

26 APRIL 2018

PARAGON MORTGAGES (NO.25) PLC
AS THE ISSUER

In relation to the RC2 Residual Certificates issued on 26 April 2018

DEED POLL

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THIS Deed Poll (this "**Deed**") is made on 26 April 2018,

BY:

- (1) **PARAGON MORTGAGES (NO.25) PLC**, (the "**Issuer**"), a company incorporated with limited liability in England and Wales with registered number 9777963 whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

WHEREAS:

- (A) (i) Pursuant to the Mortgage Sale Agreement, the Issuer shall purchase the beneficial interest in the Original Mortgages from PML on the Closing Date and in the Additional Mortgages from the Sellers during the Further Sale Period and (ii) the Issuer will issue the Notes and the Residual Certificates on the Closing Date.
- (B) The Issuer intends to grant to the Portfolio Option Holder an option pursuant to which the Portfolio Option Holder may require the Issuer to sell to the Portfolio Option Holder or a third party purchaser nominated by the Portfolio Option Holder (a "**Third Party Purchaser**") the legal and beneficial title to all (but not some) of the Mortgages pursuant to the Portfolio Option.

NOW THIS DEED WITNESSETH AS FOLLOWS and is made by way of deed poll:

1. **DEFINITIONS AND INTERPRETATION**

- 1.1 In this Deed, including the recitals hereto, unless there is anything in the subject or context inconsistent therewith the expressions defined in the Relevant Documents and Conditions (each as defined below) shall, unless otherwise defined in this Clause 1.1, or in the recitals above, have the same meanings in this Deed except so far as the context otherwise requires:

"**Acceptance Notice**" means a notice (substantially in the form set out in Schedule 3 (*Acceptance Notice*)).

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

"**Administrators**" means PML and Paragon Bank and "**Administrator**" means any of them or any successor Administrator.

"**Agency Agreement**" means the agency agreement dated on or about the date of the Trust Deed appointing the initial Registrar, Class S VFN Registrar, Principal Paying Agent and Reference Agent in respect of the Notes and Residual Certificates, and any other agreement for the time being in force appointing further or other Registrars, Paying Agents or another Reference Agent in respect of the Notes and Residual Certificates, or in connection with their duties, the terms of which in each case have been previously approved in writing by the Trustee, together with any agreement for the time being in force amending or modifying with the prior written approval of the Trustee any of the aforesaid agreements.

"**Available Principal**" means, on any Interest Payment Date, the credit balance on the Principal Ledger.

"**Available Revenue**" has the same meaning as in the Deed of Charge.

"**Basis Hedge Provider**" means the Initial Basis Hedge Provider and each Permitted Basis Hedge Provider.

"**Beneficial Title Transferee**" has the meaning given to it in Clause 2.1.

"**Borrower**" has the same meaning as in the Mortgage Sale Agreement.

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

"**Certificateholders**" means the RC1 Residual Certificateholders and the RC2 Residual Certificateholders.

"**Charged Property**" has the same meaning as in the Deed of Charge.

"**Class A and Class B Liquidity Reserve Fund**" has the meaning given to it in the Administration Agreement.

"**Class A and Class B Liquidity Reserve Fund Release Amount**" has the meaning given to it in the Administration Agreement.

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

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

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

"**Class D Noteholders**" has the same meaning as in the Trust Deed.

"**Class S Noteholders**" has the same meaning as in the Trust Deed.

"**Class S VFN**" has the same meaning as in the Trust Deed.

"**Class S VFN Holder**" has the same meaning as in the Trust Deed.

"**Class S VFN Registrar**" means Paragon Mortgages (2010) Limited, acting as Class S VFN Registrar under the terms of the Agency Agreement to record the holders of the Class S VFN, or such other person as may from time to time be appointed as Class S VFN Registrar pursuant to the Agency Agreement.

"**Class Z Noteholders**" has the same meaning as in the Trust Deed.

"**Closing Date**" means 26 April 2018.

"**Collection Period**" has the same meaning as in the Administration Agreement.

"**Conditions**" means the terms and conditions applicable to the Notes, in the form set out in the Trust Deed, as the same may from time to time be modified in accordance

with the provisions of the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly.

"**Counter Notice**" means a notice (substantially in the form set out in Schedule 2 (*Counter Notice*)).

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

"**Deed of Charge**" means a deed of sub-charge and assignment to be entered into on the Closing Date between the Issuer, the Trustee, the Sellers, the Intertrust Corporate Services Provider, the Administrators, the Paragon Corporate Services Provider, the Principal Paying Agent, the Registrar, the Class S VFN Registrar, the Substitute Administrator, the Substitute Administrator Facilitator, Lloyds as Initial Basis Hedge Provider and the Issue Services Provider.

"**Definitive Residual Certificates**" means any of the Residual Certificates in definitive registered form.

"**Determination Period**" has the same meaning as in the Administration Agreement.

"**Exercise Notice**" has the meaning given to it in Clause 3.1.

"**General Reserve Fund**" has the meaning given to it in the Administration Agreement.

"**Global Residual Certificate**" means, in respect of any class of Residual Certificates, the global residual certificate in registered form representing such class of Residual Certificates in, or substantially in, the form set out in Schedule 5 (*Form of Global Residual Certificate*) to the Trust Deed.

"**Holdings**" means Paragon Mortgages (No.25) Holdings Limited (registered number 9891178), 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.

"**Initial Basis Hedge Provider**" means Lloyds.

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

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

"**Intertrust Corporate Services Provider**" means Intertrust 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 Intertrust Corporate Services Agreement.

