemption Funds;
- (l) *twelfth*, provision for an amount necessary to replenish the First Loss Fund to the Required Amount;

- (m) ***thirteenth***, *pro rata* according to the respective amounts thereof (except as otherwise provided for in this Clause 6.1.2), payment of sums due and payable to third parties (each including any VAT chargeable thereon) under obligations incurred in the course of the Issuer's business and provision for and payment of the Issuer's liability (if any) to VAT and to corporation tax (to the extent that such corporation tax is not paid out of amounts standing to the credit of the Issuer Profit Ledger;)
- (n) ***fourteenth***, *pro rata* according to the respective amounts thereof, payment of any Withholding Compensation Amounts and any Hedge Provider Subordinated Amounts, if any, due and payable to each Hedge Provider in respect of any Hedge Agreement other than any Hedge Provider Subordinated Amounts that are due and payable to a Hedge Provider under any Hedge Agreement or under any other hedging arrangements entered into by the Issuer which are funded by a Hedge Replacement Premium;
- (o) ***fifteenth***, payment of interest due and payable and all arrears of interest remaining unpaid (including Deferred Interest and Additional Interest on the Class E Notes) together with (if applicable) interest thereon;
- (p) ***sixteenth***, provision for, at the option of the Issuer, a reserve to fund any purchases of hedging arrangements and/or related guarantees in the next Interest Period;
- (q) ***seventeenth***, provision for any Administration Subordinated Fee then due or overdue to the Administrator and/or any substitute administrator under the Administration Agreement (together with any VAT thereon in accordance with the Administration Agreement);
- (r) ***eighteenth***, provision for any amounts then due or overdue to the Issue Services Provider under the Issue Services Fee Letter (each including any VAT chargeable thereon, as applicable);
- (s) ***nineteenth***, provision for interest due under the Subordinated Loan Agreement;
- (t) ***twentieth***, provision for the repayment of the outstanding amount of all advances from the Subordinated Lender and any Additional Subordinated Lender made under the Subordinated Loan Agreement, subject to a maximum provision of the lesser of (a) the aggregate outstanding amount of all such advances less the Required Amount; and (b) the amount available for application after all provisions and payments referred to in paragraphs (a) to (s) inclusive above have been made in full;
- (u) ***twenty-first***, provision for payment to the Administrator or Paragon Corporate Services Provider of such fees as the Issuer and the Administrator or Paragon Corporate Services Provider, as the case may

be, may agree (including without limitation in the Paragon Corporate Services Letter) in respect of facilities or services provided to the Issuer by the Administrator or Paragon Corporate Services Provider (as the case may be) other than fees provided for above (each including any VAT chargeable thereon, as applicable); and

- (v) *twenty-second*, provision for payment to the Seller in respect of Deferred Purchase Consideration,

and to the extent that the provisions specified in Clauses 6.1.2(r) to (v) (inclusive) are made on such Interest Payment Date, the relevant amounts to which such provisions relate shall be paid to the persons entitled thereto on or (with the prior consent of the Administrator) after the first Business Day after such Interest Payment Date unless prior to such Business Day it becomes apparent that the Issuer's available income falls short of the amount required to make such payments in full, in which event the amount of such shortfall shall be credited to the Revenue Ledger and such payments will be made in the order of priority specified above but only to the extent of the Issuer's available income as aforesaid, provided that if, at the time a payment is proposed to be made to the Administrator, any Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, any Additional Subordinated Lender, the Seller, the Account Bank, any Hedge Collateral Custodian or any Agent pursuant to this Clause 6.1.2, the Administrator, that Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Issue Services Provider, the Subordinated Lender, the Additional Subordinated Lender, the Seller or the Agent (as the case may be) is in default under any of its obligations to make a payment under the Administration Agreement, any Hedge Agreement, the Substitute Administrator Agreement, the Substitute Administrator Facilitator Agreement, the Mortgage Sale Agreement, the Subordinated Loan Agreement, the Issue Services Fee Letter, the SFM Corporate Services Agreement, the Paragon Corporate Services Letter, the Agency Agreement, the Account Bank Agreement, any Hedge Collateral Custody Agreement or the Collection Account Declaration of Trust (the "**defaulted payment**") there shall be set off against the amount of the payment which would otherwise be due to the Administrator, that Hedge Provider, the Substitute Administrator Substitute Administrator Facilitator, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, the Additional Subordinated Lender, the Seller, the Account Bank, any Hedge Collateral Custodian or the Agent (as the case may be) pursuant to this Clause 6.1.2 the amount of such defaulted payment.

In the event that any payment is to be made in EUR in accordance with the above priority of payments and the money available at a particular level of that priority is not denominated either wholly or in part in Euro, the Administrator shall, if the relevant Currency Swap Agreement has terminated and has not been replaced, convert all or a portion of the money (as applicable) into Euro

at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

EUR amounts payable by the Currency Swap Provider as a result of the payment of the Currency Swap Interest Amount under (d)(i) above made to the Currency Swap Provider in accordance with the Conditions will be paid direct to the Principal Paying Agent and applied in the payment of interest on the Class A1 Notes.

- 6.1.3 All payments permitted to be made under Clause 6.1.2 may only be made out of amounts standing to the credit of the Transaction Account. On any Interest Payment Date, the amount of any reduction on the Principal Deficiency Ledger will be deemed to be principal received for application on such Interest Payment Date as Available Redemption Funds.
- 6.1.4 For the avoidance of doubt the payments referred to in Clause 6.1.2 shall only be made in accordance with this Deed, the Conditions and the Administration Agreement.
- 6.1.5 It is understood and agreed that borrowings may be made by the Issuer under and in accordance with the Subordinated Loan Agreement (which borrowings shall be credited to the Transaction Account) and payment may be made by the Issuer for purposes contemplated in the Subordinated Loan Agreement in accordance with the provisions of this Deed.
- 6.1.6 On each Interest Payment Date the amounts available to be applied under Clause 6.1.2 shall include all amounts received from each Hedge Provider on that Interest Payment Date except for (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; and (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.

6.1.7 It is understood that, on any Interest Payment Date, the amount by which the First Loss Fund exceeds the Liquidity Amount (the "First Loss Liquidity Excess Amount") will be applied by the Issuer towards the payment of the amounts referred to in items (a) to (k) inclusive of Clause 6.1.2 provided that:

- (a) such amounts shall be used to pay item (f) 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 B Notes; and (ii) the aggregate of the Principal Liability Outstanding of the Class C Notes and the Class E Notes; and
- (b) such amounts shall be used to pay item (h) 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,

where the Available Revenue of the Issuer and the amount available to the Issuer (if any) on such Interest Payment Date are insufficient to pay such amounts following the application of any Shortfall Fund and the Margin Reserve Fund.

6.1.8 If on any Interest Payment Date Available Revenue (following the application of any Shortfall Fund, any amounts standing to the credit of the Interest Shortfall Ledger which are credited to the Revenue Ledger, the scheduled release from the Margin Reserve Fund, the First Loss Liquidity Excess Amount and Principal Receipts) is insufficient to pay or provide for all amounts in items (a) to (d), (f) and (h) of Clause 6.1.2, amounts remaining in the First Loss Fund (the "Actual Liquidity Amount") will be 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 Clause 6.1.2 (in the order of priority set out in Clause 6.1.2);
- (b) the amounts referred to in item (f) in the Revenue Priority of Payments only if and to the extent that the sum of the debit balance on the Principal Deficiency Ledger, when expressed as a positive amount, and such payments in sub-paragraph (a) above and this sub-paragraph (b) do not together 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; and
- (c) the amounts referred to in item (h) in the Revenue Priority of Payments only if and to the extent that the sum of the debit balance on the Principal Deficiency Ledger, when expressed as a positive amount, and such payments in sub-paragraphs (a) and (b) above and this sub-paragraph (c) do not together 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.

6.1.9 If, after application of any funds required to be applied from the First Loss Fund as set out in Clause 6.1.7, there remains on any Interest Payment Date a surplus over the Required Amount in the First Loss Fund, that surplus will be released from the First Loss Fund and applied in repayment of principal amounts outstanding under the Subordinated Loan Agreement.

6.2 Notwithstanding the security rights created by or pursuant to Clause 3 (*Security*), amounts may and shall (unless the intended recipient of the relevant payment agrees otherwise) be withdrawn from the Transaction Account (debiting the Principal Ledger) (or, as appropriate, shall be transferred from the Principal Ledger and thus debiting the Principal Ledger) in the amounts required and to the extent that such withdrawal or transfer does not either cause the Transaction Account to become overdrawn or the Principal Ledger to have a debit balance, for application for the following purposes, and insofar as amounts fall to be withdrawn or transferred on the same day, in the following order of priority (except to the extent that any of items (a)(i), (b), (c) and (d) is identified as being due and payable prior to the determination of amounts due in priority thereto in which case amounts shall be allocated to payment of such items upon identification):

- (a) *first*, (i) up to (and including) the second Principal Determination Date, in or towards making payment of when due (debiting the Principal Ledger) the Initial Purchase Consideration of any Additional Mortgages (excluding any FRS 26 Adjustment Amount) (the amount of such payment not to exceed the amount by which the Pre-Funding Reserve Ledger has been or is to be debited in respect of the payment for Additional Mortgages) and (ii) the amount estimated by the Issuer to be, on the immediately succeeding Interest Payment Date, the extent to which the First Loss Fund will be less than the Liquidity Amount following the application of the priority of payments as set out in Clause 6.1.2 (such principal amounts being used to increase the First Loss Fund up to the Liquidity Amount and a corresponding debit being made to the Principal Deficiency Ledger);
- (b) *second*, the aggregate principal amount of Mandatory Further Advances funded by the Issuer during the relevant Collection Period (or expected to be funded on or prior to the Interest Payment Date immediately succeeding the relevant Collection Period) to the extent that such principal amount has been funded using amounts on the Principal Ledger;
- (c) *third*, the aggregate principal amount of Discretionary Further Advances funded by the Issuer during the relevant Collection Period (or expected to be funded on or prior to the Interest Payment Date immediately succeeding the relevant Collection Period) other than such as have been or will be funded by debiting amounts standing to the credit of the Discretionary Further Advance Pre-Funding Reserve Ledger and crediting such amounts to the Principal Ledger in accordance with the Administration Agreement or by drawings under the Subordinated Loan Agreement;

- (d) *fourth*, the aggregate amount of principal applied during the relevant Collection Period in refunding reclaimed direct debit payments in respect of the Mortgages and/or reimbursement of any amount payable to the Collection Account Bank in accordance with the direct debiting scheme and debited to the Principal Ledger;
- (e) *fifth*, in or towards repaying principal due on the Class A Notes (to the extent the Class A2 Notes remain outstanding), the Class B Notes, the Class C Notes and the Class E Notes in accordance with the Conditions and the provisions of the Trust Deed;
- (f) *sixth*, provided the Notes (other than the Class A1 Notes if no Class A2 Notes remain outstanding) have been repaid in full (but without prejudice to any provision of the Subordinated Loan Agreement providing for the earlier repayment of principal), in or towards repaying any remaining principal outstanding to each Subordinated Lender or any Additional Subordinated Lender under the terms of the Subordinated Loan Agreement; and
- (g) *seventh*, *pro rata* according to the respective amounts thereof, payment of sums due and payable to any Secured Creditors (other than those paid elsewhere hereunder).

In the event that any payment is to be made in EUR in accordance with the above priority of payments and the money available at a particular level of that priority is not denominated either wholly or in part in Euro, the Administrator shall, if the relevant Currency Swap Agreement has terminated and has not been replaced, convert all or a portion of the money (as applicable) into Euro at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

EUR amounts payable by the Currency Swap Provider as a result of the payment of the Currency Swap Principal Amount under (e) above made to the Currency Swap Provider in accordance with the Conditions will be paid direct to the Principal Paying Agent and applied in the payment of principal on the Class A1 Notes.

6.3 Payments may be made out of the Transaction Account at any time for the purpose of reimbursing the relevant Collection Account Provider in accordance with the Direct Debiting Scheme in respect of any amount which the relevant Collection Account Provider is unable to recover from the account of a Borrower pursuant to the Direct Debiting Scheme (being an amount which had been credited to the Transaction Account having been first credited to the relevant Collection Account by the Collection Account Provider in accordance with the Direct Debiting Scheme). Any amount so paid out to the Collection Account Provider shall be debited to the following ledgers in the following order:

- (a) *first*, to the Revenue Ledger to the extent that such debit does not cause the Revenue Ledger to have a debit balance;
- (b) *second*, to the Principal Ledger (debiting that ledger and the Principal Deficiency Ledger) to the extent that such debit does not cause the Principal Ledger after all other debits and credits to be made on such date to have a debit balance; and

- (c) *third*, to the First Loss Ledger to the extent that such debit does not cause such Ledger to have a debit balance.
- 6.4 Notwithstanding the security rights created by or pursuant to Clause 3 (*Security*) and without prejudice to the provisions of Clause 6.1.2(t), on any Interest Payment Date, an amount may and shall (unless the intended recipient of the relevant payment agrees otherwise) be withdrawn:
- (a) from the Transaction Account (debiting the First Loss Ledger) in the amount by which the amount of the First Loss Fund (after any transfer to be made from the First Loss Fund on such Interest Payment Date pursuant to clause 6.12 of the Administration Agreement has been made in full) exceeds the Required Amount on that Interest Payment Date and shall be applied towards repayment by the Issuer of the principal amount outstanding on that Interest Payment Date under the Subordinated Loan Agreement; and
 - (b) from the Transaction Account (debiting the Margin Reserve Fund Ledger) in the amount by which the Administrator determines that Margin Reserve Fund Ledger Conversion Required Amount credited to the Margin Reserve Fund Ledger of the Transaction Account in respect of any Interest Rate Converted Mortgage exceeds the remaining Interest Rate Converted Mortgage Release Amounts to be transferred to the Revenue Ledger in respect of such Interest Rate Converted Mortgage;
 - (c) from the Transaction Account (debiting the Margin Reserve Fund Ledger) to release the Margin Reserve Fund Ledger Conversion Required Amount to the extent such Mortgage was a Proposed Interest Rate Converted Mortgage but 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; and
 - (d) from the First Loss Ledger (crediting the Principal Ledger) the amount standing to the credit of the First Loss Ledger on the earlier of (i) the day following the Interest Payment Date falling in January 2043 and (ii) the first day on which none of the Notes is outstanding.
- 6.5 Notwithstanding anything to the contrary in this Deed, each of the parties to this Deed acknowledges and agrees that amounts drawn down by the Issuer under clause 2.4 of the Subordinated Loan Agreement on any Interest Payment Date for the purpose of enabling the Issuer to pay in full any Hedge Provider Subordinated Amounts payable on such Interest Payment Date to any Hedge Provider shall not be credited to the Transaction Account but shall be advanced directly by the Subordinated Lender to that Hedge Provider and the Administrator shall make all necessary arrangements to ensure that the amounts so drawn down are so applied.
- 6.6 Notwithstanding anything to the contrary in this Deed, each of the parties to this Deed acknowledges and agrees that amounts to be paid by the Currency Swap Provider to the Issuer under the Currency Swap Agreement on any Interest Payment Date may not be credited to the Transaction Account but may be paid directly by the Currency

Swap Provider to the Principal Paying Agent for the purpose of making the corresponding payments to be made on that Interest Payment Date by the Issuer to the relevant Noteholders.

- 6.7 Notwithstanding the security created by or pursuant to Clause 3 (*Security*), appropriate payments and transfers from the Hedge Collateral Accounts may and shall be made at any time during an Interest Period to carry out dealings in connection with the transfer, receipt, administration, investment and/or holding of Hedge Collateral in each case as contemplated by and permitted by the relevant Hedge Agreement (including, without limitation, the application of such Hedge Collateral, or the proceeds thereof, in or towards satisfaction of the liabilities of the relevant Hedge Provider under that Hedge Agreement).
- 6.8 In the event that, in accordance with the terms of a Hedge Agreement, all or part of the Hedge Collateral held by or on behalf of the Issuer is to be applied in or towards satisfaction of the liabilities of the relevant Hedge Provider under that Hedge Agreement, then the relevant Hedge Collateral (or, as appropriate, the proceeds thereof) shall be applied in that manner prior to making any other payments or provisions that fall due to be made on the relevant day under Clauses 6 (*Payments out of Transaction Account Prior to Enforcement*) or 8 (*Upon Enforcement*) (as applicable) 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 such amount of Hedge Collateral so applied shall be credited to the Revenue Ledger (and an appropriate debit made to the relevant Hedge Collateral Ledger) and such amount shall then form part of the Revenue Ledger funds to be applied under Clauses 6 (*Payments out of Transaction Account Prior to Enforcement*) or 8 (*Upon Enforcement*) (as applicable).
- 6.9 In the event that principal is required to be paid in respect of the Class A Notes pursuant to Clause 6.2 above, an amount equal to the Class A Available Redemption Funds (as determined on the preceding Principal Determination Date) allocated to Class A Notes as described above shall be paid from the Transaction Account (and debited to the Principal Ledger) and applied as follows:
- (a) in respect of the Class A2 Notes, in redemption of each of those Notes in an amount equal to the Principal Payment allocated on that Principal Determination Date to each of those Notes; and
 - (b) in respect of each of the Class A1 Notes:
 - (i) if the Original Currency Swap Agreement relating to such Notes has not terminated early on or before that Interest Payment Date, in payment to the relevant Currency Swap Provider of an amount equal to the Currency Swap Principal Amount allocated on that Principal Determination Date in exchange for receipt of an amount in EUR at the Original Exchange Rate;
 - (ii) if the Original Currency Swap Agreement relating to such Notes has terminated early on or before that Interest Payment Date and (y) either (A) no Replacement Currency Swap Agreement has been entered into by the Issuer or (B) a Replacement Currency Swap Agreement has

been entered into by the Issuer with a Replacement Currency Swap Provider, in payment of an amount equal to the aggregate of the Principal Payments allocated on that Principal Determination Date to the Class A1 Notes in exchange for receipt of an amount in EUR at the applicable spot rate or such Replacement Rate, as the case may be; and

- (iii) the amount received in exchange for such payments (as applicable) shall be applied in redemption of each of the Class A1 Notes, provided that EUR amounts payable by a Currency Swap Provider as a result of the payment of the Currency Swap Principal Amount made to the Currency Swap Provider will be paid direct to the Principal Paying Agent and applied in the payment of principal on the Class A1 Notes **provided that** any amounts received in exchange for such payments (as applicable) that comprise Swap Termination Principal Excess Amounts (which shall be notified to the Currency Swap Provider by the Administrator in the case of any exchange made pursuant to the Currency Swap Agreement) shall, to the extent not used to meet any Swap Termination Principal Shortfall Amounts arising on or prior to such date, not be paid directly to the Principal Paying Agent and shall be transferred to the Swap Termination Reserve Account pursuant to Condition 5(b) (*Swap Termination Principal Shortfall Amounts and Swap Termination Principal Excess Amounts*).

- 6.10 In the event that any payment is to be made under Clauses 6 or 8 (as applicable) and the relevant funds of the Issuer do not comprise a sufficient amount in the relevant currency in which such payment is to be made, the Administrator shall, if the Currency Swap Agreement has terminated, arrange for any remaining amounts comprised the relevant available funds, as applicable, to be converted (by such person as the Administrator may reasonably select) into such currency at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.

7. PROTECTION NOTICE

- 7.1 Subject to the provisions of Clause 8 (*Upon Enforcement*), if at any time while any of the Notes is outstanding (as defined in the Trust Deed):

- (a) any Event of Default (as defined in the Trust Deed) or Termination Event (as defined in the Administration Agreement) occurs; or
- (b) any event occurs which with the giving of notice and/or lapse of time and/or certification would constitute an Event of Default or Termination Event; or
- (c) the Trustee believes that any such Event of Default or Termination Event has occurred or is about to occur or that the Charged Property or any part thereof is in danger of being seized or sold under any form of distress, execution or diligence levied or threatened or is otherwise in jeopardy,

the Trustee may by notice in writing to the Issuer invoke the provisions of this Clause 7 and thereupon any charge created by Clause 3 (*Security*) which is a floating charge shall, to the extent permitted by applicable law, crystallise.

- 7.2 From the date on which the Trustee gives a notice under Clause 7.1 and unless and until it is withdrawn or a notice is given by the Trustee under Clause 8.1:
- (a) this Clause 7 shall apply to all payments out of the Transaction Account other than payments of principal or interest to Class A Noteholders, Class B Noteholders, Class C Noteholders or Class E Noteholders, which shall continue to be made in accordance with the Conditions, the Trust Deed and Clause 6 (*Payments out of the Transaction Account prior to Enforcement*), payments of Mandatory Further Advances, which shall in each case continue to be made in accordance with the Administration Agreement and Clause 6, payments required to be made to any Hedge Provider by the Issuer pursuant to the terms of a Hedge Agreement, which shall continue to be made in accordance with that Hedge Agreement and Clause 6 (*Payments out of the Transaction Account prior to Enforcement*) and payments to the Collection Account Provider under Clause 6.3, which shall continue to be made in accordance with Clause 6.3; and
 - (b) no payments to which this Clause applies shall be made from the Transaction Account, and no disposal of any Authorised Investments shall be made, without the prior written consent of the Trustee provided that the Trustee shall not act under this Clause in such a way as to alter the order of priority for payments set out in Clause 6.1.2, Clause 6.1.5 and Clause 6.1.9.
- 7.3 The Trustee may at any time, unless an Enforcement Notice has been given by the Trustee, by notice in writing to the Issuer, the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, each Hedge Provider, the Subordinated Lender, each Additional Subordinated Lender, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, each Agent, the Account Bank, any Hedge Collateral Custodian and the Seller withdraw a Protection Notice.