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

"Legal Title Holders" means Paragon Bank and PML and **"Legal Title Holder"** means any of them.

"Legal Title Transferee" has the meaning given to it in Clause 2.1.

"Lending Guidelines" has the same meaning as in the Mortgage Sale Agreement.

"Lloyds" means Lloyds Bank plc.

"Mortgage Deeds" means in relation to each Mortgage:

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

"Mortgage Documentation" has the same meaning as in the Mortgage Sale Agreement.

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

"Mortgages" has the same meaning as in the Mortgage Sale Agreement.

"Mortgage Sale Agreement" means the agreement dated on or about the date of this Deed between the Sellers, the Warehouse, the Administrators, the Issuer and the Trustee, whereby the Issuer acquired or is to acquire the Mortgages, as from time to time supplemented or modified.

"Noteholders" means the Class A Noteholders and/or Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class Z Noteholders and/or the Class S Noteholders and/or the Class S VFN Holder or any of them.

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

"Optional Purchase Collections" has the meaning given to it in Clause 4.4.

"Paragon Bank" means Paragon Bank plc, a company incorporated in England and Wales with registered number 5390593 whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

"Paragon Banking Group Company" means The Paragon Banking Group PLC and any holding company or subsidiary of The Paragon Banking Group 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.

"Paying Agents" means the persons (including where the context permits the Principal Paying Agent) initially appointed as Paying Agent by the Issuer pursuant to the Agency Agreement and/or such other or further paying agents in respect of the Notes as may (with the prior written approval of, and on terms previously approved in writing by, the Trustee) from time to time be appointed by the Issuer pursuant to the Agency Agreement and/or such other or further Specified Offices, (in the former case being within the same city as those for which they are substituted) as may from time to time be nominated, in each case by the Issuer pursuant to the Agency Agreement and (except in the case of the initial Paying Agents) notice of whose appointment or of which nomination has been given to the Noteholders pursuant to clause 13(m) of the Trust Deed in accordance with Condition 13.

"Permitted Basis Hedge Provider" has the same meaning as in the Deed of Charge.

"PML" means Paragon Mortgages (2010) Limited, a company incorporated in England and Wales with registered number 6595834 whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

"Portfolio Option Commencement Date" means the Interest Payment Date falling in February 2023.

"Portfolio Option" has the meaning given to it in Clause 2.1.

"Portfolio Option Holder" means, a person other than a Paragon Banking Group Company (a) (where the RC2 Residual Certificates are represented by Definitive Residual Certificates) the person who holds greater than 50 per cent. of the RC2 Residual Certificates or (where the RC2 Residual Certificates are represented by a Global Residual Certificate) the Residual Certificateholder who holds the beneficial interest in more than 50 per cent. of the RC2 Residual Certificates or (b) where (i) no person holds greater than 50 per cent. of the RC2 Residual Certificates or, as applicable, beneficial interest in more than 50 per cent. of the RC2 Residual Certificates and (ii) the Paragon Banking Group holds (where the RC2 Residual Certificates are represented by Definitive Residual Certificates) less than 50 per cent. in number of the RC2 Residual Certificates or (where the RC2 Residual Certificates are represented by a Global Residual Certificate) the beneficial interest in less than 50 per cent. in number of the RC2 Residual Certificates, the person who holds the greatest number of the RC2 Residual Certificates or, as applicable, the beneficial interest in the greatest number of the RC2 Residual Certificates.

For the avoidance of doubt, where the Paragon Banking Group holds (where the RC2 Residual Certificates are represented by Definitive Residual Certificates) 50 per cent. or more in number of the RC2 Residual Certificates or (where the RC2 Residual Certificates are represented by a Global Residual Certificate) the beneficial interest in 50 per cent. or more in number of the RC2 Residual Certificates, the Portfolio Option shall not be exercisable by any party.

"Portfolio Option Purchase Price" means the purchase price payable by the Portfolio Option Holder or the Third Party Purchaser, as applicable, in respect of the Portfolio Purchase, which shall be an amount equal to the greater of:

- (a) the aggregate Current Balance of the Mortgages, plus any accrued interest to the purchase date, (less any provisions in respect thereof) comprising the Mortgage Portfolio determined as at the Principal Determination Date immediately preceding the Target Portfolio Purchase Completion Date; and
- (b) an amount equal to:
 - (i) the amount required by the Issuer to pay in full all amounts payable under items (a) to (d), (f), (i), (k), (q), (r) and (t) of the Revenue Priority of Payments and items (a) to (c) and (g) (other than any principal repayment in respect of the Class S Notes and the Class S VFN) (inclusive) of the Principal Priority of Payments, in each case on the immediately following Interest Payment Date, *less*
 - (ii) any Available Revenue and Available Principal otherwise available to the Issuer, (x) excluding any amounts standing to the credit of (A) the Class A and Class B Liquidity Reserve Fund and (B) the General Reserve Fund (other than, in each case, (to the extent there is a debit on the Principal Deficiency Ledger) the amount of the Class A and Class B Liquidity Reserve Fund and the General Reserve Fund that is required to be applied as Available Principal on the Target Portfolio Purchase Completion Date to cure any debit on the Principal Deficiency Ledger) and (y) determining Available Revenue and Available Principal without the crediting of any Available Revenue to (A) the Principal Deficiency Ledger (to reduce any balance in respect thereof) or (B) the Principal Ledger in respect of any Available Redemption Funds; and
- (c) zero,

in each case, plus (i) the Issuer's costs and expenses associated with transferring its interests in any Mortgage to the Portfolio Option Holder or its nominee (if any) and (ii) an amount agreed between the Issuer and the Portfolio Option Holder in respect of costs anticipated to be incurred by the Issuer after the Target Portfolio Purchase Completion Date.