8. UPON ENFORCEMENT

- 8.1 From the date upon which the Trustee serves an Enforcement Notice on the Issuer:
- (a) no amount may be drawn from the Transaction Account except to the extent that it is applied in accordance with the order of priorities set out in Clause 8.2, or is used to make Mandatory Further Advances, or is paid to any Hedge Provider pursuant to the Issuer's obligation under any Hedge Agreement or as otherwise permitted by this Deed; and
 - (b) if not already so crystallised, any charge created by Clause 3 (*Security*) which is a floating charge shall crystallise, subject always to the provisions to Clause 7.1.
- 8.2 All monies received or recovered by or on behalf of the Trustee in respect of the Secured Amounts after the security created by or pursuant to this Deed becomes enforceable shall be held by it, and all monies received by the Administrator, each Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Subordinated Lender, each Additional Subordinated Lender, each Agent, the Account Bank, any Hedge Collateral Custodian, the Issue Services Provider, the SFM

Corporate Services Provider, the Paragon Corporate Services Provider, or the Seller in respect of the Secured Amounts (other than monies received pursuant to this Clause 8.2) after the security created by or pursuant to this Deed becomes enforceable shall forthwith be paid to (and, pending such payment, the Administrator, each Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, each Subordinated Lender, the Additional Subordinated Lender, each Agent, the Account Bank, any Hedge Collateral Custodian, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, or the Seller, as the case may be, shall hold such monies on trust for) the Trustee to be held by it, in each case on trust (but without prejudice to the right of the Trustee to apply monies standing to the credit of the Transaction Account in making Mandatory Further Advances or in making payments required to be made by the Trustee or the Issuer pursuant to the terms of any Hedge Agreement in priority to such application) to be applied from time to time as the Trustee may decide, subject to Clause 8.3 as follows:

- (a) **first**, (a) the remuneration then payable to any receiver appointed under the Deed of Charge and any costs, charges, liabilities and expenses incurred by such receiver together with interest as provided in the Deed of Charge; (b) amounts due from the Issuer to the Trustee together with interest thereon as provided in the Deed of Charge; (c) any costs, fees or expenses properly claimed (including, without limitation, the reimbursement of such costs, fees and expenses properly paid by any agent on behalf of the Issuer) by the Agents under the Agency Agreement, by the Account Bank pursuant to the Account Bank Agreement and by any Hedge Collateral Custodian (if applicable) under any Hedge Collateral Custody Agreement; (d) amounts due to Borrowers under the Mortgages in respect of Mandatory Further Advances (in each case, together with any VAT thereon in accordance with the relevant agreement); and (e) surveillance fees to the Rating Agencies;
- (b) **second**, (a) certain fees (other than the Administration Subordinated Fee) and out of pocket expenses and commissions of the Administrator; (b) certain commissions previously received by the Issuer which have not previously been paid to the Seller; (c) all moneys due and payable to the Substitute Administrator under the Substitute Administrator Agreement (including the commitment fee payable to the Substitute Administrator) (in each case, together with any VAT thereon in accordance with the relevant agreement); (d) all moneys due and payable to the Substitute Administrator Facilitator under the Substitute Administrator Facilitator Agreement; and (e) all moneys due and payable to the SFM Corporate Services Provider under the SFM Corporate Services Agreement (in each case, together with any VAT thereon in accordance with the relevant agreement);
- (c) **third**, any amounts due and payable by the Issuer to a Basis Hedge Provider other than (a) any Hedge Provider Subordinated Amount and (b) any Withholding Compensation Amounts;
- (d) **fourth**, to the extent the Class A2 Notes remain outstanding, (a) all interest unpaid in respect of the Class A2 Notes (together with any unpaid interest thereon); (b) all principal moneys due in respect of the Class A2 Notes; (c) if the Currency Swap Agreement has terminated and no Replacement Currency Swap Agreement has been executed, all interest unpaid in respect of the Class

A1 Notes (together with any unpaid interest thereon) and all principal moneys (other than any remaining Principal Liability Outstanding in respect of the Class A1 Notes on and from the Class A2 Redemption Date and accrued but unpaid interest thereon) due in respect of the Class A1 Notes; (d) any other amounts due in respect of the Class A Notes (irrespective of class); and (e) payment of each amount due and payable to the Currency Swap Provider under the Currency Swap Agreement other than (i) any Hedge Provider Subordinated Amounts, (ii) any Withholding Compensation Amounts, and (iii) any payments due and payable to the Currency Swap Provider under a Currency Swap Agreement (or under any other hedging arrangements entered into by the Issuer which are funded by a Hedge Replacement Premium), in each case payable under the Currency Swap Agreement;

- (e) ***fifth***, (a) all interest unpaid in respect of the Class B Notes (including any Deferred Interest and Additional Interest (together with any unpaid Default Interest thereon)); (b) all principal moneys due in respect of the Class B Notes; and (c) any other amounts due in respect of the Class B Notes;
- (f) ***sixth***, (a) all interest unpaid in respect of the Class C Notes (including any Deferred Interest and Additional Interest (together with any unpaid Default Interest thereon)); (b) all principal moneys due in respect of the Class C Notes; and (c) any other amounts due in respect of the Class C Notes;
- (g) ***seventh***, payment of any Withholding Compensation Amounts and any Hedge Provider Subordinated Amounts, if any, due and payable to each Hedge Provider in respect of any Hedge Agreement or under any other hedging arrangements entered into by the Issuer;
- (h) ***eighth***, (a) all interest unpaid in respect of the Class E Notes (including any Deferred Interest and Additional Interest (together with any unpaid Default Interest thereon)); (b) all principal moneys due in respect of the Class E Notes; and (c) any other amounts due in respect of the Class E Notes;
- (i) ***ninth***, payment of any Administration Subordinated Fee then due or overdue to the Administrator and/or any substitute administrator under the Administration Agreement (together with any VAT thereon in accordance with the Administration Agreement);
- (j) ***tenth***, all amounts due and payable by the Issuer: (a) to the Paragon Corporate Services Provider under the Paragon Corporate Services Letter and the Deed of Charge; (b) to the Seller under the Mortgage Sale Agreement, the Administration Agreement and the Deed of Charge (other than in respect of Deferred Purchase Consideration); (c) to the Subordinated Lender and any Additional Subordinated Lender under the Subordinated Loan Agreement; and (d) to the Issue Services Provider under the Issue Services Fee Letter (each including any VAT thereon, as applicable);
- (k) ***eleventh***, provision for payment to the Issuer of the Issuer Profit Amount;

- (l) *twelfth*, *pro rata* according to the respective amounts thereof, payment of sums due and payable to any Secured Creditors (other than those paid elsewhere hereunder); and
- (m) *thirteenth*, provision for payment to the Seller in respect of Deferred Purchase Consideration,

provided that if at the time a payment is proposed to be made to the Administrator, any Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the Issue Services Provider, the Subordinated Lender, any Additional Subordinated Lender, any Agent, the Account Bank, any Hedge Collateral Custodian or the SFM Corporate Services Provider pursuant to this Clause 8.2, the Administrator, any Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, any Additional Subordinated Lender or that Agent (as the case may be) is in default under any of its obligations to make a payment under the Administration Agreement, any Hedge Agreement, the Substitute Administrator Agreement, the Substitute Administrator Facilitator Agreement, the Mortgage Sale Agreement, the Issue Services Fee Letter, the SFM Corporate Services Agreement, the Paragon Corporate Services Letter, the Subordinated Loan Agreement, the Cross-collateral Mortgage Rights Deed, the Agency Agreement, the Account Bank Agreement, any Hedge Collateral Custody Agreement or the Collection Account Declaration of Trust (the "**defaulted payment**"), there shall be set off against the amount of the payment which would otherwise be due to the Administrator, that Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, the Additional Subordinated Lender, the Seller, the Account Bank, any Hedge Collateral Custodian or the Agent (as the case may be) pursuant to this Clause 8.2 the amount of such defaulted payment and provided that the Trustee shall be entitled, and is hereby authorised, to call for and to accept as conclusive evidence thereof a certificate from the auditors of the Issuer (approved from time to time pursuant to clause 13.7 of the Administration Agreement) as to the amounts of the claims of the Administrator, that Hedge Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Issue Services Provider, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, any Additional Subordinated Lender, the Seller, the Account Bank, any Hedge Collateral Custodian and that Agent under Clauses 8.2(b) to (m) (inclusive).

- 8.3 In the event that any payment is to be made in Euro in accordance with the above priority of payments and the money available at a particular level of that priority is not denominated either wholly or in part in Euro, the Administrator shall, if the relevant Currency Swap Agreement has terminated and no Replacement Currency Swap Agreement has been entered into, convert all or a portion of such money (as applicable) into Euro at the then prevailing spot rate of exchange as may be required in order to be applied in or towards such payment.
- 8.4 EUR amounts payable by the Currency Swap Provider as a result of the payments made to the Currency Swap Provider under item 8.2(d) above will be paid direct to the Principal Paying Agent and applied in the payment of the principal and interest

due or overdue together with (if applicable) any Default Interest thereon, on the Class A1 Notes.

- 8.5 The amounts available to be applied under Clause 8.2 shall exclude any Hedge Collateral or proceeds thereof until such time and to the extent as permitted by the relevant Hedge Agreements such Hedge Collateral is applied (or is realised and applied) towards satisfaction of obligations of the relevant Hedge Provider and only then 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 in which case and to which extent such Hedge Collateral will not be applied in accordance with Clause 8.2 but will be applied in accordance with Clause 6.18 of the Administration Agreement and, notwithstanding the service of an Enforcement Notice or the Security having become enforceable, Hedge Collateral shall continue to be held and dealt with in accordance with clause 6.17 of the Administration Agreement and the relevant Hedge Agreement.
- 8.6 The amounts available to be applied under Clause 8.2 shall exclude (i) any Hedge Replacement Premium to be applied by the Issuer in paying a Hedge Provider Termination Amount; (ii) any Hedge Replacement Premium to be applied by the Issuer in purchasing one or more replacement transactions under a Hedge Agreement and (iii) 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.
- 8.7 In relation to the Hedge Collateral all provisions of this Deed (including this Clause 8) are subject to clause 6.17 of the Administration Agreement.
- 8.8 The amounts available to be applied under Clause 8.2 shall exclude any excess funds standing to the credit of the Swap Termination Reserve Account, which 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.