"Portfolio Purchase" means a purchase of the Mortgages by either the Portfolio Option Holder or the Third Party Purchaser pursuant to the exercise of the Portfolio Option.

"Principal Deficiency Ledger" has the meaning given to it in the Administration Agreement.

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

"Principal Ledger" has the meaning given to it in the Administration Agreement.

"Principal Paying Agent" means Citibank, N.A., London Branch, or such other person as may for the time being be acting as principal paying agent in relation to the Notes (other than the Class S VFN).

"Principal Priority of Payments" has the same meaning as in the Deed of Charge.

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

"Property" means a freehold, leasehold or commonhold property which is subject to a Mortgage.

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

"Rating Agencies" means Fitch Ratings Limited ("**Fitch**") of 30 North Colonnade, London, E14 5GN and Moody's Investors Service Limited ("**Moody's**") of One Canada Square, Canary Wharf, London E14 5FA.

"RC Certificates" means the Definitive Residual Certificates, the Global Residual Certificates, or both, as the context may require.

"RC1 Residual Certificateholders" means the RC1a Residual Certificateholders and the RC1b Residual Certificateholders.

"RC1 Residual Certificates" means the RC1a Residual Certificates and the RC1b Residual Certificates.

"RC1a Residual Certificateholders" means the persons who for the time being are registered in the Register as the holders of the RC1a Residual Certificates.

"RC1a Residual Certificates" means the 100 RC1a residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof.

"RC1b Residual Certificateholders" means the persons who for the time being are registered in the Register as the holders of the RC1b Residual Certificates.

"RC1b Residual Certificates" means the 100 RC1b residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof.

"RC2 Residual Certificateholders" means the RC2a Residual Certificateholders and the RC2b Residual Certificateholders.

"RC2 Residual Certificates" means the RC2a Residual Certificates and the RC2b Residual Certificates.

"RC2a Residual Certificateholders" means the persons who for the time being are registered in the Register as the holders of the RC2a Residual Certificates.

"RC2a Residual Certificates" means the 100 RC2a residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof.

"RC2b Residual Certificateholders" means the persons who for the time being are registered in the Register as the holders of the RC2b Residual Certificates.

"RC2b Residual Certificates" means the 100 RC2b residual certificates issued or due to be issued by the Issuer on the Closing Date or, as the case may be, a specific number thereof.

"Reasonable, Prudent Residential Mortgage Lender" means a reasonably prudent residential mortgage lender lending to borrowers in England and Wales of the type contemplated in the Lending Guidelines from time to time on terms similar to those set out in the relevant Lending Guidelines.

"Reference Agent" means Citibank, N.A., London Branch at its office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, or such other Reference Agent in respect of the Notes as may (with the prior approval of, and on terms previously approved in writing by, the Trustee) from time to time be appointed as such by the Issuer and (except in the case of the initial Reference Agent) notice of whose appointment has been given to the Noteholders pursuant to clause 13(m) of the Trust Deed in accordance with Condition 13.

"Registrar" means Citibank, N.A., London Branch.

"Relevant Authorisations" has the meaning given to it in Clause 3.13.

"Relevant Documents" has the meaning ascribed thereto in Condition 3.

"Residual Certificateholders" means the RC1 Residual Certificateholders and the RC2 Residual Certificateholders.

"Residual Certificates" means the RC1 Residual Certificates and the RC2 Residual Certificates.

"Revenue Ledger" has the same meaning as in the Administration Agreement.

"Revenue Priority of Payments" has the same meaning as in the Deed of Charge.

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

"Sellers" means PML and Paragon Bank and **"Seller"** means any of them.

"Senior Expenses Deficit" means any amount by which the Available Revenue is insufficient to pay or provide for all amounts in items (i) to (iv) and (vi) of the Revenue Priority of Payments following the application of any General Reserve Fund Release Amount and any Class A and Class B Liquidity Reserve Fund Release Amount.

"Share Trustee" means Intertrust 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.

"Step-Up Date" has the meaning indicated in Condition 4(c).

"Substitute Administrator" means Homeloan Management Limited, a company incorporated under the laws of England and Wales (registered number 2214839) whose registered office is at The Pavilions, Bridgewater Road, Bristol BS13 8AE.

"Substitute Administrator Facilitator" means Intertrust Management Limited in its capacity as substitute administrator facilitator and any successor thereto or replacement thereto in such capacity.

"Target Portfolio Purchase Completion Date" has the meaning given to it in Clause 3.1.

"Tax Advice" has the meaning given to it in Clause 3.13.

"Third Party Purchaser" means a third party purchaser of the beneficial and/or legal title to the Mortgages as nominated by the Portfolio Option Holder.

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

"Relevant Documents" has the meaning given to such term in Condition 3.

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

"Trustee" means Citicorp Trustee Company Limited, a company incorporated in England and Wales with registered number 235914 whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, which expression includes any other person or persons from time to time acting as trustee under the Trust Deed.

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

"Whole Beneficial Title" has the meaning given to it in Clause 2.1.

"Whole Legal Title" has the meaning given to it in Clause 2.1.

In this Deed:

words denoting the singular number only shall include the plural number also and *vice versa*;

words denoting one gender only shall include the other genders; and

words denoting persons only shall include firms and corporations and *vice versa*.

- 1.2 All references in this Deed to "pounds", "sterling", "pounds sterling", "GBP" or the sign "£" shall be construed as references to the lawful currency of the United Kingdom.
- 1.3 All references in this Deed to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such re-enactment.
- 1.4 Unless the context otherwise requires words or expressions contained in this Deed shall bear the same meanings as in the Companies Act 2006.
- 1.5 Unless the context otherwise requires, in this Deed references to Schedules, Clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the Schedules to this Deed and to the Clauses, sub-clauses, paragraphs and sub-paragraphs of this Deed respectively and, unless otherwise stated, references to sub-clauses are references to sub-clauses of the Clause in which the reference appears.
- 1.6 References in this Deed to any action, remedy or method of judicial proceeding for the enforcement of the rights of creditors shall be deemed to include, in respect of any jurisdiction other than England and Wales, references to such action, remedy or method of judicial proceeding for the enforcement of the rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate to such action, remedy or method of judicial proceeding described or referred to in this Deed.
- 1.7 Any reference to and the definition of any document (including this Deed) shall be deemed to be a reference to such document as from time to time amended, supplemented, modified or replaced (in whole or in part), but disregarding any amendment, supplement, variation or replacement taking place in breach of the terms of this Deed.
- 1.8 Any reference in this Deed to any party or person includes any person deriving title therefrom and any of their respective successors or assigns.

2. **PORTFOLIO OPTION AND OTHER RIGHTS**

- 2.1 The Issuer hereby grants the Portfolio Option Holder the following rights, which may be exercised at any time after the Portfolio Option Commencement Date (subject to the terms and conditions of this Deed):
 - (a) the right to require the Issuer to sell and transfer to the Portfolio Option Holder or a Third Party Purchaser (as identified in the Exercise Notice, the "**Beneficial Title Transferee**") the beneficial title to all (but not some) of the Mortgages (the "**Whole Beneficial Title**") in consideration for the Portfolio Option Purchase Price; and
 - (b) (if applicable) the right to require the Issuer to transfer the legal title to the Mortgages (the "**Whole Legal Title**"), or if, at the time the Portfolio Option is exercised, the Issuer does not hold the Whole Legal Title, the right to require

the Issuer to procure that the Legal Title Holders transfer the Whole Legal Title, to the Portfolio Option Holder, a Third Party Purchaser or any nominee of the Portfolio Option Holder specified as such in the Exercise Notice (as identified in the Exercise Notice, the "**Legal Title Transferee**"),

in each case subject to the conditions set out herein (the rights set out in this Clause 2.1 shall be collectively referred to as the "**Portfolio Option**").

For the avoidance of doubt, where the Paragon Banking Group holds (where the RC2 Residual Certificates are represented by Registered Residual Certificates) 50 per cent. or more in number of the RC2 Residual Certificates or (where the RC2 Residual Certificates are represented by a Global Residual Certificate) the beneficial interest 50 per cent. or more in number of the RC2 Residual Certificates, no Residual Certificateholder may exercise the Portfolio Option.

2.2 Nothing in this Deed shall prevent the Issuer from transferring the Mortgages if permitted to do so under the Relevant Documents or if the Issuer is required to or proposes to exercise its right to redeem the Notes in full pursuant to the terms and conditions of the Notes.

3. **EXERCISE OF PORTFOLIO OPTION**

3.1 The Portfolio Option may be exercised in whole (but not in part) at any time after the Portfolio Option Commencement Date by notice (substantially in the form set out in Schedule 1 (*Form of Exercise Notice*)) not more than 90 days nor less than 45 days prior to the immediately succeeding Interest Payment Date from the Portfolio Option Holder to the Issuer, with a copy to the Trustee, the Legal Title Holders and each of the Rating Agencies, (such notice, an "**Exercise Notice**") that the Portfolio Option Holder wishes to exercise the Portfolio Option by requiring the Issuer to:

- (a) sell and transfer the Whole Beneficial Title in all (but not some) of the Mortgages to the Beneficial Title Transferee for the Portfolio Option Purchase Price; and
- (b) if the Portfolio Option Holder has not obtained written confirmation from each Legal Title Holder that it has agreed to hold the Whole Legal Title on trust for the Beneficial Title Transferee, transfer the Whole Legal Title, or if, at the time the Portfolio Option is exercised, the Issuer does not hold the Whole Legal Title, procure that the Legal Title Holders transfer the Whole Legal Title, to the Legal Title Transferee,

for effect on an Interest Payment Date following the service of the Exercise Notice (the Interest Payment Date identified as the date on which the purchase by the Beneficial Title Transferee of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title to the Legal Title Transferee is expected to be completed pursuant to the terms of this Deed being the "**Target Portfolio Purchase Completion Date**").

3.2 The Exercise Notice shall:

- (a) specify the Target Portfolio Purchase Completion Date;