9. **TERMINATION OF ADMINISTRATION AGREEMENT**

- 9.1 If notice to terminate the Administration Agreement is given pursuant to clause 20.1 of that agreement, the Issuer and the Administrator acknowledge to the Trustee that the Trustee will be entitled (but not obliged) to appoint any substitute administrator on terms which entitle such substitute administrator (if other than the Substitute Administrator) to receive a fee which will be paid and calculated in the same manner as the fee payable to the Administrator pursuant to clause 11.1.2 of the Administration Agreement but for this purpose deleting in that clause the words ", for so long as the Administrator is the Administrator," and substituting for the words "not more than 0.15 per cent." and "not more than 0.15 per cent." in that clause a rate (as agreed between the Issuer and the substitute administrator) which does not exceed the rate then commonly charged for the provision of mortgage administration services.
- 9.2 If the Substitute Administrator is appointed as substitute administrator then the provisions of the Substitute Administrator Agreement shall apply.

9.3 The fee payable to any substitute administrator (other than the Substitute Administrator) as referred to in Clause 9.1 shall have deducted therefrom an amount equal to any commissions of the kind referred to in clause 11.2 of the Administration Agreement received by it during the preceding Interest Period (and which it is entitled to retain for its own account) and shall be paid exclusive of any amounts in respect of VAT properly chargeable thereon.

10. **CONTINUANCE OF SECURITY, CONFLICT AND ACCESSION OF HEDGE COLLATERAL CUSTODIAN**

10.1 Without prejudice to the generality of Clause 4 (*Redemption*), the charges, securities, covenants, undertakings and provisions contained in or granted pursuant to this Deed shall remain in force as a continuing security to the Trustee notwithstanding any settlement of account or any other act, event or matter whatsoever, except only the execution by the Trustee under seal of an absolute and unconditional release or the execution by or on behalf of the Trustee of a receipt for all (and not part only) of the Secured Amounts.

10.2 In relation to the Trustee's duties, obligations and responsibilities as trustee to the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the Hedge Provider(s), the Issue Services Provider, the Subordinated Lender, each Agent, the SFM Corporate Services Provider and the Paragon Corporate Services Provider in relation to the Charged Property and under or in connection with this Deed, the Trustee, the Administrator, the Seller, the Hedge Provider(s), the Issue Services Provider, the Subordinated Lender, the Account Bank, any Hedge Collateral Custodian, each Agent, the SFM Corporate Services Provider, the Substitute Administrator, the Substitute Administrator Facilitator and the Paragon Corporate Services Provider hereby agree, and the Issuer concurs, that the Trustee shall discharge these by performing and observing its duties, obligations and responsibilities as trustee to the Noteholders in accordance with the provisions of the Trust Deed and the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the Hedge Provider(s), the Issue Services Provider, the Subordinated Lender, the Account Bank, any Hedge Collateral Custodian, each Agent, the SFM Corporate Services Provider and the Paragon Corporate Services Provider shall accordingly be bound by, and deemed to have notice of, all of the provisions of the Trust Deed as if they were Noteholders. Without prejudice to the generality of the foregoing or to the obligations of the Administrator under the Administration Agreement, the parties other than the Trustee acknowledge that:

10.2.1 so long as any of the Notes are outstanding the Trustee shall, as regards all the rights, powers, trusts, authorities, duties and discretions vested in it by the Trust Deed, the Relevant Documents or the Notes (including Conditions), except where expressly provided otherwise, have no regard to the interests of any Secured Parties other than the Noteholders and that no such Secured Parties shall have any claim against the Trustee for doing so; and

10.2.2 subject to the provisions of the Trust Deed, Condition 10 (*Enforcement and Limited Recourse*), the Trustee shall be under no obligation to take any steps to call in or call up or to enforce the Mortgages or any collateral security

therefor and shall not be liable for any loss arising from any omission on its part to take any such steps.

- 10.3 All the provisions of the Trust Deed relating to the exercise by the Trustee of its powers, trusts, authorities, duties, rights and discretions shall apply, *mutatis mutandis*, to the discharge by the Trustee of its powers, trusts, authorities, duties, rights and discretions under this Deed.
- 10.4 Each of the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the Hedge Provider(s), the Issue Services Provider, the Subordinated Lender, the Account Bank, any Hedge Collateral Custodian, each Agent, the SFM Corporate Services Provider and the Paragon Corporate Services Provider acknowledges that the Trustee shall not be bound to take any steps or institute any proceedings after the service of an Enforcement Notice or to take any other action to enforce the security constituted by or pursuant to this Deed unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.
- 10.5 Any Hedge Collateral Custodian shall accede to the terms of this Deed by executing an Accession Undertaking in the form or substantially in the form set out in Schedule 3 (*Form of Accession Undertaking*) to this Deed.

11. **WARRANTY AND COVENANTS BY THE ISSUER**

- 11.1 The Issuer warrants to the Trustee that it has taken all necessary steps to enable it to charge or assign as security the Charged Property in accordance with Clause 3 (*Security*), and that it has taken no action or steps to prejudice its right, title and interest in and to the Charged Property.
- 11.2 The Issuer covenants with and undertakes to the Trustee that so long as any of the Notes remain outstanding (as defined in the Trust Deed) it shall not, save to the extent permitted by the Relevant Documents or with the prior written consent of the Trustee:
- (a) carry on any business other than as described in the Prospectus (as defined in the Administration Agreement) and then only in relation to the Mortgages and the related activities described therein and in respect of that business shall not engage in any activity or do anything whatsoever except:
 - (i) own and exercise its rights in respect of the Charged Property and its interests therein and perform its obligations in respect of the Charged Property including, for the avoidance of doubt, funding Mandatory Further Advances and Discretionary Further Advances;
 - (ii) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Relevant Documents and the Notes;
 - (iii) to the extent permitted by the terms of this Deed or any of the other Relevant Documents, pay dividends or make other distributions to its

- members out of profits available for distribution in the manner permitted by applicable law;
- (iv) use, invest or dispose of, or otherwise deal with, or agree or attempt or purport to dispose of, any of the Charged Property or any estate, right or title therein or grant any option or right to acquire the same presently or in the future:
 - (A) in the manner provided in or contemplated by the Relevant Documents or for the purpose of realising sufficient funds to exercise its option to redeem the Class A Notes or the Class B Notes or the Class C Notes or the Class E Notes in accordance with the Conditions;
 - (B) in connection with any agreement therefor which is conditional on the repayment or discharge in full of the Secured Amounts; and
 - (C) in connection with a disposal or termination of any Hedge Agreement in return for a contemporaneous payment of cash to the Transaction Account of an amount equal to the fair market value thereof;
 - (v) perform any act incidental to or necessary in connection with (i) to (iv) (inclusive) above;
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness excluding, for the avoidance of doubt, indebtedness under this Deed, the Trust Deed, the Notes, the Issue Services Fee Letter, the SFM Corporate Services Agreement, the Paragon Corporate Services Letter, any Hedge Agreement, the Substitute Administrator Agreement, the Substitute Administrator Facilitator Agreement, the Account Bank Agreement, any Hedge Collateral Custody Agreement or the Agency Agreement, and excluding any borrowing in accordance with the provisions of the Subordinated Loan Agreement;
 - (c) create or permit to exist upon or affect any of the Charged Property any Security Interest whatsoever other than the Security Interests created by or pursuant to this Deed, provided always that, for the avoidance of doubt, the Issuer may consent to Borrowers creating subsequent mortgages or charges over any of the Properties where the amounts secured by such mortgages or charges rank after the amounts secured or to be secured by the Mortgages (including Mandatory Further Advances, Discretionary Further Advances and interest thereon) and the subsequent mortgagee or chargee expressly postpones its rights to those of the Issuer and the Trustee;
 - (d) prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulation 2006;

- (e) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person, other than as contemplated by this Deed, the Trust Deed or the Administration Agreement, unless:
- (i) the person (if other than the Issuer) formed by or surviving such consolidation or merger or which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of England and Wales, whose main objects are the funding, purchase and administration of mortgages, and which shall expressly assume, by a deed supplemental to the Trust Deed, in a form satisfactory to the Trustee, the due and punctual payment of principal and interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class E Notes and the performance and observance of every covenant in the Trust Deed and in the Conditions on the part of the Issuer to be performed or observed;
 - (ii) immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing;
 - (iii) the Trustee is satisfied that the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class E Noteholders will not be materially prejudiced by such consolidation, merger, conveyance or transfer;
 - (iv) the Issuer shall have delivered to the Trustee a legal opinion containing such confirmations in respect of such consolidation, merger, conveyance or transfer and such supplemental deed and other deeds as the Trustee may require; and
 - (v) the then current ratings of the Class A Notes, the Class B Notes and the Class C Notes are not adversely affected.
- (f) permit the validity or effectiveness of the Trust Deed or this Deed or the priority of the security created hereby or pursuant hereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of the Charged Property to be released from such obligations;
- (g) in a manner which adversely affects the then current ratings of the Class A Notes, the Class B Notes or the Class C Notes have any employees or premises or have any subsidiary; or
- (h) have an interest in any bank account other than the Transaction Account, the Swap Termination Reserve Account, any Hedge Collateral Account and the Collection Account Declaration of Trust, unless such account or the Issuer's interest therein is charged or otherwise secured in favour of the Trustee on terms acceptable to the Trustee,

provided that, in the case of (b), it is acknowledged that the Issuer may borrow amounts from time to time under any facility from a third party (other than the Subordinated Lender) under the Subordinated Loan Agreement.

11.3 The Issuer covenants with and undertakes to the Trustee as follows:

- (a) at all times to carry on and conduct its affairs in a proper and efficient manner;
- (b) at all times to ensure that it is centrally managed and controlled solely in the United Kingdom and, accordingly, is within the charge to United Kingdom corporation tax;
- (c) to give to the Trustee such information and evidence (and in such form) as the Trustee shall reasonably require (including but without prejudice to the generality of the foregoing the procurement by the Issuer of all such certificates called for by the Trustee pursuant to clause 11(b) of the Trust Deed) for the purpose of the discharge of the duties, trusts, powers, authorities and discretions vested in it under or pursuant to this Deed, the Trust Deed or by operation of law;
- (d) to cause to be prepared and certified by the auditors in respect of each financial year, accounts in such form as will comply with the requirements for the time being of the Companies Act 2006;
- (e) at all times to keep proper books of account and allow the Trustee and any person appointed by the Trustee to whom the Issuer shall have no reasonable objection free access to such books of account at all reasonable times during normal business hours;
- (f) to send to the Trustee one copy of every balance sheet, profit and loss account, report, circular and notice of general meeting and every other document issued or sent to its shareholders together with any of the foregoing and every document sent to Noteholders as soon as practicable after the issue or publication thereof;
- (g) forthwith after becoming aware thereof to give notice in writing to the Trustee of the occurrence of any Event of Default (as defined in Condition 9 (*Events of Default*)) or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute such an Event of Default;
- (h) to give to the Trustee (a) within seven days after demand by the Trustee therefor and (b) (without the necessity for any such demand) promptly after the publication of its audited accounts in respect of each financial period commencing with the financial period ending on 30 September 2015 and in any event not later than 180 days after the end of each such financial period a certificate of the Issuer signed by two Directors of the Issuer to the effect that as at a date not more than seven days before delivering such certificate (the "**relevant date**") there did not exist and had not existed since the relevant date of the previous certificate (or in the case of the first such certificate the date hereof) any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or the issue of a certificate would constitute an Event of Default (or if such exists or existed specifying the same) and that during the period from and including the relevant date of the last such certificate (or in the case of the first such certificate the date hereof) to and

including the relevant date of such certificate the Issuer has complied with all its obligations contained in the Relevant Documents or (if such is not the case) specifying the respects in which it has not complied;

- (i) at all times to execute all such further documents, and do all such acts and things as may be necessary at any time or times in the opinion of the Trustee to give effect to the Relevant Documents;
- (j) at all times to comply with and perform all its obligations under the Relevant Documents and use all reasonable endeavours to procure that the other parties thereto, other than the Trustee, comply with and perform all their respective obligations thereunder and not to make any amendment or modification thereto or agree to waive or authorise any breach thereof without the prior written approval of the Trustee;
- (k) not at any time to approve or agree or consent to any act or do anything whatsoever (other than acts or things permitted by the terms of the Relevant Documents) which in the opinion of the Trustee is material under the Relevant Documents without the prior written approval of the Trustee and to do, or refrain from doing, any material act or thing in relation thereto which in the opinion of the Trustee is material as the Trustee may require;
- (l) at all times to comply with any reasonable direction given by the Trustee in relation to the Charged Property;
- (m) to pay or procure payment of all premiums or other sums payable by the Issuer in respect of the Insurance Contracts, to produce to (or, if required, deposit with) the Trustee upon receipt of reasonable notice all or any of the relevant policies and the receipts for the last premiums payable thereunder and to comply with the terms and conditions of the relevant policies;
- (n) except with the prior written consent of the Trustee, which prior to the service of a Protection Notice or an Enforcement Notice shall not be unreasonably withheld, not to negotiate, compromise, abandon or settle any claim for compensation (whether payable under any enactment or otherwise) or any claim under any of the Insurance Contracts save that this provision shall not apply to any arrangement described in Clause 11.4(a)(i) or to any such claim for an amount not exceeding £5,000 or, if greater, the Maximum Amount (as defined in Clause 11.4(a)(iv));
- (o) to maintain its registered office, its head office and (subject to Clause 11.6 below) its "centre of main interests" (as such term is defined in Article 3(I) of the EU Insolvency Regulations) in England and Wales and will not move such offices to another jurisdiction;
- (p) to maintain books and records separate from any other person or entity;
- (q) to maintain its accounts separate from those of any other person or entity;
- (r) to conduct its own business in its own name;

- (s) to not commingle assets with those of any other entity (other than collections in respect of the Mortgages, which may be placed in an account in the name of the Seller);
- (t) to maintain separate financial statements;
- (u) to pay its own liabilities out of its own funds in accordance with the relevant Payments Priorities;
- (v) to observe all formalities required by its memorandum and articles of association (including maintaining adequate capital for its operations);
- (w) not to be a party to the capital markets arrangement of which the Notes form part, or any related transaction or any transaction in pursuance thereof for the purposes of securing a tax advantage within the meaning of section 1139 of the Corporation Tax Act 2010 for itself or for any other person at any time when any Notes remain outstanding; and
- (x) except with the prior consent of the Trustee, at all times to ensure that it does not:
 - (i) become (or is required to become) a member of a VAT group (in accordance with sections 43 to 43D of the Value Added Tax Act 1994 and the Value Added Tax (Group Eligibility) Order 2004 (SI 2004/1931); and
 - (ii) voluntarily register (or be part of any registration) for VAT in the UK; and
- (y) to procure that the Issuer's first statutory accounting period will end on 30 September 2015 and to procure that each subsequent statutory accounting period of the Issuer will end on 30 September annually thereafter.

11.4 The Issuer covenants with and undertakes to the Trustee, the Administrator, the Seller and the Subordinated Lender in relation to the Insurance Contracts as follows:

(a) **Buildings Insurance**

- (i) Within 10 Business Days of the Closing Date, the Issuer will give notice to the relevant insurers requiring them to note the interest of the Issuer and the Trustee on the Block Buildings Policies.
- (ii) The Issuer shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of (or give rise to any right of any person to avoid or terminate) any applicable Block Buildings Policy or would reduce the amount payable on any claim thereunder. The Issuer shall procure that each Block Buildings Policy (or another policy providing equivalent cover) is kept in full force and effect in relation to any Mortgage and associated Property to which it applies.

- (iii) The Issuer shall procure the payment of premiums due and payable under any applicable Block Buildings Policy in order that the cover provided by such Block Buildings Policy shall not lapse.
- (iv) 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 permits to be paid direct to borrowers) (the "**Maximum Amount**") the proceeds of such claim will be sent directly to the Borrower. The Issuer may procure the preparation and submission of any claim under any Block Buildings Policy in excess of the Maximum Amount. In such a case the Issuer 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 Issuer 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 Issuer has satisfied itself that all amounts due and owing from the Borrower under his Mortgage have been paid and subject to Clauses 6 (*Payments out of Transaction Account Prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of this Deed.
- (v) The Issuer shall make arrangements for collection and payment by Borrowers of premiums in relation to Block Buildings Policies (whether collected as part of a Monthly Payment (as defined in the Administration Agreement) or otherwise) in accordance with the Mortgage Conditions, and the payment thereof to the relevant insurance company subject to Clauses 6 (*Payments out of Transaction Account Prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of this Deed.
- (vi) 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 Issuer will arrange such insurance in accordance with the terms of each Mortgage.

(b) **Fidelity Insurance Policy**

- (i) Within 10 Business Days of the Closing Date, the Issuer will give notice to the relevant insurers requiring them to note the interest of the Issuer and the Trustee on the Fidelity Insurance Policy and that the Fidelity Insurance Policy is to be extended to cover the acts and omissions of employees, officers or directors of the Issuer and the Administrator.
- (ii) The Issuer shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of or give rise to any right of any person to avoid or terminate the Fidelity

Insurance Policy (unless replaced with a policy providing equivalent cover) or reduce the amount payable on any claim thereunder.

- (iii) The Issuer shall procure the preparation and submission of any claim under the Fidelity Insurance Policy.

(c) **Mortgage Impairment Insurance for Financial Institutions Policy**

- (i) The Issuer shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of or give rise to any right of any person to avoid or terminate the "Mortgage Impairment Insurance for Financial Institutions Policy" (or another similar policy providing similar cover) in relation to any Mortgage to which the Mortgage Impairment Insurance for Financial Institutions Policy (or such other policy) applies or would reduce the amount payable on any claim thereunder. The Issuer shall use its reasonable endeavours to keep in full force and effect the Mortgage Impairment Insurance for Financial Institutions Policy following the Closing Date, in relation to any Mortgage to which it applies. The Issuer shall procure that the Mortgage Impairment Insurance for Financial Institutions Policy will record the Issuer as a named insurer under such Mortgage Impairment Insurance for Financial Institutions Policy and either name the Trustee as an insured party also or otherwise assign such Mortgage Impairment Insurance for Financial Institutions Policy to the Trustee (such assignment to be made without notice).
- (ii) The Issuer shall procure the preparation and submission of any claim under the Mortgage Impairment Insurance for Financial Institutions Policy.

11.5 Exercise of rights by the Trustee

If the Issuer for any reason fails to observe or punctually to perform any of its obligations to the Trustee, whether under this Deed or otherwise, the Trustee shall have power (but shall be under no obligation), on behalf of or in the name of the Issuer or otherwise, to perform the obligation and to take any steps which the Trustee may consider appropriate with a view to remedying, or mitigating the consequences of, the failure, but so that the exercise of this power, or the failure to exercise it, shall in no circumstances prejudice the Trustee's rights under this Deed or otherwise or constitute the Trustee a mortgagee or heritable creditor in possession.

11.6 Centre of Main Interests

The Trustee and the Issuer may agree, without the consent of any of the other parties hereto, to waive the requirement set out in Clause 11.3(o) in relation to the Issuer maintaining its "centre of main interests" (as such term is defined in Article 3(I) of the EU Insolvency Regulations) in England and Wales, **provided that**, the Trustee has received from (i) the Administrator a certificate confirming, in its reasonable opinion, and (ii) Moody's and Fitch, confirmations that such waiver would not result in a downgrade 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 confirmations, the Administrator confirms in writing to the Trustee that it has satisfied Fitch of the proposed waiver and Fitch has not raised any objections thereto).

11.7 **Representations in respect of Tax Matters**

The Issuer represents and warrants to the Trustee that:

- (a) as at the date of this Deed, it is not a party to the capital markets arrangement to which the Notes form part, or any related transaction or any transaction in pursuance thereof for the purposes of securing a tax advantage within the meaning of section 1139 of the Corporation Tax Act 2010 for itself or for any other person; and
- (b) it is incorporated in the UK and since its incorporation, the Issuer has not engaged in any activities and has no Financial Indebtedness, has had no income, material assets or liabilities, no employees and no interest in any tangible fixed assets, and has neither paid any dividends nor made any distributions since incorporation and has not traded or engaged in any activity since its incorporation other than (in the case of each of the foregoing):
 - (i) those incidental to its registration as a public limited company under the Companies Act 2006;
 - (ii) those comprising or arising out of or in connection with the authorisation, execution and performance of those of the Relevant Documents to which it is a party and the activities referred to in or contemplated by such documents;
 - (iii) its application for registration under the Data Protection Act 1998; and
 - (iv) the entry into the Currency Swap Agreement; and
- (c) it does not have and has not at any time since its incorporation had any Subsidiaries; and
- (d) that the Issuer is not, and is not liable to be, registered (or part of any registration) for VAT immediately prior to the Closing Date.

12. **EXPENSES**

The Issuer further covenants with and undertakes to the Trustee to reimburse, pay or discharge (on the basis of a full indemnity) all costs, charges, liabilities and expenses properly incurred by the Trustee, the Receiver or any attorney, manager, agent or delegate appointed by the Trustee under this Deed, the Trust Deed or any of the other Relevant Documents (other than in relation to Tax on their net income, profits and gains) in connection with:

- (a) the preparation, execution, registration, recording or perfecting of the Relevant Documents or any other document relating thereto;

- (b) the carrying out of the trusts and duties under or in connection with this Deed and the Trust Deed or any other of the Relevant Documents;
- (c) the exercise, or the attempted or purported exercise, or the consideration of the exercise, by or on behalf of the Trustee or the Receiver of any of the powers of the Trustee or the Receiver; and
- (d) any other action taken by or on behalf of the Trustee with a view to or in connection with enforcing any obligations of the Issuer or any other person under any of the Relevant Documents or the recovery of the Secured Amounts from the Issuer or any other person or the enforcement of the security for the Secured Amounts,

together with any amounts in respect of VAT or similar tax charged or chargeable in respect thereof provided that the Issuer shall only be obliged to reimburse the Trustee in respect of any amounts in respect of VAT incurred by it on such costs, charges and expenses to the extent that any such amount in respect of VAT is not recoverable by the Trustee, or any other company treated as a member of the same group of companies as the Trustee for VAT purposes, by way of repayment, credit or set-off.