- (b) specify the Beneficial Title Transferee;
 - (c) either:
 - (i) specify the identity of the Legal Title Transferee; or
 - (ii) confirm that the written consent of the Legal Title Holders has been obtained to hold the Whole Legal Title on behalf of the Beneficial Title Transferee, such consent to be evidenced by each Legal Title Holder countersigning the Exercise Notice; and
 - (d) request that the Issuer or PML as Administrator on its behalf confirms the Portfolio Option Purchase Price.
- 3.3 Promptly upon receipt of an Exercise Notice, the Issuer shall request PML as Administrator to calculate and provide the Issuer with the Portfolio Option Purchase Price or where such calculation is made prior to the Principal Determination Date immediately preceding the Target Portfolio Purchase Completion Date, an estimate of the Portfolio Option Purchase Price.
- 3.4 The Issuer shall, within two Business Days of receipt of an Exercise Notice, serve on the Beneficial Title Transferee a notice (substantially in the form set out in Schedule 2) (the "**Counter Notice**") confirming:
- (a) the estimated Target Portfolio Purchase Completion Date specified in the Exercise Notice; and
 - (b) the amount or, as applicable, estimated amount of the Portfolio Option Purchase Price payable (which shall be obtained in accordance with Clause 3.3 above).
- 3.5 The Beneficial Title Transferee shall confirm whether it wishes the Issuer to proceed with the sale of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title by serving a notice (substantially in the form set out in Schedule 3 (*Acceptance Notice*) (the "**Acceptance Notice**")) on the Issuer within two Business Days of receipt of the Counter Notice.
- 3.6 If no Acceptance Notice is served within the period referred to in Clause 3.5 above, then the Exercise Notice and the Counter Notice shall be of no further effect.
- 3.7 To the extent that the Beneficial Title Transferee confirms in the Acceptance Notice that it wishes the Issuer to proceed with the sale contemplated in the Exercise Notice and the Counter Notice, the Beneficial Title Transferee shall purchase the Whole Beneficial Title and (if applicable) the Whole Legal Title shall be transferred upon the terms set out in this Deed.
- 3.8 After receipt by the Issuer of an Acceptance Notice duly executed by the Beneficial Title Transferee, the Issuer will (subject to the terms of this Deed):
- (a) where the Portfolio Option Purchase Price provided to the Beneficial Title Transferee is an estimated amount, request from PML as Administrator and provide to the Beneficial Title Transferee a definitive Portfolio Option

Purchase Price (which shall be calculated as at the Principal Determination Date immediately preceding the Target Portfolio Purchase Completion Date); and

- (b) take any and all reasonable steps necessary to effect the sale of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title to the Legal Title Transferee as set out in Clause 3.1 above.
- 3.9 The Issuer and the parties specified in the Exercise Notice shall enter into a binding agreement in accordance with the Law of Property (Miscellaneous Provisions) Act 1989 if required to do so by the Portfolio Option Holder in order to give effect to the sale referred to in this Deed.
- 3.10 The parties hereto acknowledge that neither any Seller nor the Legal Title Holders shall be required to provide any representations or warranties in relation to the Mortgages. The Issuer shall only provide the representations and warranties set out in Clause 10 (*Issuer Representations and Warranties*) hereto in relation to the sale of the Mortgages pursuant to this Deed.
- 3.11 Following delivery of the Acceptance Notice or as applicable (where the Portfolio Option Purchase Price provided to the Beneficial Title Transferee is an estimated amount) the confirmation of a definitive Portfolio Option Purchase Price by the Issuer (or PML as Administrator on its behalf), the Beneficial Title Transferee will agree with the Issuer to:
- (a) either:
 - (i) deposit an amount equal to the Portfolio Option Purchase Price in either an escrow account in the name of the Beneficial Title Transferee or in any other account as may be agreed between the Issuer and the Beneficial Title Transferee (including the Transaction Account); or
 - (ii) provide irrevocable payment instructions for an amount to be transferred equal to the Portfolio Option Purchase Price for value on the Target Portfolio Purchase Completion Date to the Transaction Account or such other account as may be agreed between the Issuer and Beneficial Title Transferee, provided that such deposit shall be made or irrevocable payment instructions shall be given no later than (x) four Business Days prior to the Target Portfolio Purchase Completion Date or (y) such other date as the Issuer, at its sole discretion and the Beneficial Title Transferee may agree, provided further that such deposit shall be made or irrevocable payment instructions shall be given (as applicable) in sufficient time to enable the Issuer to fully repay the Notes and any accrued interest pursuant to Condition 5(e); and/or
 - (b) take any other action as may be agreed by the Beneficial Title Transferee, the Issuer and the Trustee in relation to the payment of the Portfolio Option Purchase Price.

- 3.12 The Issuer shall notify the Noteholders and the Certificateholders of the exercise of the Portfolio Option pursuant to Condition 5(e).
- 3.13 The sale of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title pursuant to the Portfolio Option shall also be subject to the following conditions:
- (a) either:
 - (i) the Beneficial Title Transferee and (if applicable) the Legal Title Transferee are resident for tax purposes solely in the United Kingdom; or
 - (ii) the Issuer, having received tax advice from an appropriately qualified and experienced United Kingdom tax adviser in the form and substance satisfactory to it (acting reasonably), or such other comfort as may reasonably be required by it (including, without limitation, any clearance or other confirmation granted by HM Revenue and Customs) ("**Tax Advice**"), is satisfied that sale of the Whole Beneficial Title and (if applicable) transfer of the Whole Legal Title will not create or increase any liabilities of the Issuer to United Kingdom tax or any tax imposed by the jurisdiction of the Beneficial Title Transferee and (if applicable) the Legal Title Transferee;
 - (b) either:
 - (i) the Legal Title Transferee has all the appropriate licences, approvals, authorisations, consents, permissions and registrations (including any FSMA Authorisations and any rules and regulations of the FCA) required to administer mortgage loans such as the Mortgages (the "**Relevant Authorisations**"); or
 - (ii) the Beneficial Title Transferee has appointed an administrator who has the Relevant Authorisations and that the Legal Title Holders have confirmed in writing that they will hold legal title to the Mortgages on trust for Beneficial Title Transferee; and
 - (c) the Beneficial Title Transferee shall not be permitted to transfer the beneficial interest in any of the Mortgages to a further purchaser until the transfer of the Whole Legal Title is perfected unless such transfer of beneficial interest is made to an entity which is within the charge to United Kingdom corporation tax as regards any payment relating to the Mortgages.
- 3.14 The costs relating to the Tax Advice referred to in Clause 3.13(a) shall be borne by Portfolio Option Holder.
- 3.15 The Portfolio Option Purchase Price will, on the Target Portfolio Purchase Completion Date, be applied as Available Principal and Available Revenue (where applicable) in accordance with the Principal Priority of Payments and the Revenue Priority of Payments and deposited to the Transaction Account.

4. SALE AND COMPLETION

4.1 On the Target Portfolio Purchase Completion Date:

- (a) the Beneficial Title Transferee shall purchase and the Issuer shall sell the Whole Beneficial Title to the Beneficial Title Transferee in consideration for the Portfolio Option Purchase Price; and
- (b) (if applicable) the Issuer shall transfer the Whole Legal Title, or if, at the time the Portfolio Option is exercised, the Issuer does not hold the Whole Legal Title, procure that each Legal Title Holder transfers the Whole Legal Title to the Legal Title Transferee.

4.2 On completion of the sale referred to in Clause 4.1, if the Whole Legal Title is to be transferred to an entity other than a Legal Title Holder, the Issuer shall deliver, or if, at the time the Portfolio Option is exercised, the Issuer does not hold the Whole Legal Title, procure the delivery to the Legal Title Transferee or as the Legal Title Transferee may direct:

- (a) all accounts, books and records which show all transactions, payments, receipts and proceedings; and
- (b) the Title Deeds,

in respect of the Mortgages.

4.3 At the cost of the Portfolio Option Holder, the Issuer shall serve, or if, at the time the Portfolio Option is exercised, the Issuer does not hold the Whole Legal Title, direct the Legal Title Holders to serve all relevant notices and take all steps (including carrying out requisite registrations and recordings) in order to effectively vest the Whole Legal Title in the Legal Title Transferee, in each case subject to the terms and conditions set out in this Deed Poll, such notices to be given promptly after the Target Portfolio Purchase Completion Date.

4.4 Any Principal Receipts and Revenue Receipts received by the Issuer from the Principal Determination Date immediately prior to the Target Portfolio Purchase Completion Date to and including the Target Portfolio Purchase Completion Date (such amounts being "**Optional Purchase Collections**") will be payable to or for the account of the Beneficial Title Transferee and the Issuer shall transfer all such amounts to or for the account of the Beneficial Title Transferee on the Target Portfolio Purchase Completion Date.

4.5 If at any time after completion the Issuer or any person acting as its agent or on its behalf holds, or there is held to its order, or there is received to its order, any property, interest, right or benefit and/or the proceeds thereof in relation to the Mortgages, the Issuer will, as soon as reasonably practicable, remit, assign or transfer, as the case may require, the same to the Beneficial Title Transferee and until such remittance, assignment or transfer is completed will hold that property, interest, right or benefit and/or the proceeds thereof upon trust for the Beneficial Title Transferee as the absolute beneficial owner thereof.

5. **BENEFIT**

This Deed shall take effect as a Deed Poll for the benefit of the Portfolio Option Holder. This Deed shall be held by the Issuer until all the obligations of the Issuer under this Deed have been discharged in full.

6. **VAT**

6.1 Any sum (or other consideration) payable (or provided) by any person (other than the Issuer) pursuant to this Deed shall be deemed to be exclusive of any VAT chargeable on any supply or supplies for which that sum (or other consideration) is the consideration (in whole or in part) for VAT purposes and any sum (or other consideration) payable (or provided) by the Issuer pursuant to this Deed shall be deemed to be inclusive of any VAT chargeable on any supply or supplies for which that sum (or other consideration) is the consideration (in whole or in part) for VAT purposes and section 89 of the Value Added Tax Act 1994 shall not apply to affect the amount of such sum (or other consideration) payable (or provided) by the Issuer.

6.2 Where, pursuant to the terms of this Deed, any person (the "**Supplier**") makes a supply to any other person (other than the Issuer) (the "**Recipient**") for VAT purposes and VAT is or becomes chargeable on such supply, such Recipient shall, subject to the receipt of a valid VAT invoice in respect of such supply, pay to the Supplier (in addition to and at the same time as any other consideration for such supply) a sum equal to the amount of such VAT.

7. **STAMP TAXES**

7.1 Subject to Clause 7.2, the Issuer will pay any stamp tax and other similar transfer duties and taxes, including interest and penalties, payable on or in connection with the execution of this Deed and any action taken by the Beneficial Title Transferee to enforce the provisions of this Deed.

7.2 Any stamp duty, stamp duty reserve tax, stamp duty land tax or land and buildings transactions tax (together, in each case, with any interest or penalties) payable on or in connection with the transfer of the Mortgages pursuant to an Exercise Notice shall be for the account of the Beneficial Title Transferee.

8. **FURTHER ASSURANCE**

Notwithstanding completion of the sale and purchase of the Whole Beneficial Title and (if applicable) the transfer of the Whole Legal Title, the Issuer will and will procure that the Legal Title Holders will, from time to time execute all reasonable documents, do all reasonable acts and things and give all reasonable further assurances, and will afford such reasonable assistance as the Beneficial Title Transferee may reasonably request and as may be reasonably necessary or expedient, effectively to vest, and ensure that there is and remains vested in (a) the Beneficial Title Transferee, the Whole Beneficial Title, and (if applicable) (b) the Legal Title Transferee, the Whole Legal Title, and to give to the Beneficial Title Transferee and (if applicable) the Legal Title Transferee, or enable the Beneficial Title Transferee and (if applicable) the Legal Title Transferee to receive, the full benefit of any such transfer of the Whole Beneficial Title and the Whole Legal Title (as the case may be).