13. THE TRUSTEE'S POWERS

13.1 Section 103 of the Act shall not apply to this Deed and forthwith after the service of a Protection Notice or an Enforcement Notice this Deed shall become immediately enforceable and the powers conferred by the Act and this Deed immediately exercisable without the restrictions contained in the Act.

13.2 The provisions of the Act relating to the power of sale and the other powers conferred by section 101(1) and (2) of the Act (insofar as applicable to the Charged Property) are hereby extended (as if such extensions were contained in such Act) to authorise the Trustee at its absolute discretion and upon such terms as it may think fit:

- (a) to sell, exchange, license or otherwise dispose of the Charged Property, or any interest in the same, and to do so for shares, debentures or any other securities whatsoever, or in consideration of an agreement to pay all or part of the purchase price at a later date or dates, or an agreement to make periodical payments, whether or not the agreement is secured by a Security Interest or a guarantee, or for such other consideration whatsoever as the Trustee may think fit, and also to grant any option to purchase, and to effect exchanges and nothing shall preclude the Trustee from making any disposal to any person it thinks fit;
- (b) with a view to, or in connection with, the disposal of the Charged Property, to carry out any transaction, scheme or arrangement which the Trustee may in its absolute discretion consider appropriate;
- (c) to take possession of, get in and collect the Charged Property;
- (d) to carry on and manage or concur in managing the business of the Issuer and demand, sue for and collect all notices due to the Issuer as it thinks fit;

- (e) to appoint and engage employees, managers, agents and advisers upon such terms as to remuneration and otherwise and for such periods as it may determine, and to dismiss them;
- (f) in connection with the exercise, or the proposed exercise, of any of its powers to borrow or raise money from any person, without security or on the security of the Charged Property (either in priority to this security or otherwise) and generally in such manner and on such terms as it may think fit;
- (g) to bring, defend, submit to arbitration, negotiate, compromise, abandon and settle any claims and proceedings concerning the Charged Property;
- (h) to transfer all or any of the Charged Property and/or any of the liabilities of the Issuer to any other company or body corporate, whether or not formed or acquired for the purpose and whether or not a subsidiary or associated company of the Trustee, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Issue Services Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Subordinated Lender, the Seller or a company in which the Trustee, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Issue Services Provider, the Substitute Administrator, the Substitute Administrator Facilitator, the Subordinated Lender, the Account Bank, any Hedge Collateral Custodian or the Seller has an interest;
- (i) to call up all or any portion of the uncalled capital (if any) for the time being of the Issuer;
- (j) generally to carry out, or cause or authorise to be carried out, any transaction, scheme or arrangement whatsoever, whether similar or not to any of the foregoing, in relation to the Charged Property which it may consider expedient as effectually as if it were the absolute, sole legal and beneficial owner entitled to the Charged Property;
- (k) in connection with the exercise of any of its powers, to execute or do, or cause or authorise to be executed or done, on behalf of or in the name of the Issuer or otherwise, as it may think fit, all documents, acts or things which it may consider appropriate;
- (l) to pay and discharge out of the profits and income of the Charged Property and the monies to be made by it in carrying on any such business as aforesaid the expenses incurred in and about the carrying on and management of any such business as aforesaid or in the exercise of any of the powers conferred by this Clause 13.2 or otherwise in respect of the Charged Property and all outgoings which it shall think fit to pay;
- (m) to exercise any of the powers and perform any of the duties conferred on the Issuer by or pursuant to the Relevant Documents or any statute, deed or contract;
- (n) to exercise, or permit any other person to exercise, any rights, powers or privileges of the Issuer in respect of the Charged Property;

- (o) to disclaim, discharge, abandon, disregard, alter or amend on behalf of the Issuer all or any outstanding contracts of the Issuer except where such amendment is proscribed by the terms of any Relevant Document and allow time for payment of any monies either with or without security;
 - (p) to sanction or confirm anything suffered by the Issuer and concur with the Issuer in any dealing not specifically mentioned above; and
 - (q) in connection with the exercise of any of its powers, to execute or do, or cause or authorise to be executed or done, on behalf of or in the name of the Issuer or otherwise, as it may think fit, all documents, acts or things which it may consider appropriate or incidental or conducive to the exercise of any of the powers referred to above.
- 13.3 The Trustee may, at any time after there are no Notes outstanding, request the Seller to nominate a successor to it as trustee of the Charged Property under this Deed. Upon such nomination being made, the Trustee shall transfer the Charged Property to such successor, to be held by it on the same terms as those applying to the Trustee, and shall cease to be under any further obligation under this Deed. In the absence of any nomination by the Seller within 20 days of the request by the Trustee, the Trustee shall be entitled to release the Charged Property created by this Deed and to reassign and transfer the Charged Property to the Issuer and the Trustee shall have no responsibility to the Seller for having done so.

14. **RECEIVER**

- 14.1 At any time after the security created under this Deed becomes enforceable or after any application is made for the appointment of an administrator in relation to the Issuer, or notice of intention to appoint an administrator of the Issuer is given or filed with the court the Trustee may appoint such person or persons (including an officer or officers of the Trustee) as it thinks fit to be receiver or receivers, managers, receivers or managers (to act jointly or severally) or administrator or administrative receiver of the Charged Property.
- 14.2 The Trustee may remove the Receiver appointed by it whether or not appointing another in his place, and the Trustee may also appoint another receiver if the Receiver resigns.
- 14.3 The exclusion of any part of the Charged Property from the appointment of the Receiver shall not preclude the Trustee from subsequently extending his appointment (or that of the Receiver replacing him) to that part.
- 14.4 The Receiver shall, so far as the law permits, be the agent of the Issuer and (subject to the Insolvency Act 1986) the Issuer shall be solely responsible for his acts and defaults and liable on any contracts or engagements made or entered into by him; and in no circumstances whatsoever shall the Trustee or the Administrator or the Substitute Administrator or the Substitute Administrator Facilitator or the SFM Corporate Services Provider or the Paragon Corporate Services Provider or any Seller or the Issue Services Provider, any Agent, the Account Bank, any Hedge Collateral Custodian, any Hedge Provider, any Subordinated Lender, or any Additional

Subordinated Lender be in any way responsible for any misconduct, negligence or default of his.

- 14.5 Subject to section 36 of the Insolvency Act 1986, the remuneration of the Receiver may be fixed by the Trustee (and may be or include a commission calculated by reference to the gross amount of all money received or otherwise), but such remuneration shall be payable by the Issuer alone; and the amount of such remuneration may be debited by the Trustee to any account of the Issuer but shall, in any event, form part of the Trustee Secured Amounts and accordingly be secured on the Charged Property under the charges contained in and granted pursuant to this Deed.
- 14.6 The Receiver may be invested by the Trustee with such of the powers, authorities and discretions exercisable by the Trustee under this Deed and the Insolvency Act 1986 as the Trustee may think fit and the power to do all things which seem to the Receiver to be incidental or conducive to (a) any of the functions, powers, authorities or discretions conferred or vested in him; (b) the exercise of any or all of his rights under this Deed or (c) the collection of the Charged Property. Without prejudice to the generality of the foregoing, any Receiver appointed to the whole or substantially the whole of the Issuer's property shall have the powers referred to in Schedule 1 to the Insolvency Act 1986.
- 14.7 The Receiver shall in the exercise of his powers, authorities and discretions conform to the regulations and directions from time to time made and given by the Trustee.
- 14.8 The Trustee may from time to time and at any time require any such Receiver to give security for the due performance of his duties as such Receiver and may fix the nature and amount of the security to be so given but the Trustee shall not be bound in any case to require any such security.
- 14.9 Save so far as otherwise directed by the Trustee all monies from time to time received by such Receiver shall be paid over to the Trustee to be held by it on the trusts declared by Clause 8.2.
- 14.10 The Trustee may pay over to such Receiver any monies constituting part of the Charged Property to the extent that the same may be applied for the purposes of this Deed by such Receiver and the Trustee may from time to time determine what funds the Receiver shall be at liberty to keep in hand with a view to the performance of his duties as such Receiver.
- 14.11 Sections 109(6) and (8) of the Act shall not apply in relation to the Receiver.

15. **PROTECTION OF THIRD PARTIES**

- 15.1 The statutory powers of sale and of appointing a Receiver which are conferred upon the Trustee as varied and extended by this Deed and all other powers shall in favour of any purchaser be deemed to arise and be exercisable immediately after the execution of this Deed.
- 15.2 No purchaser from, or other person dealing with, the Trustee and/or the Receiver shall be concerned to enquire whether any of the powers which they have exercised or

purported to exercise has arisen or become exercisable, or whether the Secured Amounts remain outstanding, or whether any event has happened to authorise the Receiver to act or as to the propriety or validity of the exercise or purported exercise of any such power; and the title and position of a purchaser or such person shall not be impeachable by reference to any of those matters.

- 15.3 The receipt of the Trustee or the Receiver shall be an absolute and conclusive discharge to a purchaser or such person and shall relieve him of any obligation to see to the application of any monies paid to or by the direction of the Trustee or the Receiver or, if applicable, the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, each Hedge Provider, the Issue Services Provider, the Subordinated Lender, any Additional Subordinated Lender, each Agent, the Account Bank, any Hedge Collateral Custodian, the SFM Corporate Services Provider or the Paragon Corporate Services Provider.

16. PROTECTION OF TRUSTEE AND RECEIVER

- 16.1 Neither the Trustee nor any Receiver shall be liable in respect of any loss or damage which arises out of the exercise, or attempted or purported exercise of, or the failure to exercise any of their respective powers, unless such loss or damage is caused by its or his negligence or wilful default.
- 16.2 Without prejudice to Clause 16.1, entry into possession of the Charged Property shall not render the Trustee or the Receiver liable to account as mortgagee or heritable creditor in possession or to be liable for any loss on realisation or for any default or omission for which a mortgagee or heritable creditor in possession might be liable; and if and whenever the Trustee or the Receiver enters into possession of the Charged Property, it shall be entitled at any time at its pleasure to go out of such possession.