9. **ADMINISTRATOR INFORMATION**

The Issuer shall use reasonable endeavours to procure that each Administrator shall provide the Portfolio Option Holder with any information it reasonably requests from time to time in respect to the Mortgages which it has in its possession and is reasonably available to it but only: (i) to the extent that such information is reasonably requested by the Portfolio Option Holder in connection with the exercise or possible exercise of its rights under this Deed; and (ii) subject always to any requirements of any data protection and privacy laws and regulations in effect in the United Kingdom being met to the reasonable satisfaction of the relevant Administrator.

10. **ISSUER REPRESENTATION AND WARRANTIES**

By agreeing to sell and transfer the Whole Beneficial Title and (if applicable) transfer the Whole Legal Title, the Issuer shall be deemed to represent and warrant to the Beneficial Title Transferee on the Target Portfolio Purchase Completion Date that:

- (a) immediately prior to the completion of the sale of the Whole Beneficial Title, the Issuer was the beneficial title holder of the Mortgages to be sold to the Beneficial Title Transferee pursuant to this Deed;
- (b) (if applicable) immediately prior to the transfer of the Whole Legal Title, the Issuer was:
 - (i) the legal title holder of the Mortgages to be transferred to the Legal Title Transferee pursuant to this Deed; or
 - (ii) if, at the time the Portfolio Option is exercised, the Issuer does not hold the Whole Legal Title, the holder of the right to direct the Legal Title Holders to transfer the legal title to the Mortgages to it, subject to the provisions of the Mortgage Sale Agreement;
- (c) on the Target Portfolio Purchase Completion Date, the Mortgages to be purchased by the Beneficial Title Transferee will not be encumbered in any way (including by the Charged Property) other than Discretionary Further Advances funded in accordance with clause 8.1.2 of the Administration Agreement or clause 11.2(c) of the Deed of Charge; and
- (d) all formal approvals, consents and other steps binding on the Issuer necessary to permit a legal assignment of the Whole Beneficial Title and the Whole Legal Title to be transferred pursuant to this Deed have or will have, as at the Target Portfolio Purchase Completion Date, been obtained or taken.

11. **THIRD PARTY RIGHTS**

- 11.1 Save as set out in Clause 11.2 below, a person who is not a party to this Deed may not rely upon it and the terms of the Contracts (Rights of Third Parties) Act 1999 are excluded.
- 11.2 Notwithstanding Clause 11.1 above, the Portfolio Option Holder may rely upon the terms of this Deed Poll.

12. **GOVERNING LAW**

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

13. **JURISDICTION**

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

IN WITNESS WHEREOF this Deed has been entered into as a deed poll by the Issuer.

EXECUTED as a **DEED** and delivered by)
PARAGON MORTGAGES (NO.25) PLC)
acting by two Directors being)

Intertrust Directors 1 Limited; and

Intertrust Directors 2 Limited


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SCHEDULE 1
FORM OF EXERCISE NOTICE

[On letterhead of Portfolio Option Holder]

To: Paragon Mortgages (No.25) plc
51 Homer Road
Solihull
West Midlands B91 3QJ (the "**Issuer**")

copy: Citicorp Trustee Company Limited (the "**Trustee**")
Paragon Mortgages (2010) Limited (a "**Legal Title Holder**")
Paragon Bank plc (a "**Legal Title Holder**")
Fitch Ratings Limited
Moody's Investors Service Limited
[Beneficial Title Transferee]
[Legal Title Transferee]

[Date]

Dear Sirs,

Exercise of Portfolio Option

We refer to a Deed Poll dated 26 April 2018 issued by the Issuer in relation to the optional purchase of a portfolio of mortgage loans (the "**Deed Poll**"). Capitalised terms used in this letter shall have the meanings set out in the Deed Poll.

We hereby certify that we are the Portfolio Option Holder and are entitled to exercise the Portfolio Option by delivering this Exercise Notice.

We hereby notify you of our intention to exercise the Portfolio Option. We hereby notify you that, pursuant to the terms of the Deed Poll:

- (a) the Target Portfolio Purchase Completion Date shall be [•];
- (b) the Beneficial Title Transferee shall be [•] and
- (c) [the Legal Title Transferee shall be [•]] [each Legal Title Holder has confirmed that it has agreed to hold the Whole Legal Title on trust for the Beneficial Title Transferee],

and accordingly, we require you, on the Target Portfolio Purchase Completion Date, to:

- (d) transfer the Whole Beneficial Title in the Mortgages to the Beneficial Title Transferee[; and
- (e) transfer the Whole Legal Title in the Mortgages to the Legal Title Transferee] / [procure that the Legal Title Holders transfer the Whole Legal Title in the Mortgages to the Legal Title Transferee.]

Please confirm to us within [2] Business Days of the receipt of this Exercise Notice (i) that you will be able to effect the sale and purchase of the Whole Beneficial Title [and the transfer

of the Whole Legal Title] in the Mortgages on the Target Portfolio Purchase Completion Date subject to and in accordance with the Deed Poll and (ii) the Portfolio Option Purchase Price payable by us to the Issuer.

For the avoidance of doubt this Exercise Notice does not constitute and is not to be construed as an agreement by us to acquire the Whole Beneficial Title and the Whole Legal Title. You acknowledge that unless [we][the Beneficial Title Transferee] agree to purchase such Whole Beneficial Title [and [we][the Legal Title Transferee] accept the transfer of the Whole Legal Title] to the Mortgages by delivering an Acceptance Notice, [we][the Beneficial Title Transferee][and the Legal Title Transferee]] may in [our][their] sole discretion decline and not accept to purchase the Whole Beneficial Title [and accept the transfer of the Whole Legal Title].