17. INDEMNITY AND INTEREST

- 17.1 Without prejudice to the right of indemnity given by law to trustees, the Issuer further covenants with and undertakes to the Trustee, the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, each Subordinated Lender, the Additional Subordinated Lender, the Issue Services Provider, each Hedge Provider, the Account Bank, any Hedge Collateral Custodian, each Agent and the Receiver fully to indemnify the Trustee, the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, each Additional Subordinated Lender, the Issue Services Provider, each Hedge Provider, the Account Bank, any Hedge Collateral Custodian, each Agent and the Receiver and their respective officers, employees and agents against all claims, proceedings, liabilities, costs, charges and expenses which the Trustee, the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, the Subordinated Lender, each Additional Subordinated Lender, the Issue Services Provider, each Hedge Provider, the Account Bank, any Hedge Collateral Custodian, each Agent or the Receiver and their respective officers, employees, delegates and agents may incur (other than VAT which is recoverable by way of repayment, credit or set-off by that person, or any other person with which that person

is treated as a member of a group for VAT purposes, under sections 24 and 25 of the VAT Act 1994) (in the case of the Trustee, whether before or after this Deed has become enforceable):

- (a) in consequence of or in connection with anything done or purported to be done or omitted by the Trustee, the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the SFM Corporate Services Provider, the Paragon Corporate Services Provider, any Subordinated Lender, any Additional Subordinated Lender, the Issue Services Provider, any Hedge Provider, the Account Bank, any Hedge Collateral Custodian, any Agent or the Receiver under or in connection with this Deed or any other of the Relevant Documents to which the Trustee or any other Secured Party is a party or of any failure by the Issuer to comply with its obligations to the Trustee, the Administrator, the Substitute Administrator, the Substitute Administrator Facilitator, the Seller, the Corporate Services Provider, any Subordinated Lender, any Additional Subordinated Lender, the Issue Services Provider, any Hedge Provider, the Account Bank, any Hedge Collateral Custodian, any Agent or the Receiver under or in connection with this Deed or any other Relevant Document; or
- (b) in consequence of any payment in respect of the Secured Amounts (whether made by the Issuer or a third person) being impeached or declared void for any reason whatsoever,

save where such claims, proceedings, liabilities, costs, charges and expenses arise as a result of the negligence or wilful default or breach of the provisions of this Deed or any of the other Relevant Documents by the person claiming to be entitled to be indemnified.

- 17.2 The Issuer covenants with and undertakes to each Secured Party to pay the amounts payable under Clauses 12 (*Expenses*) and 17.1 and all other amounts from time to time payable to any Secured Party pursuant to this Deed on demand with interest as well after as before judgment at the rate of 2 per cent. per annum above the base rate from time to time of Barclays Bank PLC from the date on which they were paid, charged or incurred by such Secured Party until payment.

18. FURTHER ASSURANCES AND POWER OF ATTORNEY

- 18.1 The Issuer further covenants with and undertakes to the Trustee from time to time upon demand to execute, at its own cost, any document or do any act or thing which the Trustee or the Receiver may properly specify with a view to perfecting or improving any charge or security created or intended to be created by or pursuant to this Deed or facilitating the exercise, or the proposed exercise, of any of their powers (including, without limitation, the provision of all information as the Trustee may require in relation to the completion of the Land Registry of England and Wales application forms in respect of the Mortgages).
- 18.2 The Issuer irrevocably and by way of security appoints the Trustee and every Receiver severally to be its attorney (with full power to appoint substitutes and to delegate, including power to authorise the person so appointed to make further appointments) on behalf of the Issuer and in its name or otherwise, to execute any

document or do any act or thing which the Trustee or such Receiver (or such substitute or delegate) may, in its or his absolute discretion, consider appropriate in connection with the exercise of any of the powers of the Trustee or the Receiver or which the Issuer is obliged to execute or do, whether under this Deed or otherwise.

18.3 References in Clause 12 (Expenses) and Clause 17 (Indemnity and Interest) to the Trustee and the Receiver shall include references to any substitute or delegate appointed under Clause 18.2.

18.4 The Issuer hereby ratifies and confirms and agrees to ratify and confirm whatever any such attorney shall do or purport to do in the exercise or purported exercise of all or any of the powers, authorities and discretions referred to in this Clause 18.

19. **OTHER SECURITY ETC.**

19.1 This security is in addition to, and shall neither be merged in, nor in any way exclude or prejudice, any other Security Interest, right of recourse or other right whatsoever which any Secured Party may now or at any time hereafter hold or have (or would apart from this security hold or have) as regards the Issuer or any other person in respect of the Secured Amounts.

19.2 The restriction on consolidation of mortgages contained in section 93 of the Act shall not apply in relation to any of the charges contained in this Deed.

19.3 The powers which this Deed confers on any of the Secured Parties are cumulative, without prejudice to their respective powers under the general law, and may be exercised as often as such Secured Party thinks appropriate; each of the Secured Parties may, in connection with the exercise of their powers, join or concur with any person in any transaction, scheme or arrangement whatsoever; and the Issuer acknowledges that the respective powers of each of the Secured Parties shall in no circumstances whatsoever be suspended, waived or otherwise prejudiced by anything other than an express waiver or variation in writing.

20. **DEMANDS**

The provisions of clause 24 of the Administration Agreement and (as regards the Substitute Administrator) of clause 24 of the Substitute Administrator Agreement and (as regards each Hedge Provider) of clause 12(a) of the relevant Hedge Agreement regarding notices shall apply, *mutatis mutandis*, to any notice or demand under this Deed to or upon any of the relevant parties hereto with the relevant details for any substitute administrator (other than the Substitute Administrator) being those notified at the time of the appointment of such substitute.

21. **TRUST DEED**

The Trust Deed shall be read and construed in conjunction with this Deed.

22. **EXCLUSION OF THIRD PARTY RIGHTS**

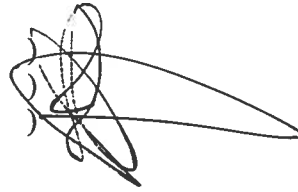
The parties to this Deed do not intend that any term of this Deed should be enforced, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Deed.

23. **GOVERNING LAW**

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

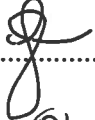
IN WITNESS WHEREOF the parties hereto have executed and delivered this Deed and caused this Deed to be signed as a deed and delivered on their respective behalves, on the day and year first before written at London.

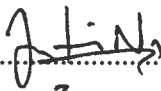
EXECUTED as a **DEED** and delivered by **PARAGON MORTGAGES (NO.23) PLC** acting by two Directors being ~~SFM Directors Limited; and SFM Directors (No.2) Limited~~



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

CITICORP TRUSTEE COMPANY LIMITED

Signature: 

By: 
Name: JUSTIN NG

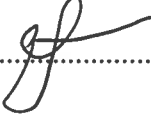
Witness Name: Olin's van Walleyhem Title: Attorney

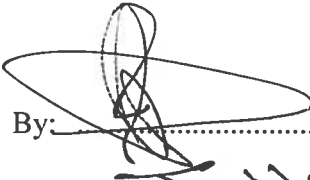
Occupation: Paralegal

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

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

PARAGON FINANCE PLC

Signature: 

By: 
Name: HARVEY

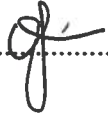
Witness Name: Olin's van Walleyhem Title: Attorney

Occupation: Paralegal

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

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

**PARAGON MORTGAGES (2010)
LIMITED**

Signature: 

By: 

Name: MARK HARVEY

Witness Name: Gina van Wallegen Title: Director

Occupation: Paralegal

Address:

Clifford Chance LLP

10 Upper Bank Street

London E14 5UJ

Executed by:
as its deed as follows:
Signed for and on its behalf by two
authorised signatories

**STRUCTURED FINANCE
MANAGEMENT LIMITED**

By: 

Name: **Claudia Wallace**

Title: Director/Company Secretary

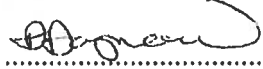
By: 

Jennifer Jones

Name:

Title: ~~Director~~/Company Secretary

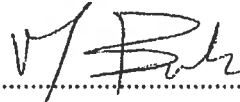
Executed by:
as its deed as follows:
Signed for and on its behalf by one
of its directors

Signature: .....

Witness Name:

Occupation:
Dominic Daymond
Address: Legal Services Assistant
Gateway House, Gargrave Road
Skipton, N. Yorkshire, BD23 2HL
.....

HOMELoAN MANAGEMENT LIMITED

By: .....

Name: Martin Brook.....

Title: ~~Director~~ Attorney

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

MACQUARIE BANK LIMITED,
(as Initial Basis Hedge Provider)

By:
Name:
Title: Attorney

By:
Name:
Title: Attorney

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

Signature:

Witness Name:

Occupation:

Address:

.....

.....

HOMELoAN MANAGEMENT LIMITED

By:

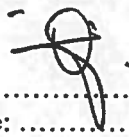
Name:

Title: Director

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

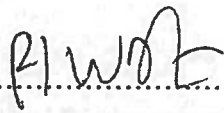
Signed in London, POA #1721
(executed 9 October 2014)

MACQUARIE BANK LIMITED,
(as Initial Basis Hedge Provider)

By: 

Name: **Gianfranco Simionato**
Executive Director

Title: Attorney

By: 

Name: **Paul Weston**
Associate Director

Title: Attorney

Executed by:
As its deed as follows:
Signed for and on its behalf by its
attorney

LLOYDS BANK PLC
(as Initial Basis Hedge Provider)

Signature: Nathaniel R.

By: 

Name: C. Such

Witness Name: Romain Nathelin Title: Director

Occupation: Securitization Associate

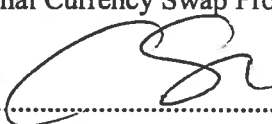
Address: 10 Graham Street

London EC2V 7AE

Executed by:
As its deed as follows:
Signed for and on its behalf by its
attorney

LLOYDS BANK PLC
(as Original Currency Swap Provider)

Signature: Nathaniel R.

By: 

Name: C. Such

Witness Name: Romain Nathelin Title: Director

Occupation: Securitization Associate

Address: 10 Graham Street

London EC2V 7AE

Executed by:
As its deed as follows:

CITIBANK, N.A., LONDON BRANCH
(as Account Bank, Principal Paying Agent,
Reference Agent and Registrar)

By:
Name:
Title:

Executed by:
As its deed as follows:
Signed for and on its behalf by its attorney

LLOYDS BANK PLC
(as Initial Basis Hedge Provider)

Signature:

By:

Name:

Witness Name:

Title: Director

Occupation:

Address:

.....

.....

Executed by:
As its deed as follows:
Signed for and on its behalf by its attorney

LLOYDS BANK PLC
(as Original Currency Swap Provider)

Signature:

By:

Name:

Witness Name:

Title: Director

Occupation:

Address:

.....

.....

Executed by:
As its deed as follows:

CITIBANK, N.A., LONDON BRANCH
(as Account Bank, Principal Paying Agent,
Reference Agent and Registrar)

By 

Name: Davide Pucchino

Title: Vice President

SCHEDULE 1
INSURANCE CONTRACTS

In relation to the Individual Mortgages and the Corporate Mortgages:

1. The Block Buildings Policies to the extent that such policies relate to the Properties.
2. Those buildings insurance policies on the Properties (not being any of the Block Buildings Policies) where 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.
3. Mortgage Impairment Insurance for Financial Institutions Policy to the extent that such policy relates to the Mortgages.
4. The Fidelity Insurance Policy to the extent of any loss to the Issuer arising in connection with the performance by or on behalf of the relevant Administrator of the services to be provided pursuant to the Administration Agreement.