We confirm [we][the Beneficial Title Transferee][and the Legal Title Transferee] are resident for tax purposes in the United Kingdom].

We confirm that [the Legal Title Transferee has all the Relevant Authorisations][[we][the Beneficial Title Transferee] has appointed [•] as the administrator of the Mortgages and [•] has all the Relevant Authorisations].

We attach to this Exercise Notice proof of our holding of the required number of the [RC2] Residual Certificates dated the date hereof.

Yours faithfully

[Portfolio Option Holder]

[We, Paragon Bank plc and Paragon Mortgages (2010) Limited (the "**Legal Title Holders**") hereby confirm that we agree to hold the Whole Legal Title to the Mortgages on trust for the Beneficial Title Transferee on and from the Target Portfolio Purchase Completion Date.

Countersigned by Paragon Bank plc

By: _____

Countersigned by Paragon Mortgages (2010) Limited

By: _____]

SCHEDULE TO THE EXERCISE NOTICE

[Proof of holding the required number of the [RC2] Residual Certificates dated the date of the Exercise Notice]

**SCHEDULE 2
COUNTER NOTICE**

To: Portfolio Option Holder

[Beneficial Title Transferee]

With copy to: Paragon Bank plc (a "**Seller**" and a "**Legal Title Holder**")
Paragon Mortgages (2010) Limited (a "**Seller**" and a "**Legal Title Holder**")
Citicorp Trustee Company Limited (the "**Trustee**");
[Paragon Mortgages (2010) Limited (an "**Administrator**")]; and
[Legal Title Transferee]

[Date]

Dear Sirs,

We confirm receipt of your notice dated [•] (the "**Exercise Notice**") in relation to the sale and purchase of the Whole Beneficial Title [and the transfer of the Whole Legal Title] pursuant to the Deed Poll made by us on or about 26 April 2018 (the "**Deed Poll**"). This is a Counter Notice referred to in the Clause 3.4 of the Deed Poll.

Capitalised terms that are used but not defined herein shall have the meanings as are ascribed to them in the Deed Poll or as incorporated by reference into the Deed Poll or to the extent not defined in (or incorporated by reference into) the Deed Poll in the Exercise Notice.

We hereby confirm in accordance with the Exercise Notice and Clause 3.4 of the Deed Poll:

- (a) that the Target Portfolio Purchase Completion Date is [•];
- (b) that the [estimated] Portfolio Option Purchase Price on the Target Portfolio Purchase Completion Date shall be £[•];
- (c) our agreement to transfer Whole Beneficial Title in the Mortgages to you; [and
- (d) our agreement to [transfer the Whole Legal Title in the Mortgages to [you][the Legal Title Transferee]] / [procure that the Legal Title Holders transfer Whole Legal Title in the Mortgages to [you][the Legal Title Transferee]].

Please confirm on behalf of yourself that you are willing to proceed with the purchase of the Whole Beneficial Title [and the transfer of the Whole Legal Title] upon the terms set out in this Counter Notice, the Acceptance Notice and the Deed Poll by returning to us a duly signed Acceptance Notice within [one] Business Day of receipt of this Counter Notice. If we do not receive an Acceptance Notice within the above prescribed time period we shall treat the Exercise Notice served on us as having no further effect.

Signed by:

For and on behalf of

PARAGON MORTGAGES (NO.25) PLC

per pro Intertrust Directors 1 Limited, as Director

**SCHEDULE 3
ACCEPTANCE NOTICE**

To: Paragon Mortgages (No.25) plc
51 Homer Road
Solihull
West Midlands B91 3QJ (the "**Issuer**")

With copy to: Paragon Bank plc (a "**Seller**" and a "**Legal Title Holder**")
Paragon Mortgages (2010) Limited (a "**Seller**" and a "**Legal Title Holder**")
Citicorp Trustee Company Limited (the "**Trustee**");
[Paragon Mortgages (2010) Limited (an "**Administrator**")]; and
[*Legal Title Transferee*]

[Date]

Dear Sirs,

We confirm receipt of your notice dated [•] (the Counter Notice) in relation to the sale and purchase of the Whole Beneficial Title [and the transfer of the Whole Legal Title] pursuant to the deed poll made by you on or about 26 April 2018 (the "**Deed Poll**"). This is an Acceptance Notice referred to in Clause 3.5 of the Deed Poll.

Capitalised terms that are used but not defined herein shall have the meanings as are ascribed to them in the Deed Poll or as incorporated by reference into the Deed Poll or to the extent not defined in (or incorporated by reference into) the Deed Poll in the Exercise Notice.

We hereby confirm that we are willing to proceed with the purchase of the Whole Beneficial Title [and the transfer of the Whole Legal Title] upon the terms set out in the Exercise Notice, Counter Notice and the Deed Poll.

The [estimated] Portfolio Option Purchase Price payable by us on the Target Portfolio Purchase Completion Date is £[•].

[Subject to you providing a definitive Portfolio Option Purchase Price as soon as reasonably practicable after the receipt of this notice,] [the/The] execution by us of this Acceptance Notice shall constitute a binding agreement pursuant to which you agree to sell and the Beneficial Title Transferee agrees to purchase the Whole Beneficial Title in the Mortgages [and you agree to transfer the Whole Legal Title to the Legal Title Transferee].

Portfolio Option Holder

SIGNED by

for and on behalf of

[*insert name of Portfolio Option Holder*]

[Beneficial Title Transferee:

SIGNED by

for and on behalf of

[insert name of Beneficial Title Transferee]

[insert name of Beneficial Title Transferee]