SCHEDULE 2
FORM OF NOTICE OF ASSIGNMENT

To: []

Date: []

Dear Sirs,

1. We hereby give you notice that we have assigned to Citicorp Trustee Company Limited (the "**Assignee**") pursuant to a Deed of Sub-Charge and Assignment entered into by us in favour of the Assignee dated on or about [•] 2015
2. all our right, title, interest and benefit present and future in [*details of agreement*] (the "**Agreement**") including all moneys which may be payable in respect of the Agreement.
3. With effect from the date of your receipt of this notice:
 - 3.1 all payments by you to us under or arising from the Agreement (the "**Payments**") shall be paid to the Assignee or to its order as it may specify in writing from time to time;
 - 3.2 all remedies provided for in the Agreement or available at law or in equity in respect of the Payments shall be exercisable by the Assignee;
 - 3.3 all rights to compel performance of the Agreement shall be exercisable by, or at the direction of, the Assignee although we shall remain liable to perform all the obligations assumed by us under the Agreement; and
 - 3.4 all rights, interests and benefits whatsoever accruing to or for the benefit of ourselves arising from the Agreement shall belong to the Assignee.
4. These instructions may not be revoked, nor may the terms of the Agreement be amended, varied, waived or terminated, without the prior written consent of the Assignee.
5. Please acknowledge receipt of this notice by signing the acknowledgement on the enclosed copy letter and returning it to the Assignee at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB marked for the attention of Agency & Trust.
6. This notice is governed by English law.

Yours faithfully,

SIGNED

by a duly authorised representative for and on behalf of)
PARAGON MORTGAGES (NO. 23) PLC)

By SFM Directors Limited: as Director

Acknowledgement

[On copy only:

To: Assignee

We acknowledge receipt of a notice in the terms set out above and confirm that we have not received notice of any previous assignments or charges of or over any of the rights, interests and benefits in and to the Payments and that we will comply with the terms of the notice from the Assignor.

We further confirm that:

- (a) we have not claimed or exercised and have no outstanding right to claim or exercise any right of set-off, counterclaim or other right relating to the Payments;
- (b) no amendment, waiver or release of any rights, interests and benefits in and to the Agreement shall be effective without your prior written consent;
- (c) no termination of those rights, interests or benefits shall be effective unless we have given you thirty days written notice of the proposed termination, specifying the action necessary to avoid such termination; and
- (d) no breach or default on the part of [*Assignor*] of any of the terms of the Agreement shall be deemed to have occurred unless we have given you notice of such breach specifying how to make good such breach.

For and on behalf of [*Obligor*]

By:

Dated:

**SCHEDULE 3
FORM OF ACCESSION UNDERTAKING**

THIS DEED is made as a deed on [•]

BETWEEN:

- (A) **PARAGON MORTGAGES (NO. 23) PLC** (registered number 9386326) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ (the "**Issuer**");
- (B) **CITICORP TRUSTEE COMPANY LIMITED** (registered number 235914) whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "**Trustee**", which expression shall include such company and all other persons or companies for the time being acting as trustee or trustees under the Trust Deed referred to below);
- (C) **PARAGON FINANCE PLC ("PFPLC")** (registered number 1917566) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ in its capacity as the subordinated lender (the "**Subordinated Lender**") and in its capacity as the issue services provider (the "**Issue Services Provider**");
- (D) **PARAGON MORTGAGES (2010) LIMITED ("PML")** (registered number 6595834) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ in its capacities as the Seller (the "**Seller**") the Administrator (the "**Administrator**") and the Paragon Corporate Services Provider (the "**Paragon Corporate Services Provider**");
- (E) **HOMELoAN MANAGEMENT LIMITED** a company incorporated under the laws of England and Wales (registered number 2214839) whose registered office is at The Pavillions, Bridgwater Road, Bristol BS13 8AE (the "**Substitute Administrator**");
- (F) **MACQUARIE BANK LIMITED** acting through its office at Ropemaker Place, 28 Ropemaker Street, London EC2Y 9HD, in its capacity as a hedge provider (an "**Initial Basis Hedge Provider**");
- (G) **LLOYDS BANK PLC** a public company incorporated under the laws of England (registered number 00002065) with its registered office at 25 Gresham Street, London EC2V 7HN, in its capacity as a hedge provider (an "**Initial Basis Hedge Provider**");
- (H) **LLOYDS BANK PLC** a public company incorporated under the laws of England (registered number 00002065) with its registered office at 25 Gresham Street, London EC2V 7HN, in its capacity as currency swap provider (the "**Original Currency Swap Provider**"), which expression shall include any replacement currency swap provider under any Currency Swap Agreement (as defined below);
- (I) **STRUCTURED FINANCE MANAGEMENT LIMITED** (registered number 3853947) whose registered office is at 35 Great St. Helen's, London EC3A 6AP (as "**SFM Corporate Services Provider**" and "**Substitute Administrator Facilitator**");
- (J) **CITIBANK, N.A., LONDON BRANCH** acting through its London office at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, as the principal

paying agent for the Notes (the "**Principal Paying Agent**"), the reference agent (the "**Reference Agent**") and, registrar (the "**Registrar**" and together with the Principal Paying Agent and the Reference Agent, the "**Agents**") and the transaction account bank (the "**Account Bank**"), which expression shall include whenever the context so admits, any successor principal paying agent, reference agent and registrar for the time being appointed under this Deed; and

(K) [•] (in its capacity as [•], the "**Hedge Collateral Custodian**").

WHEREAS:

- (A) Pursuant to the terms of a hedge collateral custody agreement [*describe agreement*] (the "**Hedge Collateral Custody Agreement**") dated [•] made between the Issuer and the Hedge Collateral Custodian, the Issuer has agreed to [*describe nature of the obligations of the Issuer under the Hedge Collateral Custody Agreement*].
- (B) The Issuer has agreed to provide the Trustee with the benefit of the security described in the deed of sub-charge and assignment dated [•] 2015 made between the parties hereto (other than the Hedge Collateral Custodian) (the "**Deed of Charge**") to secure the Issuer's obligations to the Secured Parties.
- (C) The terms of the Deed of Charge permit the Issuer to secure its obligations to a Hedge Collateral Custodian thereunder.
- (D) The Hedge Collateral Custodian has agreed to enter into this Deed to accede to the provisions of the Deed of Charge.
- (E) The Secured Parties have agreed to enter into this Deed to, among other things, acknowledge and agree to such accession and to permit any consequential changes as may be required to give effect to this Accession Undertaking.

1. INTERPRETATION

Expressions defined in the Deed of Charge shall, except where the context otherwise requires and save where otherwise defined herein, have the same meanings in this Deed, including the recitals hereto.

2. REPRESENTATIONS AND WARRANTIES

The Hedge Collateral Custodian hereby represents and warrants to the Trustee and each of the Secured Parties in respect of itself that as of the date of this Deed the Hedge Collateral Custody Agreement expressly provides that all amounts due from the Issuer thereunder are to be secured by the Deed of Charge.

3. ACCESSION

In consideration of the Hedge Collateral Custodian being accepted as a Secured Party for the purposes of the Deed of Charge by the parties thereto as from the date of this Deed, the Hedge Collateral Custodian:

- (a) confirms that as from [*date*], it intends to be a party to the Deed of Charge as a Secured Party;

- (b) undertakes to comply with and be bound by all of the provisions of the Deed of Charge in its capacity as a Secured Party, as if it had been an original party thereto; and
- (d) agrees that the Trustee shall be the Trustee of the Deed of Charge for all Secured Parties upon and subject to the terms set out in the Deed of Charge.

4. SCOPE OF THE DEED OF CHARGE

The Issuer, the Hedge Collateral Custodian and the Trustee hereby agree that for relevant purposes under the Deed of Charge the Hedge Collateral Custodian shall be treated as a Secured Party.

5. APPLICATION

Prior to and following enforcement of the Security all amounts at any time held by the Issuer, the Administrator or the Trustee in respect of the security created under or pursuant to this Deed shall be held and/or applied by such person subject to and in accordance with the relevant provisions of the Administration Agreement and the Deed of Charge.

6. DEMANDS

Any notice, communication or demand under or in connection with this Deed or the Deed of Charge shall be given in the manner and at the times set out in Clause 20 (*Demands*) of the Deed of Charge.

The address referred to in this Clause 7 for the Hedge Collateral Custodian is:

[•]

For the attention of: [•]
Telephone: [•]
Facsimile: [•],

or such other address and/or numbers as the Hedge Collateral Custodian may notify to the parties to the Deed of Charge in accordance with the provisions thereof.

7. CHOICE OF LAW AND JURISDICTION

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

IN WITNESS WHEREOF the parties hereto have executed and delivered this Deed and caused this Deed to be signed as a deed and delivered on their respective behalves, on the day and year first before written at London.

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

[HEDGE COLLATERAL CUSTODIAN]

Signature:

By:

Name:

Witness Name:

Title: Attorney

Occupation:

Address:

.....

.....

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 duly authorised attorneys

**CITICORP TRUSTEE COMPANY
LIMITED**

Signature:

By:

Name:

Witness Name:

Title: Attorney

Occupation:

Address:

.....

.....

Executed by:
as its deed as follows:
Signed for and on its behalf by its duly
authorised attorney

Signature:

Witness Name:

Occupation:

Address:

.....

.....

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

Signature:

Witness Name:

Occupation:

Address:

.....

.....

PARAGON FINANCE PLC

By:

Name:

Title: Attorney

**PARAGON MORTGAGES (2010)
LIMITED**

By:

Name:

Title: Director

Executed by:
as its deed as follows:
Signed for and on its behalf by two
of its authorised signatories

**STRUCTURED FINANCE
MANAGEMENT LIMITED**

By:

Name:

Title: Director/Company Secretary

By:

Name:

Title: Director/Company Secretary

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

HOMELoAN MANAGEMENT LIMITED

By:

Name:

Title: Director

Signature:

Witness Name:

Occupation:

Address:

.....

.....

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

MACQUARIE BANK LIMITED
(as Initial Basis Hedge Provider)

By:

Name:

Title: Attorney

By:

Name:

Title: Attorney

Executed by:
as its deed as follows:
Signed for and on its behalf by its
attorney

LLOYDS BANK PLC
(as Initial Basis Hedge Provider)

By:

Name:

Title: Director

Signature:

Witness Name:

Occupation:

Address:

.....

.....

Executed by:
as its deed as follows:
Signed for and on its behalf by its attorney

Signature:

Witness Name:

Occupation:

Address:

.....

.....

Executed by:
as its deed as follows:
Signed for and on its behalf by its delegated signatory

LLOYDS BANK PLC
(as Original Currency Swap Provider)

By:

Name:

Title: Authorised Signatory

By:

Name:

Title: Authorised Signatory

CITIBANK, N.A., LONDON BRANCH
(as Transaction Account Bank, Principal
Paying Agent, Reference Agent and Registrar)

By:

Name:

Title: