

PARAGON MORTGAGES (NO. 28) PLC  
AS THE ISSUER

PARAGON MORTGAGES (2010) LIMITED  
AS A SELLER, A LEGAL TITLE HOLDER AND AN ADMINISTRATOR

PARAGON BANK PLC  
AS A SELLER, A LEGAL TITLE HOLDER AND AN ADMINISTRATOR

AND

CITICORP TRUSTEE COMPANY LIMITED  
AS THE TRUSTEE

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ADMINISTRATION AGREEMENT

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**THIS ADMINISTRATION AGREEMENT** is made as a deed on 11 November 2020

**BETWEEN:**

- (1) **PARAGON MORTGAGES (NO. 28) PLC** (registered number 12898419) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ (the "**Issuer**");
- (2) **PARAGON MORTGAGES (2010) LIMITED** (registered number 6595834) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ ("**PML**" in its capacity as a "**Seller**", in its capacity as a "**Legal Title Holder**" and in its capacity as an "**Administrator**");
- (3) **PARAGON BANK PLC** (registered number 5390593) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ ("**Paragon Bank**" in its capacity as a "**Seller**" and together with PML, the "**Sellers**", in its capacity as a "**Legal Title Holder**" and together with PML, the "**Legal Title Holders**" and in its capacity as an "**Administrator**", and together with PML, the "**Administrators**"); and
- (4) **CITICORP TRUSTEE COMPANY LIMITED** (registered number 235914) whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (in its capacity as the trustee, the "**Trustee**", which expression shall include such person and all other persons for the time being acting as the trustee or trustees under the Trust Deed referred to below).

**WHEREAS:**

- (A) The Sellers carry on the business of investing in and originating, mortgage loans secured on residential or other properties within England and Wales. PML and Paragon Bank also carry on the business of managing and administering mortgage loan portfolios, car loan portfolios and unsecured consumer loan portfolios.
- (B) The Sellers have agreed to sell certain mortgages, which are taken out by individual borrowers, to the Issuer together with, where relevant, the benefit of the collateral security for the same.
- (C) The Sellers have further agreed to sell certain mortgages, which are taken out by corporate borrowers, to the Issuer together with, where relevant, the benefit of the collateral security for the same.
- (D) Pursuant to the Deed of Charge the Issuer proposes to charge or assign to the Trustee the Mortgages (as defined below) and, where relevant, collateral security purchased by it and all its other assets as security for, among other things, its obligations in relation to the issue of the Notes.
- (E) PML and Paragon Bank are willing to provide administration and management services to the Sellers, the Issuer and the Trustee (each to the extent of their interest) in relation to the Mortgages (as defined below), and collateral security purchased by the Issuer and charged by the Issuer in favour of the Trustee on the terms and subject to the conditions contained in this Agreement.
- (F) The Issuer is entering into this Agreement with the intention of ensuring that where it receives any amounts ("**R**") during an accounting period (as defined in Chapter 2, Part

2 of the CTA 2009), it will pay to third parties (including where applicable other parties to this Agreement), during the same accounting period or within 18 months thereafter, amounts which are in aggregate at least equal to R, less the aggregate of any amounts retained by the Issuer out of R during the accounting period either:

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

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

- (G) The Issuer intends to ensure that if during an accounting period (as so defined) any amounts of RA (retained in whatever accounting period) either:
  - (a) cease to be reasonably required for a relevant purpose; or
  - (b) are required to be applied in meeting the losses or expenses reserved against,such amounts will be added to R for the accounting period in question and dealt with accordingly.

**IT IS HEREBY AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

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

"**Additional Mortgage MRF Required Amount**" has the meaning given to it in Clause 6.12.4;

"**Additional Mortgage Pool**" means the Mortgages in the Closing Date Mortgage Portfolio that were not in the Provisional Mortgage Portfolio;

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

"**Administrator**" means the relevant Administrator, being:

- (a) throughout the period when both PML and Paragon Bank are the Administrators under this Agreement, severally:
  - (i) PML in relation to all matters relating to the PML Mortgages including, without limitation, all dealings with Borrowers in respect of the PML Mortgages and the matters provided for in Clauses 4.9 (*Investment of Transaction Cash and Hedge Collateral Cash*), 4.10 (*Conversion of Mortgages*), 5 (*Mortgage Rate*), 8 (*Legal Title Holder Further Advances, Discretionary Further Advances and Mandatory Further Advances*), 9 (*Redemption of Mortgages*), 13 (*Insurances*) and 14 (*Mortgage Deeds*) of this Agreement;
  - (ii) Paragon Bank in relation to all matters relating to the Paragon Bank Mortgages including, without limitation, all dealings with Borrowers in respect of the Paragon Bank Mortgages and the matters provided for in Clauses 4.10 (*Conversion of Mortgages*), 5 (*Mortgage Rate*), 8 (*Legal Title Holder Further Advances, Discretionary Further Advances and Mandatory Further Advances*), 9 (*Redemption of Mortgages*), 13 (*Insurances*) and 14 (*Mortgage Deeds*) of this Agreement; and
  - (iii) PML in relation to any other Services to be provided by the Administrators pursuant to this Agreement including, without limitation, matters relating to the Issuer's cash, finances and obligations (provided for in Clause 6 (*Payments, Accounts, Ledgers*) of this Agreement) information and reporting obligations (provided for in Clause 12 (*Information*) of this Agreement), and obligations relating to the Securitisation Regulation (as provided for in Clause 19 (*Securitisation Regulation Reporting*)) and as provided for under the Relevant Documents;
- (b) throughout the period from and including the time when one of the Administrators (the "**Assuming Administrator**") assumes the role of the other Administrator pursuant to clause 9.4 of the Deed of Charge, the Assuming Administrator; and
- (c) at any time in the event of both PML and Paragon Bank ceasing to be Administrators as contemplated in this Agreement, any other person (including the Substitute Administrator) appointed in substitution for both PML and Paragon Bank as provider of the Services (for the avoidance of doubt, such substitution to be in respect of both PML and Paragon Bank as Administrators and not one of them only) other than in accordance with Clauses 20.5 and 20.6;

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

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

"**Affected Seller**" has the meaning given to it in Clause 4.4.2;

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

"**Amortised Cost Adjustment**" means the difference between the current balance of the loans in the portfolio and their carrying value for accounting purposes determined on the amortised cost basis, as defined in International Financial Reporting Standards applicable at the time of the Closing Date, the measurement and recognition criteria of which are applied by the Issuer in accordance with UK GAAP on the Closing Date;

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

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

"**Article 5 Information**" means such information as a Noteholder certifies as being necessary to be obtained by it in order for such Noteholder to undertake the due diligence required by Article 5 of the Securitisation Regulation;

"**Article 5 Information Request**" means a written notice received by the Trustee from any Noteholder requesting Paragon Bank to provide such Article 5 Information as may be specified therein, together with: (a) a proof of the Noteholder's holding of Notes in a form reasonably satisfactory to the Trustee, (b) a postal or email address through which the Noteholder may be contacted for the purposes of providing a response to such Article 5 Information Request, and (c) a certification from the Noteholder that the information requested therein is Article 5 Information;

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

- (a) Sterling denominated securities, bank accounts or other obligations of or rights against entities in respect of any monies in any entities for a period of not more than 30 days (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) with (i) a long-term issuer default rating by Fitch of at least A and whose long-term unsecured and unguaranteed debt is rated at least A3 by Moody's and (ii) a short term issuer default rating by Fitch of at least F1; or
- (b) Sterling denominated securities, bank accounts or other obligations (other than in respect of any asset-backed securities, credit linked notes, swaps, other derivative instruments or synthetic securities) as would not adversely affect the then-current ratings of the Most Senior Class of Rated Notes **provided that** any monies invested in entities for a period of more than 31 days are invested in an entity and mature on or before the next following Interest Payment Date (i) with a long-term issuer default rating by Fitch of at least AA- and whose long-term unsecured and unguaranteed debt is rated at least A2 by Moody's and whose short term unsecured and unguaranteed debt is rated at least P-1 by Moody's and (ii) with a short term issuer default rating by Fitch of at least F1+;

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

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

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

**"Banking Day"** means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

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

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

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

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

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

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

**"Class A and Class B Liquidity Deficit"** shall be, on any Interest Payment Date, an amount equal to any shortfall in Available Revenue (where such Interest Payment Date falls on the Class B Redemption Date, excluding items (f), (g) and (h) of the definition of Available Revenue) to pay:

- (a) the amounts referred to in items (a) to (d) in the Revenue Priority of Payments (in the same order of priority as set out in the Revenue Priority of Payments); and
- (b) the amounts referred to in item (f) in the Revenue Priority of Payments in accordance with clause 6.1.2 of the Deed of Charge;

**"Class A and Class B Liquidity Reserve Fund"** means the fund established on the Closing Date, which will be credited with the Class A and Class B Liquidity Reserve Fund Required Amount from part of the proceeds of the Class S Noteholders' subscription for the Class S Notes on the Closing Date;

**"Class A and Class B Liquidity Reserve Fund Ledger"** means the ledger so referred to in Clause 6.1.1;

**"Class A and Class B Liquidity Reserve Fund Release Amount"** has the meaning given to it in Clause 6.9.6;



**"Class A and Class B Liquidity Reserve Fund Required Amount"** means:

- (a) on any Interest Payment Date falling prior to the Class B Redemption Date:
  - (i) if a Required Amount Trigger has not occurred prior to the Principal Determination Date immediately preceding such Interest Payment Date, an amount equal to 1.5 per cent. of the aggregate current Principal Amount Outstanding of the Class A Notes and Class B Notes prior to the application of Available Redemption Funds on such Interest Payment Date; and
  - (ii) if a Required Amount Trigger has occurred prior to the Principal Determination Date immediately preceding such Interest Payment Date, an amount equal to 1.5 per cent. of the aggregate current Principal Amount Outstanding of the Class A Notes and Class B Notes on the Interest Payment Date immediately preceding the date on which the Required Amount Trigger occurred (following the application of Available Redemption Funds on such Interest Payment Date); and
- (b) on any Interest Payment Date falling on or after the Class B Redemption Date, zero;

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

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

**"Class B Redemption Date"** means the Interest Payment Date in respect of which PML as Administrator determines on the immediately preceding Principal Determination Date (and no later than one Business Day from the Interest Determination Date) that, following the application on such Interest Payment Date of (i) Available Revenue in accordance with the Revenue Priority of Payments, (ii) any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Revenue Priority of Payments in the order that they appear in the Revenue Priority of Payments, the sum of the Class B Available Redemption Funds would be sufficient to redeem in full the Class B Notes on such Interest Payment Date;

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

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

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

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

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

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

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

"**Class S VFN Commitment Termination Date**" means the date on which the commitment of the Class S VFN Holder in respect of the Class S VFN will be extinguished, such date being the earlier to occur of:

- (a) the Final Maturity Date; or
- (b) an Event of Default;

"**Class S VFN Drawdown Ledger**" means the ledger so referred to in Clause 6.1.1;

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

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

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

"**Closing Date Mortgage Portfolio**" means the Mortgages purchased from the Sellers on the Closing Date (which, for the avoidance of doubt, may be comprised of Mortgages selected from the Provisional Mortgage Pool and other Mortgages not selected from the Provisional Mortgage Pool);

"**Collection Account Provider**" means the relevant financial institutions with which the relevant Collection Account(s) are maintained, being Barclays Bank plc and National Westminster Bank PLC at the Closing Date;

"**Collection Accounts**" means the account of PML numbered 13312232 (Code 20-19-90) with Barclays Bank plc at its branch at Barclays Bank plc, London Corporate Banking Centre, PO Box No 554, London, EC3P 3AH, (the "**PML Collection Account**") the account of Paragon Bank numbered 59506954 (Code 55-50-15), with National Westminster Bank plc at its branch at 4 High Street, Solihull, West Midlands, B91 3TF (the "**PB Collection Account**") and/or such other account (or accounts) of PML or Paragon Bank which has (or have) been approved in writing by the Trustee (**provided that**, for the avoidance of doubt, the approval in writing of the Trustee shall not be required in respect of the transfer of: (x) any Collection Account to HSBC Bank plc; or (y) the PB Collection Account to Barclays Bank plc, in each case in accordance with Clause 6.5.3 of this Agreement);

"**Collection Account Declarations of Trust**" means each of the declarations of trust over the Collection Accounts in favour of the Issuer made by PML as holder of the PML Collection Account (the "**PML Collection Account Declaration of Trust**") and by Paragon Bank as holder of the PB Collection Account (the "**PB Collection Account Declaration of Trust**") as the same may be supplemented and amended from time to time (including by any supplemental deed of declaration of trust dated on or about the

date of this Agreement) and as may be further supplemented and amended from time to time and/or any additional or replacement declaration of trust executed pursuant to Clauses 6.5.2 and/or 6.5.3 of this Agreement;

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

**"Compounded Daily SONIA"** means the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Reference Agent (or such other party responsible for the calculation of the Rate of Interest) as at the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_{i-5LBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

**"d"** is the number of calendar days in the relevant Interest Period;

**"d<sub>0</sub>"** is the number of Banking Days in the relevant Interest Period;

**"i"** is a series of whole numbers from one to d<sub>0</sub>, each representing the relevant Banking Day in chronological order from, and including, the first Banking Day in the relevant Interest Period;

**"n<sub>i</sub>"**, for any day "i", means the number of calendar days from and including such day "i" up to but excluding the following Banking Day;

**"SONIA<sub>i-5LBD</sub>"** means, in respect of any Banking Day falling in the relevant Observation Period, the Reference Rate for the Banking Day falling five Banking Days prior to the relevant Banking Day "i".

**"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;

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

**"Conversion Margin Reserve Fund Ledger"** means the ledger so referred to in Clause 6.1.1;

**"Conversion MRF Discretionary Amount"** means, on each Interest Payment Date (prior to the Step-Up Date and where a Paragon Banking Group Company owns more than 50 per cent. of the Residual Certificates) an amount that PML as Administrator

reasonably determines is required to be credited to the Conversion MRF Discretionary Fund on each Interest Payment Date in order that the amount standing to the credit of the Conversion MRF Discretionary Fund Ledger is sufficient to fund the Conversion MRF Required Amount in respect any Proposed Interest Rate Converted Mortgage which any Administrator expects to be converted by such Administrator in the Collection Period commencing on the immediately preceding Principal Determination Date, as reasonably determined by the Administrator;

**"Conversion MRF Discretionary Fund"** means the amount standing to the credit of the Conversion MRF Discretionary Fund Ledger from time to time;

**"Conversion MRF Discretionary Fund Ledger"** means the ledger so referred to in Clause 6.1.1;

**"Conversion MRF Excess Amount"** has the meaning given to it in Clause 6.13.5;

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

**"COVID Missed Payment"** means a missed payment due to a deferral requested by a Borrower arising out of payment difficulties or expected payment difficulties as a result of circumstances relating to coronavirus;

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

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

**"Cross-collateral Party"** means a party to the PML Cross-collateral Mortgage Rights Deed or to the Paragon Bank Cross-collateral Mortgage Rights Deed (as applicable);

**"Cross-collateral Rights"** has the same meaning as in the Cross-collateral Mortgage Rights Deed or in the Paragon Bank Cross-collateral Mortgage Rights Deed (as applicable);

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

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

**"Data Protection Act"** or **"DPA"** means the Data Protection Act 1998;

**"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 Maples 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, the Initial Basis Hedge Provider and the Issue Services Provider;

"**Deed Poll**" means the deed poll dated the Closing Date executed by the Issuer in favour of the Portfolio Option Holder from time to time;

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

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

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

"**Discretionary Payment Holiday Reserve Fund Ledger**" means the ledger so referred to in Clause 6.1.1;

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

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

"**Enforcement Procedures**" has the meaning given in Clause 1.2.6 and the expression "**completion of the Enforcement Procedures**" shall be construed in accordance with Clause 1.2.6;

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

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

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

"**Fidelity Insurance Policy**" means the insurance policy written by certain underwriters at Lloyd's of London through the agency of Willis Towers Watson in relation to loss suffered as a result of fraud, forgery or computer crime, the acts or omissions of the Administrators, the Sellers, the Administrators' employees or the Sellers' employees and any similar policy in relation to the acts or omissions of any person performing the Services or any part of them on behalf of the Administrators or any other insurance policy of similar effect written by certain underwriters at Lloyd's of London being at the date hereof the policy numbered 10117P20;

"**Final Redemption Date**" means the Interest Payment Date in respect of which PML as Administrator determines on the immediately preceding Principal Determination Date (and no later than one Business Day from the Interest Determination Date) that, following the application on such Interest Payment Date of (i) Available Revenue in accordance with the Revenue Priority of Payments, (ii) any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity

Deficit against the relevant items in the Revenue Priority of Payments in the order that they appear in the Revenue Priority of Payments and (iii) any General Reserve Fund Release Amounts in meeting any Revenue Deficit against the relevant items in the Revenue Priority of Payments in the order that they appear in the Revenue Priority of Payments, the sum of the Available Redemption Funds (other than item (i)(G) (and, where such Interest Payment Date falls prior to the Step-Up Date, item (i)(H)) of the definition thereof)), all amounts standing to the credit of the General Reserve Fund Ledger and all amounts which (but for the occurrence of the Final Redemption Date) would have been available for application pursuant to items (t) to (bb) (inclusive) of the Revenue Priority of Payments would be sufficient to redeem in full the Rated Notes on such Interest Payment Date, including, as the case may be, as a result of the mandatory redemption of the Notes pursuant to Condition 5(c) (*Mandatory Redemption for Taxation or Other Reasons*);

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

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

"**Force Majeure Event**" has the meaning given to it in Clause 22.1;

"**FSMA Authorisation**" has the meaning specified in Clause 17 (*Covenants of Administrator*);

"**Further Class S VFN Funding**" means the further funding made by the Class S VFN Holder upon receipt of a notice from the Issuer or PML as Administrator (on behalf of the Issuer) prior to the Class S VFN Commitment Termination Date requesting that the Class S VFN Holder further fund (in some cases at the discretion of the Class S VFN Holder) the Class S VFN;

"**General Reserve Fund**" means the fund established on the Closing Date, which will be credited with the General Reserve Fund Required Amount from part of the proceeds of the Noteholders' subscription for the Class S Notes on the Closing Date;

"**General Reserve Fund Ledger**" means the ledger so referred to in Clause 6.1.1;

"**General Reserve Fund Release Amount**" has the meaning given to it in Clause 6.10.6;

"**General Reserve Fund Required Amount**" means:

- (a) on any Interest Payment Date up to and including the Final Redemption Date:
  - (i) if a Required Amount Trigger has not occurred prior to the Principal Determination Date immediately preceding such Interest Payment Date, an amount equal to 1.5 per cent. of the aggregate current Principal Amount Outstanding of the Class C Notes and Class D Notes prior to

the application of Available Redemption Funds on such Interest Payment Date; and

- (ii) if a Required Amount Trigger has occurred prior to the Principal Determination Date immediately preceding such Interest Payment Date, an amount equal to 1.5 per cent. of the aggregate current Principal Amount Outstanding of the Class C Notes and Class D Notes on the Interest Payment Date immediately preceding the date on which the Required Amount Trigger occurred (following the application of Available Redemption Funds on such Interest Payment Date); and

- (b) on each Interest Payment Date following the Final Redemption Date, zero;

**"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;

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

**"Hedge Agreements"** means each Basis Hedge Agreement;

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

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

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

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

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

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

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

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

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

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

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

**"Hedge Provider"** means each Basis Hedge Provider;

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

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

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

**"Holdings"** means Paragon Mortgages (No. 28) Holdings Limited (registered number 12873816), a private limited company incorporated under the laws of England and Wales, whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ;

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

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

**"Initial Basis Hedge Provider"** means Lloyds Bank Corporate Markets plc;

**"Initial Conversion MRF Discretionary Amount"** means £300,900 (being equal to 0.04 per cent. of the aggregate Initial Principal Amount of the Notes).

**"Initial Mortgage MRF Required Amount"** means the Mortgage MRF Required Amount as at the Closing Date;



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

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

**"Interest Charging Balance"** means, in relation to any Mortgage, the principal amount outstanding secured by that Mortgage as at the date of origination together with the amount of any further advances made, capitalised fees, capitalised interest and accrued interest which has become due and remains unpaid (and interest accrued thereon) since the date of origination less any amount applied to reduce the principal amount secured by that Mortgage since the date of origination, **provided that** (i) in relation to any Repayment Mortgage, the principal secured thereby shall for these purposes be deemed to be reduced at such intervals and by such amounts as correspond to the Sellers normal practice from time to time for determining the balance on which interest is charged for Repayment Mortgages and (ii) after completion of the Enforcement Procedures in relation to that Mortgage, any amount of principal secured by that Mortgage not then received shall not be treated for the purposes of this Agreement (other than for the purposes of Clause 6.1.2) as outstanding;

**"Interest Determination Date"** means the fifth Banking Day before the Interest Payment Date for which the Rate of Interest to be determined on such date will apply;

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

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

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

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

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

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

**"Interest Shortfall Ledger"** means the ledger so referred to in Clause 6.1.1;

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

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

**"Issuer Cash Account"** means the Transaction Account and each Hedge Collateral Cash Account;

**"Issuer Profit Ledger"** means the ledger so referred to in Clause 6.1.1;

**"Issuer's Monies"** has the meaning specified in Clause 6.4.1;

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

**"Lloyds"** means Lloyds Bank Corporate Markets plc;

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

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

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

**"Maples"** means Maples Fiduciary Services (UK) Limited (registered number 9422850), a limited company incorporated under the laws of England and Wales, whose registered office is at 11<sup>th</sup> Floor, 200 Aldersgate Street London EC1A 4HD;

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

**"Maples Corporate Services Provider"** means Maples or such other person or persons for the time being acting as corporate services provider to the Issuer and Holdings under the Maples Corporate Services Agreement;

**"Margin Shortfall"** means, on the Closing Date or on any Principal Determination Date as calculated by PML as Administrator no later than one Business Day from the Interest Determination Date, the interest rate that is the greater of (a) zero per cent. and (b):

- (a) Compounded Daily SONIA (or the Alternative Base Rate); plus
- (b) 3 per cent.; less

- (c) the weighted average annual interest rate in respect of all outstanding Mortgages as at:
- (1) the Closing Date (if the Margin Shortfall is being determined on the Closing Date); or
  - (2) such Principal Determination Date (if the Margin Shortfall is being determined on a Principal Determination Date),

(in each case after taking into account any hedging arrangements in respect of any Mortgages which are Fixed Rate Mortgages, the release (if any) from the Discretionary Payment Holiday Reserve Fund Ledger and the Interest Rate Converted Mortgage Release Amounts expected on the immediately following Interest Payment Date).

**"Maximum Class S VFN Amount"** means, for the Class S VFN, £1,141,618 (less any Further Class S VFN Fundings made by the Class S VFN Holder pursuant to Condition 18) or such other amount as may be agreed from time to time by the Issuer and the Class S VFN Holder, and notified such amount to the Trustee;

**"MFA Pre-Funding Reserve Ledger"** means the ledger so referred to in Clause 6.1.1;

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

**"Monthly Mortgage Margin Requirement"** means, on the Closing Date or on any Principal Determination Date (the **"Relevant Date"**) the product of: (a) the Relevant Aggregate Current Balance; (b) the Margin Shortfall as at such Relevant Date; and (c) the number of days from such Relevant Date until the end of the next calendar month divided by 365 and calculated by PML as Administrator as at such Relevant Date and no later than one Business Day from the Interest Determination Date;

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

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

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

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

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

documentation relating to any other collateral security (if any) relating to such Mortgage; and

- (c) where relevant, any deed of postponement or deed of variation or deed of guarantee;

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

**"Mortgage Impairment Contingency Policy"** means the indemnity policy written by Chubb Insurance Company of Europe S.A. in respect of any loss suffered by the insured arising by reason of damage to Property occurring as a direct result of the inadvertent failure of the Borrower to effect or renew adequate insurance cover, to make or pursue a legitimate insurance claim or to utilise the proceeds of any claim to repair such damage (being at the date hereof the policy numbered no. UKMSTC91470) or any other insurance policy of similar effect written by another reputable insurance company carrying on business in the United Kingdom with similar standing;

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

**"Mortgage Margin Reserve Fund Ledger"** means the ledger so referred to in Clause 6.1.1;

**"Mortgage MRF Discretionary Amount"** means, on the Closing Date or on each Interest Payment Date (prior to the Step-Up Date and where a Paragon Banking Group Company owns more than 50 per cent. of the Residual Certificates) an amount that PML as Administrator reasonably determines is required to be credited to the Mortgage MRF Discretionary Fund Ledger on the Closing Date from the Class S Notes or, as the case may be, each Interest Payment Date from the Revenue Ledger in order that the amount standing to the credit of the Mortgage Margin Reserve Fund is sufficient to fund the aggregate Additional Mortgage MRF Required Amounts on any Principal Determination Date by the debiting of the Mortgage MRF Discretionary Fund Ledger and the crediting of the Mortgage Margin Reserve Fund Ledger;

**"Mortgage MRF Discretionary Fund"** means the amount standing to the credit of the Mortgage MRF Discretionary Fund Ledger from time to time;

**"Mortgage MRF Discretionary Fund Ledger"** means the ledger so referred to in Clause 6.1.1;

**"Mortgage MRF Required Amount"** means, on the Closing Date or on any Principal Determination Date (the **"Relevant Date"**), the sum of all Monthly Mortgage Margin Requirements for each calendar month from such Relevant Date until the Final Maturity Date as calculated by PML as Administrator no later than one Business Day from the Interest Determination Date;

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

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

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

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

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

"**Non-Proceeding Conversion Release Amount**" has the meaning given to it in Clause 6.13.6;

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

"**Noteholders**" means the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class Z Noteholders, the Class S Noteholders and the Class S VFN Holder;

"**Notes**" means the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes and the Class S VFN;

"**Notice of Increase**" means a notice substantially in the form set out in schedule 7 (*Form of Class S VFN Notice of Increase*) to the Trust Deed;

"**Observation Period**" means the period from and including the date falling five Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling five Banking Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling five Banking Days prior to any other date on which a payment of interest is to be made in respect of the Notes);

"**Operating Bank**" means Citibank N.A., London Branch or such other bank, satisfying the requirements of Clause 6.5, as the Issuer may choose with the approval of the Trustee (such approval not to be unreasonably withheld) and with which the Transaction Account is for the time being maintained (**provided that**, for the avoidance of doubt, the approval of the Trustee shall not be required in respect of any transfer of the Transaction Account to HSBC Bank plc or Barclays Bank plc, as the case may be, in accordance with Clause 6.5.3 of this Agreement);

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

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

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

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

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

**"Paragon Banking Group Company"** means PBG or any of its subsidiary undertakings (collectively, the **"Paragon Banking Group Companies"**);

**"PBG"** means Paragon Banking Group PLC (registered number 2336032);

**"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-current ratings of the Class A Notes, the Class B Notes, the Class C Notes and the Class D 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, the Class C Notes and the Class D Notes); and
- (b) has entered into a deed supplemental to this Agreement in form and substance satisfactory to the Trustee agreeing to be bound by the terms of the Deed of Charge on the same terms as the Initial Basis Hedge Provider;

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

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

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

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

**"Portfolio Option Holder"** means, a person other than a Paragon Banking Group Company being (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 Companies hold (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 Companies 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.

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

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

**"Principal Addition Amounts"** has the meaning given to it in Clause 6.11.3;

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

**"Principal Deficiency Ledger"** means the ledger so referred to in Clause 6.1.1;

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

**"Principal Ledger"** means the ledger so referred to in Clause 6.1.1;

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

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

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

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

**"Product Conversion Rate Reduction Amount"** means, in respect of any Interest Rate Converted Mortgage, the reduction in the annual interest rate (after taking into account any hedging arrangements in respect of the Fixed Rate Mortgages) applicable to the relevant Mortgage which occurred as a result of the conversion of such Mortgage;

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

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

"**Prospectus**" means the prospectus dated on or about 9 November 2020 in relation to the issue by the Issuer of the Notes;

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

"**Provisional Mortgage Pool**" means the provisional mortgage pool comprising mortgages and the loans secured thereby referred to in the Prospectus prepared in connection with the Notes having an aggregate provisional balance in an amount of £569,227,948.73;

"**Quarterly MRF Release Amount**" means, on each Interest Payment Date, the difference between:

- (a) the sum of:
  - (i) the Mortgage MRF Required Amount determined by PML as Administrator as at the Principal Determination Date (no later than one Business Day from the Interest Determination Date) immediately preceding the previous Interest Payment Date or in respect of the first Collection Period, the Closing Date; and
  - (ii) all amounts credited to the Mortgage Margin Reserve Fund Ledger from the Mortgage MRF Discretionary Fund Ledger during the Collection Period ending on the immediately preceding Principal Determination Date or in respect of the first Collection Period, the Closing Date; and
- (b) the Mortgage MRF Required Amount determined by PML as Administrator on the immediately preceding Principal Determination Date, within one Business Day after the immediately preceding Interest Determination Date;

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

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

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

"**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;

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

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

"**Relevant Aggregate Current Balance**" means, on the Closing Date or on any Principal Determination Date: (i) the Current Balance of all outstanding Mortgages as at the Closing Date (if the Mortgage MRF Required Amount is being determined on the Closing Date); or (ii) the Current Balance of all outstanding Mortgages as at such Principal Determination Date (if the Mortgage MRF Required Amount is being determined on a Principal Determination Date);

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

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

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

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

**"Required Amount Trigger"** occurs if:

- (a) on any Principal Determination Date, the then Current Balances of Mortgages which are then more than three months in arrears in aggregate (excluding COVID Missed Payments) constitute more than 3 per cent. of the then aggregate Current Balance of all Mortgages in the Mortgage Portfolio (and for these purposes a Mortgage will be more than three months in arrears at any time if, at such time, amounts totalling in aggregate more than three 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) on any Interest Payment Date, the aggregate amount debited to the Principal Deficiency Ledger in respect of enforcement of Mortgages since the Closing Date exceeds 1 per cent. of the Initial Principal Amount of the Notes (excluding for such purposes the Class S Notes and the Class S VFN);

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

**"Residual Certificates"** means the RC1 Residual Certificates and the RC2 Residual Certificates;

**"Residual Certificates Conditions"** means the terms and conditions of the Residual Certificates set out in schedule 6 (*Terms and Conditions of the Residual Certificates*) to the Trust Deed, as any of the same may from time to time be amended, varied or restated in accordance with the provisions of the Trust Deed and any reference to a numbered Residual Certificates Condition shall be construed accordingly;

**"Residual Payment Amounts"** has the meaning in Residual Certificate Condition 4(a);

**"Residual Payments"** has the meaning in Residual Certificate Condition 4(a);

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

**"Revenue Deficit"** means, on any Interest Payment Date an amount equal to shortfall in Available Revenue following application of the Class A and Class B Liquidity Reserve Fund Release Amounts to pay:

- (a) the amounts referred to in items (a) to (d) in the Revenue Priority of Payments (in the same order of priority as set out in the Revenue Priority of Payments);
- (b) the amounts referred to in item (f) in the Revenue Priority of Payments;
- (c) the amounts referred to in item (i) 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, does not exceed the aggregate of the Principal Liability Outstanding of the Class D Notes and the Class Z Notes; and

(d) the amounts referred to in item (k) 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, does not exceed the aggregate of the Principal Liability Outstanding of the Class Z Notes;

"**Revenue Ledger**" means the ledger so referred to in Clause 6.1.1;

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

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

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

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

"**Securitisation Regulation**" means Regulation (EU) 2017/2402 as amended, varied, superseded or substituted from time to time including the relevant regulatory and implementing technical standards;

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

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

"**Senior Expenses Deficit**" means on any Interest Payment Date an amount equal to the aggregate of any shortfall in Available Revenue following the application of any General Reserve Fund Release Amount and any Class A and Class B Liquidity Reserve Fund Release Amount is insufficient to pay or provide for (a) the amounts referred to in items (a) to (d) of the Revenue Priority of Payments (in the same order of priority as set out in the Revenue Priority of Payments); and (b) the amounts referred to in item (f) of the Revenue Priority of Payments in accordance with clause 6.1.2 of the Deed of Charge only if and to the extent that the sum of the debit balance on the Principal Deficiency Ledger, when expressed as a positive amount, does not exceed: (i) 50 per cent. of the Principal Liability Outstanding of the Class B Notes, and (ii) the Principal Liability Outstanding of the Class C Notes, the Class D Notes and the Class Z Notes;

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

"**Share Trustee**" means Maples, in its capacity as share trustee, or such other person or persons for the time being acting as share trustee;

"**SONIA**" means in relation to any Interest Period the Reference Rate in respect of the Notes in respect of that Interest Period as determined in accordance with Condition 4(d);

"**Standard Mortgage**" means a Mortgage (other than a Fixed Rate Mortgage) pursuant to which the Borrower pays interest at the Standard Rate which is capable of being reset monthly or quarterly determined in each case at the will of the Sellers, the Administrators or the Issuer;

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

"**Step-Up Date**" has the meaning indicated in Condition 4(c)(i);

"**Subscription Agreement**" means the agreement dated on or about the date of the Prospectus between, among others, the Issuer, the Sellers and the financial institutions defined therein as the Arrangers in relation to the subscription and issue of the Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class Z Notes, Class S Notes and Class S VFN;

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

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

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

"**Termination Event**" has the meaning given to it in Clause 20.1;

"**Transaction Account**" means the account of the Issuer with the account number [REDACTED] (Sort Code: [REDACTED]) with Citibank N.A., London Branch or such other account as the Trustee may approve as a replacement for or addition to the same at the Operating Bank in the name of the Issuer (**provided that**, for the avoidance of doubt, the approval of the Trustee shall not be required in respect of any transfer of the Transaction Account to HSBC Bank plc and/or Barclays Bank plc in accordance with, Clause 6.5.3 of this Agreement);

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

"**Transfers**" means the transfers to be executed by the Sellers pursuant to clause 2.3 of the Mortgage Sale Agreement;

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

"**VAT**" means:

- (a) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union or the UK in substitution for, or levied in addition to, such tax referred to in (a), or elsewhere;

## 1.2

- 1.2.1 The headings and contents pages in this Agreement shall not affect its interpretation. References in this Agreement to clauses and Schedules shall, unless the context otherwise requires, be references to clauses of, and schedules to, this Agreement.
- 1.2.2 Unless the context otherwise requires, words denoting the singular number only shall include the plural number also and *vice versa*, words denoting one gender only shall include the other genders and words denoting persons only shall include firms and corporations and *vice versa*.
- 1.2.3 Each of the Schedules shall have effect as if set out herein.
- 1.2.4 References in this Agreement to any person shall include references to his successors, transferees and assigns and any person deriving title under or through him. References in this Agreement to any statute or statutory provision shall be deemed also to refer to any statutory modification or re-enactment thereof and to any statutory instruments, orders or regulations made thereunder or under any such re-enactment.
- 1.2.5 References in this Agreement to any agreement or other document shall be deemed also to refer to such agreement or document as modified, novated, supplemented or replaced from time to time.
- 1.2.6 For the purposes of this Agreement, the "**Enforcement Procedures**" shall mean the procedures for the enforcement of Mortgages and Guarantees set out in the Administration Manual current from time to time and subject always to the provisions of Clause 6.3; and "**completion of the Enforcement Procedures**" shall have occurred in respect of a particular Mortgage when, having regard to the circumstances of the relevant Borrower and any guarantor (if relevant) and the relevant Property and the then applicable Enforcement Procedures, the prospects of any further recovery of amounts due from that Borrower or any guarantor (if relevant) are remote or are not sufficiently good to merit further action or proceedings having regard to the amounts which might be recovered and the costs of recovery.

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

## 2. APPOINTMENT OF ADMINISTRATORS

2.1 Subject to Clauses 3 (*Condition*) and 5 (*Mortgage Rate*), until termination pursuant to Clause 20 (*Termination*), the Issuer, the Sellers and the Trustee (according to their respective estates and interests) each hereby appoints each Administrator as its lawful agent in its name and on its behalf to exercise their respective rights, powers and discretions, and to perform their respective duties under the Mortgages and any collateral security therefor and the Power of Attorney and to perform the Services and each Administrator hereby accepts such appointment on the terms and subject to the conditions of this Agreement. In furtherance of such appointment, each of the Issuer, the Trustee and each Seller will, forthwith upon signature of this Agreement execute

and deliver to the Administrators (together with evidence of due execution and its authority to grant the same) powers of attorney in the forms set out in Schedule 3 (*Form of Power of Attorney of the Issuer*) and Schedule 4 (*Form of Trustee's Power of Attorney*) of this Agreement.

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

### 3. **CONDITION**

Without prejudice to the obligations of each Administrator which this Agreement contemplates will be performed on or before the Closing Date, the appointment pursuant to Clause 2.1 is conditional upon completion of the sales and purchases of Mortgages referred to in the Mortgage Sale Agreement having taken place on the Closing Date. Subject to the foregoing, such appointment shall take effect upon and from the Closing Date automatically without further action on the part of any person. If the Closing Date has not occurred by 6 December 2020 or by such later date as the Administrators, the Issuer and the Trustee may agree, this Agreement shall cease to be of further effect save for the purpose of enforcing accrued rights of action in respect of matters to be performed or events occurring on or before such date.

### 4. **THE SERVICES**

#### **General**

- 4.1 The duty of each Administrator shall be to provide the Services.
- 4.2 For the avoidance of doubt, nothing in this Agreement shall oblige the Administrators at any time:
- 4.2.1 to charge the same rate of interest in respect of the Mortgages; or
  - 4.2.2 to administer the Mortgages in the same manner, other than in the manner of a reasonably prudent mortgage administrator,
- as it does in respect of any other mortgages or charges administered by it or of which it is the mortgagee or chargee.

### 4.3 Sub-contracts

- 4.3.1 Other than as expressly provided in this Clause 4.3, neither Administrator may sub-contract or delegate the performance of any of its obligations under this Agreement except:
- (a) with the prior written consent of the Issuer and the Trustee (which consent shall not unreasonably be withheld); and
  - (b) if the then-current ratings of the Notes would not be adversely affected thereby.
- 4.3.2 Clause 4.3.1 shall not apply to:
- (a) any sub-contract or delegation of the performance of each Administrator's obligations under this Agreement to any person who is a Paragon Banking Group Company;
  - (b) the engagement by an Administrator of any solicitor, licensed or qualified conveyancer, valuer, surveyor, accountant, enforcement agent, estate agent or other professional adviser in connection with the performance by an Administrator of any of its obligations under this Agreement, **provided that** the relevant person is engaged only on a mortgage by mortgage basis and not generally for all or a substantial portion of the Mortgages; or
  - (c) any sub-contract or delegation of the performance of the Administrator's obligations under this Agreement required by, and made in accordance with, Clauses 17.1.11 or 19.
- 4.3.3 Subject to Clause 4.3.4, the Administrators may sub-contract or delegate the performance of some (but not all) of its obligations under this Agreement, **provided that:**
- (a) where the arrangements involve or may involve the receipt by the sub-contractor or delegate of moneys which, in accordance with the provisions of this Agreement, are to be credited to the Transaction Account, the sub-contractor or delegate acknowledges that any such moneys held by it or to its order are held on trust for the Issuer and will be paid forthwith to the Administrators for credit to the Transaction Account; and
  - (b) neither the Issuer nor the Trustee shall have any liability for any costs, charges or expenses payable to or incurred by such sub-contractor or delegate or arising from the termination of any such arrangement in addition to the liability which either the Issuer or the Trustee would have to the Administrators under this Agreement if no such sub-contracting or delegation had occurred.
- 4.3.4 To the extent that any valuer, surveyor, enforcement agent, estate agent or other professional adviser is required to perform some of the obligations of the Administrators under this Agreement, paragraphs (a) and/or (as the case may

be) (b) of the proviso to Clause 4.3.3 shall not apply to the engagement of such valuer, surveyor, enforcement agent, estate agent or other professional adviser, **provided that** the performance by such person of any of the obligations of the Administrators is ancillary only to the services to be provided by such person to the Administrators and/or the Issuer. Either the Trustee or the Issuer may require the Administrators to assign to the Trustee and the Issuer any rights which the Administrators may have against any such person arising from the performance of services by such person in connection with any matter contemplated by this Agreement in connection with the Mortgages.

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

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

#### 4.4 Notices, etc.

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

(a) (save where the Trustee is already an insured thereunder) give notice in the form of the agreed draft in duplicate to each insurance company which is an insurer under an Insurance Contract (other than those referred to in paragraph 2 of Part A of Schedule 2 (*Insurances*)) of the assignment of the interest of the Issuer therein to the Trustee as trustee for the Secured Parties and take reasonable steps to ensure the noting by such insurance company of the interests of the Trustee as trustee for the Secured Parties on such Insurance Contracts and the return by each relevant insurance company of the duplicate notice of assignment by way of acknowledgement of such assignment;

(b) submit for registration at Companies House a duly completed Form MR01 and an original executed copy of the Deed of Charge and any security created pursuant to the Deed of Charge and any other charges created as security for the obligations of the Issuer under, among other things, the Trust Deed, the Notes, the Residual Certificates, this Agreement, the Mortgage Sale Agreement, the Deed Poll, the Substitute Administrator Facilitator Agreement, the Issue Services Fee Letter, the Maples Corporate Services Agreement, the Paragon Corporate Services



Letter and each Hedge Agreement pursuant to Chapter I of Part XII of the Companies Act 2006;

- (c) give notice in the form of the agreed draft to the Operating Bank of the assignment of the Transaction Account; and
- (d) give notice in the form of the agreed draft to each Collection Account Provider of the relevant Collection Account Declaration of Trust and each Collection Account Provider of the assignment of the rights of the Issuer under the relevant Collection Account Declaration of Trust.

4.4.2 Subject to Clause 4.4.3, prior to the occurrence of any of:

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

the Administrators shall not be obliged to and shall not, but thereafter shall forthwith upon demand by the Issuer or the Trustee (i) procure that the Affected Seller shall execute, or failing that, shall itself and as attorney for the Affected Seller execute and deliver Transfers of the Mortgages to the Issuer, (ii) submit for registration at the Land Registry the relevant Transfers and any relevant transfers, assignments, deeds and documents and the necessary notices, forms, requests and applications in respect of the transfers and sub-charges referred to in Clause 4.4.1 or otherwise of all the Mortgages which comprise registered land, or land which is the subject of an application for first registration, (iii) procure that the Issuer shall execute and deliver sub-charges over the Mortgages and related collateral security and (iv) give notice to each relevant Borrower and (where necessary) each guarantor or surety of (1) the transfer of his or its Mortgage (where applicable) to the Issuer and (2) the sub-charge of his or its Mortgage and the benefit of any guarantee or surety relating to such Mortgage by the Issuer to the Trustee as trustee for the Secured Parties **provided that** if the relevant event referred to in paragraphs (c), (d) and (e) above relates to only one Seller (the "**Affected Seller**"), this Clause 4.4.2 shall only operate in relation to those Mortgages originated by that Affected Seller.

- 4.4.3 The Administrators shall forthwith upon demand by the Issuer or the Trustee procure that the Affected Seller shall execute, or failing that, shall itself as attorney for and on behalf of the Affected Seller, execute Transfers of the Mortgages, submit for registration at the Land Registry the relevant Transfers and any relevant transfers, deeds and documents and the necessary notices, forms, requests and applications in respect of the transfers, assignments and the sub-charges referred to in Clauses 4.4.1 and 4.4.2 of any of the Mortgages which comprise registered land or land which is the subject of an application for first registration in circumstances where:
- (a) the obligation to make a Mandatory Further Advance to a Borrower under a Mortgage has not been complied with;
  - (b) a Mandatory Further Advance or Discretionary Further Advance is made in circumstances where the relevant Administrator or the Affected Seller had notice that there had been a breach of the relevant Mortgage Conditions; or
  - (c) it is necessary for the carrying into effect of any of the provisions of this Agreement and/or the enforcement of the security created by any of the Mortgages.

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

- 4.4.4 The Administrators shall within six months of the Closing Date confirm to the Issuer and the Trustee that the notices referred to in Clause 4.4.1 have been duly given and the matters referred to in clause 5 (*Completion*) of the Mortgage Sale Agreement have been duly dealt with in relation to the sale and purchase of Mortgages on the Closing Date.
- 4.4.5 Subject to Clause 4.4.2, the Administrators shall, at the reasonable request of the Issuer or the Trustee within 14 days of the request give notice in duplicate in a form approved by the Issuer or the Trustee of the interest of the Issuer or the Trustee in any other estate, right or interest comprised in the Mortgage Sale Agreement and/or the Deed of Charge and shall take all reasonable steps to ensure the return by the recipient, to the registered office of the Issuer of the duplicate notice of assignment by way of acknowledgement of such assignments.
- 4.4.6 Without prejudice to the foregoing Clauses 4.4.1 to 4.4.5 (inclusive) and subject to applicable Land Registration Rules, the Administrators may at any time

submit for registration at the Land Registry the Transfers and any relevant transfers, deeds and documents and the necessary notices, forms, requests and applications in respect of the transfers, assignments and the sub-charges referred to in Clauses 4.4.1(a) and (b) and Clause 4.4.2 but otherwise, unless necessary for the carrying into effect of any of the provisions of this Agreement and/or the enforcement of the security created by any of the Mortgages, shall not be obliged to do so.

#### 4.5 **Approvals and authorisations**

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

#### 4.6 **Note Redemptions**

PML, in its capacity as Administrator, shall do such acts and things (other than being liable for) in relation to:

4.6.1 the payment of principal or interest on any Note; or

4.6.2 any payment in respect of the Residual Certificates,

in each case that are required to be done by the Issuer pursuant to Condition 5 or Residual Certificate Condition 5 (as applicable).

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

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

#### 4.8 **Notifications**

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

## 4.9 Investment of Transaction Cash and Hedge Collateral Cash

4.9.1 The Issuer hereby authorises and directs PML, in its capacity as Administrator, for it and on its behalf and for so long as this Agreement remains in effect to invest, as soon as practicable following receipt thereof, the Transaction Cash, subject to clauses 6 (*Payments out of the Transaction Account prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of the Deed of Charge, and Hedge Collateral Cash, subject to the relevant Hedge Agreement, in accordance with the following provisions:

- (a) the Transaction Cash shall be invested in Authorised Investments only or, in the case of Hedge Collateral Cash, Hedge Collateral Authorised Investments only;
- (b) any costs properly incurred in making and changing investments will be reimbursed to PML, in its capacity as Administrator, by the Issuer in accordance with Clause 11 (*Costs and Expenses*) (and upon such reimbursement shall be debited to the Revenue Ledger);
- (c) any income from, or proceeds of disposal or on maturity of, such Authorised Investments shall be credited to the Transaction Account forthwith on receipt thereof by PML, as Administrator, and any income from, or proceeds of disposal or on maturity of, such Hedge Collateral Authorised Investments shall be credited to the relevant Hedge Collateral Cash Account forthwith on receipt thereof (and a corresponding credit made to the appropriate Hedge Collateral Ledger) by the Administrator; and
- (d) subject to the provisions of this Clause 4.9.1, PML as Administrator, may invest the Transaction Cash in such Authorised Investments, and dispose of any Authorised Investments made, in each case, in such manner as in its absolute discretion it deems appropriate and, in the case of Hedge Collateral Cash, it may, subject to the provisions of this Clause 4.9.1 and the relevant Hedge Agreement, invest the Hedge Collateral Cash in such Hedge Collateral Authorised Investments,

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

4.9.2 PML as Administrator shall make and maintain adequate records of all Authorised Investments and Hedge Collateral Authorised Investments acquired and disposed of pursuant to this Clause 4.9.

- 4.9.3 Pursuant to Clause 4.9.1, the administration and investment of the Transaction Cash by PML as Administrator shall be carried out for and on behalf of the Issuer (subject to the charges contained in the Deed of Charge) and each such Authorised Investment shall be taken in the name of the Issuer. In each case where an Authorised Investment comprises the deposit of the Transaction Cash in a deposit account with a third party, the Transaction Cash shall be deposited under instructions that it may not be paid out of such deposit account otherwise than by transferring the Transaction Cash, together with interest accrued thereon, directly to the Transaction Account which instructions may not be altered without the consent of the Issuer and the Trustee (such consent not to be unreasonably withheld).
- 4.9.4 The Issuer shall procure that, in respect of a Hedge Collateral Authorised Investment, the Hedge Collateral Cash shall be deposited under instruction that it may not be paid out of the relevant deposit or account otherwise than by transferring such relevant Hedge Collateral Cash, together with interest accrued thereon, direct to the relevant Hedge Collateral Cash Account, which instructions may not be altered without the consent of the Trustee and, prior to the service of a Protection Notice or an Enforcement Notice, the Issuer (such consent not to be unreasonably withheld or delayed).
- 4.9.5 The Administrators may use the Transaction Cash:
- (a) to ensure that Mandatory Further Advances are made to Borrowers in accordance with Clause 8.3;
  - (b) to make Discretionary Further Advances to Borrowers in accordance with Clause 8.2.1; and
  - (c) for any other purpose contemplated by, and in accordance with, the Relevant Documents.

PML as Administrator, shall make and maintain adequate records of all use of the Transaction Cash pursuant to this Clause 4.9.5.

#### 4.10 Conversion of Mortgages

- 4.10.1 The relevant Administrator may as part of an arrears management programme agree to convert a Mortgage administered by it from an Interest only Mortgage or, as the case may be, Optional Repayment Mortgage into a Repayment Mortgage (but not any other type of mortgage) or from a Repayment Mortgage into an Interest only Mortgage or, as the case may be, an Optional Repayment Mortgage (but not any other type of mortgage)) and take steps to effect such conversion at any time without limit and without any further condition or consent being required (the relevant Mortgage after such conversion being herein referred to as an "**Arrears Converted Mortgage**").
- 4.10.2 Without prejudice to Clause 4.10.1, the relevant Administrator may (but shall not be obliged to), if the Paragon Banking Group Companies hold (where the Residual Certificates are represented by Definitive Residual Certificates) 50 per cent. or more in number of the Residual Certificates or (where the Residual

Certificates are represented by a Global Residual Certificate) the beneficial interest in 50 per cent. or more in number of the Residual Certificates, agree to any request by a Borrower to convert his Mortgage (or, in the case of a default by a Borrower, may itself elect to convert such Borrower's Mortgage) to a Mortgage of a different interest type with a different interest rate (the relevant Mortgage after such conversion being herein referred to as an "**Interest Rate Converted Mortgage**") **provided that** the following conditions (the "**Interest Rate Converted Mortgage Conditions**") are satisfied:

- (a) that no Event of Default has occurred which is then continuing unwaived at the time of the proposed conversion;
- (b) that the Interest Rate Converted Mortgage will be on the terms of the relevant Mortgage Documentation which terms have not been varied in any material respect other than in respect of the interest rate applicable;
- (c) that the conversion of the applicable Mortgage is effected by such means as would be adopted by a reasonably prudent residential mortgage lender for the purpose of ensuring the validity and priority of the applicable Mortgage;
- (d) no conversion shall extend the final maturity date of the relevant Mortgage to a date falling later than 31 October 2045;
- (e) if the applicable Interest Rate Converted Mortgage is to be converted into a Fixed Rate Mortgage, the relevant Administrator will within 30 days following the conversion, enter into Basis Hedge Agreements to hedge the fixed-floating interest rate exposure in relation to such Interest Rate Converted Mortgage;
- (f) Mortgages may only be converted to Fixed Rate Mortgages by the Administrator where, as at the date of conversion, the weighted average swap rate calculated by PML as Administrator by reference to the interest swap rates and notional values disclosed in (a) the Basis Hedge Agreements as at the immediately preceding Principal Determination Date (or in the case of conversions occurring in the first Collection Period, the Closing Date) and (b) the Basis Hedge Agreements (if any) entered into by the Issuer since the immediately preceding Principal Determination Date (or in the case of the first Collection Period, the Closing Date), does not exceed 4 per cent.;
- (g) Mortgages may only be converted to Fixed Rate Mortgages by the Administrator where, as at the date of conversion, the product (calculated by the Administrator) of (a) the weighted average time in years to the end of the fixed rate period in respect of the Fixed Rate Mortgages in the Portfolio together with the Mortgages to be converted to Fixed Rate Mortgages on such date and (b) the Current Balance of the Fixed Rate Mortgages in the Portfolio together with the Mortgages to be converted to Fixed Rate Mortgages on such date divided by the Current Balance of the Mortgages in the Portfolio together with the Mortgages

to be converted to Fixed Rate Mortgages on such date, does not exceed 5.25;

- (h) that the relevant Borrower in respect of such Interest Rate Converted Mortgage is not more than one month in arrears (as such term is defined in the Trust Deed), other than in the case of a default by a Borrower where the relevant Administrator itself has elected to convert such Borrower's Mortgage to an Interest Rate Converted Mortgage;
- (i) Mortgages may only be converted to Fixed Rate Mortgages by the Administrator where, as at the date of conversion, the sum of the notional value of (a) the Basis Hedge Agreements as at the immediately preceding Principal Determination Date (or in the case of conversions occurring in the first Collection Period, the Closing Date) and (b) the Basis Hedge Agreements (if any) entered into by the Issuer since the immediately preceding Principal Determination Date (or in the case of conversions occurring in the first Collection Period, the Closing Date), must not exceed or be less than (by greater than £10 million), the sum of the Current Balance of all Fixed Rate Mortgages
- (j) the conversion takes place on or prior to the Step-Up Date;
- (k) amounts standing to the credit of the Conversion Margin Reserve Fund Ledger are equal to or greater than the Conversion MRF Required Amount as at the conversion date taking into account such Interest Rate Converted Mortgage, funded from amounts standing to the credit of the Conversion MRF Discretionary Fund Ledger; and
- (l) that a Paragon Banking Group Company are the Administrators and no Termination Event has occurred in respect of any Paragon Banking Group Company in its capacity as an Administrator.

4.10.3 The relevant Administrator shall, on the last Business Day of each month identify each Mortgage that shall become an Interest Rate Converted Mortgage in the calendar month immediately succeeding such Business Day subject to the Interest Rate Converted Mortgage Conditions being satisfied in respect of such Mortgage on the date of conversion (each such Mortgage, a "**Proposed Interest Rate Converted Mortgage**").

4.10.4 Without prejudice to Clauses 4.10.1 to 4.10.3, the relevant Administrator may elect to convert a Mortgage administered by it from an Interest-only Mortgage or, as the case may be, Optional Repayment Mortgage into a Repayment Mortgage (but not any other type of mortgage), but not from a Repayment Mortgage into an Interest-only Mortgage or, as the case may be, Optional Repayment Mortgage (the relevant Mortgage after such conversion being herein referred to as a "**Repayment Converted Mortgage**") and take steps to effect such conversion **provided that** following such conversion either (i) the aggregate Current Balance of such Repayment Converted Mortgages in the Mortgage Portfolio (as at the date of the conversion and without regard to any prepayment, repayment or redemption following the date of conversion) does not exceed 10 per cent. of the aggregate Current Balance, as of the Closing Date,

of the Mortgages included in the Mortgage Portfolio or (ii) where the aggregate Current Balance of such Repayment Converted Mortgages in the Mortgage Portfolio (as at the date of the conversion and without regard to any prepayment, repayment or redemption following the date of conversion) does exceed 10 per cent. of the sum of the aggregate Current Balance, as of the Closing Date, of the Mortgages included in the Mortgage Portfolio, the Rating Agencies have confirmed that the conversion of such Mortgages will not adversely affect the then-current ratings of the Rated Notes.

4.10.5 For the avoidance of doubt, any Mortgage may be converted to an Interest Rate Converted Mortgage and/or a Repayment Converted Mortgage, subject to satisfaction of the applicable conditions set out in this Clause 4.10.

4.10.6 The Seller, the Issuer and the Trustee will be bound by a conversion. All costs arising in relation to the taking of such steps shall, to the extent not paid by the Borrower, be paid by the relevant Administrator and recovered from the Issuer in accordance with Clause 11 (*Costs and Expenses*).

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

4.11.1 If the aggregate principal amount received from borrowers in respect of Mortgages which are Fixed Rate Mortgages upon early redemption, enforcement or sale of such Mortgages (whether in full or in part) during any Collection Period is equal to or greater than £10,000,000, then PML as Administrator shall, as far as it is able to do so, on behalf of the Issuer, (a) exercise the right of the Issuer to terminate in full or in part one or more swap or other hedging transactions entered into by the Issuer with any Basis Hedge Provider (subject to the provisions of the relevant Basis Hedge Agreement) with effect from the Interest Payment Date immediately following the end of such Collection Period (or if the Issuer exercises its rights to terminate less than three Business Days prior to the next Interest Payment Date, the next following Interest Payment Date) **provided that** PML as Administrator shall not exercise such right, if: (i) as a result of such termination, a termination payment shall be payable by the Issuer to any Basis Hedge Provider on any Interest Payment Date; and (ii) on such Interest Payment Date, the Issuer would not have sufficient funds available to it under and in accordance with clause 6 of the Deed of Charge to pay in full any amount under clause 6.1.2(a) to clause 6.1.2(l) (inclusive) of the Deed of Charge, or (b) subject to the consent of the relevant Basis Hedge Provider, execute such additional swap or other hedging transactions required to offset the fixed rate interest risk arising from the redemption of such Mortgages, or (c) subject to the consent of the relevant Basis Hedge Provider, arrange for the sale or transfer of such swap or other hedging transactions to another Paragon Banking Group Company.

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



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

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

### 5. **MORTGAGE RATE**

5.1 Subject to Clauses 5.2, 5.5 and 5.6, each Seller, the Issuer and the Trustee grant the Administrators full right, liberty and authority from time to time, in accordance with the relevant Mortgage Conditions, to determine and set the rate or rates of interest chargeable to Borrowers. Each of the Sellers, the Issuer and the Trustee shall be bound by any rate or rates of interest set in accordance with this Agreement.

5.2 The Administrators shall take the steps rendered necessary by the relevant Mortgage Conditions to bring each change in such rate or rates of interest to the attention of the Borrowers in accordance with the Mortgage Conditions and shall take similar steps to bring each such change to the attention of any relevant guarantor. Information regarding any change in the rate or rates of interest chargeable to Borrowers, shall be made available to the Issuer and the Trustee in accordance with Clause 12.9.1. All costs arising in relation to a notification of a change in such rate or rates of interest shall be paid by the relevant Administrator and recovered from the Issuer in accordance with Clause 11 (*Costs and Expenses*).

5.3 This Agreement requires the Administrators to determine the interest rates of the Mortgages in the Mortgage Portfolio so that the weighted average interest rate of such Mortgages is not less than the Compounded Daily SONIA or the Alternative Base Rate, as applicable, plus 3 per cent. after taking into account any payments due to be made or received under the hedging arrangements, the release (if any) from the Discretionary Payment Holiday Reserve Fund Ledger, Mortgage Margin Reserve Fund and the Interest Rate Converted Mortgage Release Amounts expected on the immediately following Interest Payment Date.

5.4 For the purposes of this Clause 5:

5.4.1 the rate or rates of interest chargeable to Borrowers in respect of the Mortgages shall be "set" on any day on which any change in the rate or rates charged to Borrowers becomes effective in accordance with the Mortgage Conditions; and

5.4.2 the rate or rates of interest chargeable to Borrowers in respect of the Mortgages shall be "permitted to remain in effect" on each Interest Payment Date.

5.5

5.5.1 The Trustee may, in any of the circumstances described in Clause 5.5.2 and without prejudice to the rights of the Trustee under Clause 20.1, terminate the authority of the Administrators under Clause 5.1 to determine and set the rate or rates of interest charged to Borrowers under Clause 5.1 and the authority of

the Administrators under Clause 5.7 to calculate and notify the Monthly Payments on Repayment Mortgages and may (but shall not be obliged to) itself (or an agent on its behalf), or (if applicable) any substitute administrator shall, determine such rate or rates and Monthly Payments from time to time thereafter, **provided that**, unless the Trustee has exercised its rights under Clause 20.1, the Trustee may reinstate such authority at any time and **provided further that**, in the case of the right to set the rate or rates of interest under Clause 5.1, the Trustee (or an agent on its behalf) or (if applicable) a substitute administrator shall, unless the authority of the Administrator has been reinstated under this Clause 5.5.1, set such rate or rates at such a level in accordance with the Mortgage Conditions.

5.5.2 The Trustee may terminate the authority of the Administrators to determine and set the rate or rates of interest chargeable to Borrowers in respect of the Mortgages and the authority of the Administrator under Clause 5.7 on the occurrence of any of the following events:

- (a) there has occurred an Event of Default in respect of any of the Notes in accordance with Condition 9 (*Events of Default*) or an event which, in accordance with such Conditions, with the giving of notice and/or lapse of time and/or certification and/or determination would constitute an Event of Default in respect of any of the Notes (as the case may be); or
- (b) there has occurred a Termination Event (as defined in Clause 20.1).

5.6 The Administrators shall promptly submit to the Issuer and, if requested by the Trustee, to the Trustee, details of all calculations made pursuant to Clause 5.2.

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

## 6. **PAYMENTS, ACCOUNTS, LEDGERS**

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

### 6.1 **Ledgers and Reserves**

6.1.1 PML as Administrator undertakes that it will open and maintain in the books of the Issuer ledgers, to be known as:

- (a) the Revenue Ledger;
- (b) the Principal Ledger;

- (c) the General Reserve Fund Ledger;
- (d) the Class A and Class B Liquidity Reserve Fund Ledger;
- (e) the Mortgage Margin Reserve Fund Ledger;
- (f) the Mortgage MRF Discretionary Fund Ledger;
- (g) the Conversion Margin Reserve Fund Ledger;
- (h) the Conversion MRF Discretionary Fund Ledger;
- (i) the Discretionary Payment Holiday Reserve Fund Ledger;
- (j) the MFA Pre-Funding Reserve Ledger;
- (k) the Interest Shortfall Ledger;
- (l) the Class S VFN Drawdown Ledger;
- (m) the Issuer Profit Ledger; and
- (n) the Principal Deficiency Ledger.

which shall together reflect all amounts from time to time held by the Issuer or the Trustee (excluding Hedge Collateral which shall be recorded in the Hedge Collateral Ledger in accordance with Clause 6.17), being the aggregate of all amounts which are for the time being either (i) standing to the credit of the Transaction Account or (ii) invested in Authorised Investments; and PML as Administrator shall record in the Revenue Ledger, the Principal Ledger, the General Reserve Fund Ledger, the Class A and Class B Liquidity Reserve Fund Ledger, the Mortgage Margin Reserve Fund Ledger, the Mortgage MRF Discretionary Fund Ledger, the Conversion Margin Reserve Fund Ledger, the Conversion MRF Discretionary Fund Ledger, the Discretionary Payment Holiday Reserve Fund Ledger, the MFA Pre-Funding Reserve Ledger, the Class S VFN Drawdown Ledger, the Interest Shortfall Ledger and the Issuer Profit Ledger in accordance with the terms of this Agreement all amounts received by or on behalf of the Issuer or the Trustee and all payments made by or on behalf of the Issuer or the Trustee.

- 6.1.2 PML as Administrator shall also open and maintain in the books of the Issuer a further ledger, to be known as the Principal Deficiency Ledger. Where in the case of any Mortgage, after completion of the Enforcement Procedures and after all amounts have been received under any applicable assurance or insurance policies or under any Guarantee, an amount of principal of the relevant Mortgage remains outstanding, PML as Administrator shall debit such amount of principal to the Principal Deficiency Ledger although if any amount is subsequently recovered in respect of that principal it shall be credited to the Principal Deficiency Ledger to the extent of the relevant debit. An amount equal to any amount debited to the Interest Shortfall Ledger and credited to the Revenue Ledger pursuant to Clause 6.12.3 or debited to the Principal Ledger pursuant to clause 6.3 of the Deed of Charge shall also be debited to the

Principal Deficiency Ledger. Any amounts representing losses realised by the Issuer on the Mortgages as a result of the failure of the Collection Account Banks to remit funds to the Issuer shall also be debited to the Principal Deficiency Ledger. Amounts may be credited to the Principal Deficiency Ledger in accordance with clause 6.1.2 of the Deed of Charge and from amounts drawn under the Class S VFN in order to restore the Principal Deficiency Ledger to zero. Amounts credited to the Principal Deficiency Ledger in accordance with clause 6.1.2 of the Deed of Charge or from drawings under the Class S VFN and credited to the Principal Ledger shall be deemed to be receipts of principal for the purposes of the definition of Available Redemption Funds.

- 6.1.3 PML as Administrator shall ensure that it will record as a credit on the Issuer Profit Ledger any amounts retained by the Issuer as profit in accordance with clauses 6.1.2(m) and 8.2(m) of the Deed of Charge (by debiting the Revenue Ledger) and record as a debit any amounts paid out to fund UK corporation tax payments and dividends.

## 6.2 Direct Debiting Scheme

- 6.2.1 For the purposes of collecting amounts due from Borrowers under the Mortgages in accordance with this Agreement, PML as Administrator will unless otherwise agreed with the Trustee and the Issuer:
- (a) remain a member of the Direct Debiting Scheme for so long as it acts as Administrator under this Agreement;
  - (b) procure upon the service of an Enforcement Notice (insofar as it is able) that the Issuer is admitted to the Direct Debiting Scheme, that the Issuer will remain a member of the Direct Debiting Scheme or any scheme which replaces the Direct Debiting Scheme during the remaining term of this Agreement and that in connection therewith the Issuer will give an indemnity in such form and to such effect as may be required from time to time in order that the Issuer is so admitted and may remain a member of such scheme;
  - (c) subject to Clauses 6.2.2 and 6.2.3, deliver to the relevant Collection Account Provider or BACS in sufficient time for BACS to process collection on each Mortgage Payment Date instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate with the Monthly Payment due from such Borrower, and for the amount of such Monthly Payment to be credited to the relevant Collection Account, on such Mortgage Payment Date;
  - (d) subject to Clauses 6.2.2 and 6.2.3, deliver to the relevant Collection Account Provider or BACS instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate with the Monthly Payment due and owing by such Borrower on the previous Mortgage Payment Date and which on the date of presentation of such instructions has not been received by the relevant Seller;

- (e) subject to Clauses 6.2.2 and 6.2.3, deliver to the relevant Collection Account Provider or BACS such other instructions for the debit of the account of each Borrower in respect of which there is a direct debit mandate in accordance with the Direct Debiting Scheme as may be appropriate for the recovery of sums due by such Borrower; and
  - (f) comply in all material respects with the requirements from time to time of the Direct Debiting Scheme including "The Originators Guide and Rules to the Direct Debiting Scheme" as amended from time to time.
- 6.2.2 PML as Administrator, may agree with a Borrower that the Direct Debiting Scheme shall not apply to Monthly Payments to be made by such Borrower, **provided that**, subject to Clause 6.2.4:
- (a) alternative payment arrangements are made which are intended to ensure timely payment of Monthly Payments due by the Borrower to ultimately the Issuer; and
  - (b) the change in arrangements was made at the instigation of the Borrower or with the approval of the Trustee.
- 6.2.3 PML as Administrator may, notwithstanding (a) and (b) of Clause 6.2.2, agree procedures for the payment by a Borrower of (a) overdue amounts and (b) amounts payable on redemption of a Mortgage in whole or in part other than through the Direct Debiting Scheme.
- 6.2.4 Where a Borrower permits a direct debit to be made from his bank account, PML as Administrator, will endeavour to procure that such Borrower maintains a valid and effective mandate relating to such direct debit in relation to each Monthly Payment due by that Borrower, **provided that** in any case where a Borrower will not permit a direct debit to be made from his bank account PML as Administrator, will endeavour to make alternative arrangements so that such Borrower nevertheless pays each Monthly Payment on the due date.

### 6.3 Enforcement of Mortgages

- 6.3.1 The Administrators will, in relation to any default by a Borrower under or in connection with a Mortgage, comply with the Enforcement Procedures or, to the extent that the Enforcement Procedures are not applicable having regard to the nature of the default in question, take such action as would a reasonably prudent mortgage administrator in respect of such default, **provided that**:
- (a) an Administrator shall only become obliged to comply with the Enforcement Procedures (to the extent applicable) or to take action as aforesaid after it has become aware of the default; and
  - (b) it is acknowledged by the Issuer and the Trustee that mortgage administrators generally exercise discretion in pursuing their respective enforcement procedures and that the Administrators may exercise such discretion as would be exercised by a reasonably prudent mortgage administrator in applying the Enforcement Procedures to any particular

defaulting Borrower or taking action as aforesaid or in enforcing any relevant Guarantee but without prejudice to the provisions of Clause 13 (*Insurances*).

- 6.3.2 PML as Seller acknowledges to each of the other parties to this Agreement that the provisions of the PML Cross-collateral Mortgage Rights Deed entitle PML as a Seller to prevent any other Cross-collateral Party from exercising Cross-collateral Duplicate Rights in respect of any Mortgage (as defined in the PML Cross-collateral Mortgage Rights Deed) except in the circumstances and to the extent that such Cross-collateral Party is not prohibited by such provisions from exercising Cross-collateral Rights in respect of that Mortgage.
- 6.3.3 Paragon Bank as Seller acknowledges to each of the other parties to this Agreement that the provisions of the Paragon Bank Cross-collateral Mortgage Rights Deed entitle Paragon Bank as a Seller to prevent any other Cross-collateral Party from exercising Cross-collateral Duplicate Rights in respect of any Mortgage (as defined in the Paragon Bank Cross-collateral Mortgage Rights Deed) except in the circumstances and to the extent that such Cross-collateral Party is not prohibited by such provisions from exercising Cross-collateral Rights in respect of that Mortgage.
- 6.3.4 PML as Seller covenants with the other parties to this Agreement that it will use its reasonable endeavours to prevent, and will not facilitate or otherwise permit, the enforcement of any Cross-collateral Rights by any other Cross-collateral Party in respect of any Mortgage (as defined in the PML Cross-collateral Mortgage Rights Deed) except in the circumstances and to the extent that such Cross-collateral Party is not prohibited by the provisions of the PML Cross-collateral Mortgage Rights Accession Deed from exercising Cross-collateral Rights in respect of that Mortgage.
- 6.3.5 Paragon Bank as Seller covenants with the other parties to this Agreement that it will use its reasonable endeavours to prevent, and will not facilitate or otherwise permit, the enforcement of any Cross-collateral Rights by any other Cross-collateral Party in respect of any Mortgage (as defined in the Paragon Bank Cross-collateral Mortgage Rights Deed) except in the circumstances and to the extent that such Cross-collateral Party is not prohibited by the provisions of the Paragon Bank Cross-collateral Mortgage Rights Deed from exercising Cross-collateral Rights in respect of that Mortgage.

#### 6.4 **Application of Sums Received**

##### 6.4.1

- (a) PML as Administrator shall procure that all payments (other than (i) any Hedge Collateral provided by a Hedge Provider except to the extent that such Hedge Collateral is applied in or towards satisfaction of amounts due by the relevant Hedge Provider to the Issuer in accordance with the terms under which the Hedge Collateral was provided and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement; (ii) any Hedge Replacement Premium received by the Issuer

that is to be applied by the Issuer in paying a Hedge Provider Termination Amount; (iii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in purchasing one or more replacement transactions under a Hedge Agreement, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions and any swap replacement premia applied or to be applied by the Issuer in making any swap termination payment due from it to a Hedge Provider; and (iv) in the case of any credit in respect of Tax (as such term is defined in the relevant Hedge Agreement), allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that has given rise to an Additional Amount, an amount equal to the amount to be paid by the Issuer to the relevant Hedge Provider in respect of such Tax credit, allowance, set-off or repayment)) shall be credited to the Transaction Account.

- (b) Notwithstanding the generality of clause 6.4.1(a), PML as Administrator, shall in respect of the Mortgages:
  - (i) procure that all payments by Borrowers to which Clause 6.2 applies and all Cheque Payments, redemption moneys and money recovered on the sale of the relevant Properties following enforcement of any Mortgages are credited directly into the relevant Collection Account;
  - (ii) on the Business Day following that on which monies received on behalf of the Issuer or of the Trustee (together in this clause 6.4.1(b), the "**Issuer's Monies**") are credited to the relevant Collection Account or, failing which, as soon as practicable after such Business Day, transfer such Issuer's Monies to result in a credit being made to the Transaction Account; and
  - (iii) procure that all payments made by the Class S VFN Holder to the Issuer pursuant to the Class S VFN are credited to the Transaction Account.
- (c) PML as Administrator undertakes that it shall not credit, or procure the credit of, any payments received on behalf of the Issuer or the Trustee to any bank account other than:
  - (i) the Transaction Account in accordance with the provisions of clause 6.4.1(a); or
  - (ii) the relevant Collection Account and/or the Transaction Account all in accordance with the provisions of clause 6.4.1(b); or
  - (iii) any Hedge Collateral Account in accordance with the provisions of Clause 6.17,

or permit the same to be paid to any other person.

#### 6.4.2 *Ledger Entries*

PML as Administrator, shall:

- (a) record all amounts received, held or paid out by the Issuer, or the Trustee in respect of the Mortgages and the issue of the Notes in the Revenue Ledger, the Principal Ledger, the General Reserve Fund Ledger, the Class A and Class B Liquidity Reserve Fund Ledger, the Mortgage Margin Reserve Fund Ledger, the Mortgage MRF Discretionary Fund Ledger, the Conversion Margin Reserve Fund Ledger, the Conversion MRF Discretionary Fund Ledger, the Discretionary Payment Holiday Reserve Fund Ledger, the MFA Pre-Funding Reserve Ledger, the Interest Shortfall Ledger, the Class S VFN Drawdown Ledger, as applicable, and all amounts transferred between such Ledgers, in the manner set out below and/or as otherwise set out in this Agreement and the Deed of Charge:
  - (i) all Monthly Payments (except to the extent of any amounts representing principal repaid), other interest received under the Mortgages, all Prepayment Charges and any other redemption fees, charges and penalties and any costs or other amounts received under the Mortgages (including in any such case amounts (other than principal amounts) recovered on enforcement of rights against any Borrower or guarantor or his property or assets (including interest recovered on enforcement of the Borrower's Mortgage or from a guarantor)) shall be credited to the Revenue Ledger;
  - (ii) all repayments of principal under the Mortgages (including amounts representing principal repaid in accordance with the terms of the Repayment Mortgages and principal amounts recovered on enforcement of rights against any Borrower or his property or assets or on sale of the Property with the consent of the Borrower or under the power of sale contained in the Mortgage or any amount recovered under a Guarantee and, in each case, applied in reduction of principal) shall be credited to the Principal Ledger;
  - (iii) all drawings under the Class S VFN made:
    - (A) for the purposes of increasing the General Reserve Fund and the Class A and Class B Liquidity Reserve Fund;
    - (B) for the purpose of reducing any debit balance on the Principal Deficiency Ledger; and
    - (C) for the purposes of funding the Amortised Cost Adjustment,

shall be credited to the Class S VFN Drawdown Ledger and then subsequently credited to the General Reserve Fund Ledger, the



Class A and Class B Liquidity Reserve Fund Ledger and the Principal Ledger (where applicable);

- (iv) all Mandatory Further Advances and Discretionary Further Advances to Borrowers made from the Transaction Account shall be debited from the Principal Ledger **provided that** prior to the debiting of the Principal Ledger, any Mandatory Further Advances to Borrowers made from the Transaction Account shall be initially debited from the MFA Pre-Funding Reserve Ledger and credited to the Principal Ledger in accordance with clause 6.4.2(a)(viii);
- (v) in accordance with the definition of Available Redemption Funds, on the earlier of the MFA Pre-Funding Reserve Ledger Release Date and the Principal Determination Date immediately preceding the Step-Up Date, any remaining amount credited to the MFA Pre-Funding Reserve Ledger (after taking into account any debits to be made from such ledger on or before such date) shall be debited from such ledger and credited to the Principal Ledger, to form part of Available Redemption Funds to either repay the Notes or fund Mandatory Further Advances at such Principal Determination Date and applied on the immediately following Interest Payment Date;
- (vi) if any amount is paid by any Seller to the Issuer pursuant to clause 6 (*Warranties, Representations and Undertakings*) of the Mortgage Sale Agreement, such portion thereof as corresponds to the principal amount of a Mortgage shall be credited to the Principal Ledger and the balance (if any) shall be credited to the Revenue Ledger;
- (vii) on the Closing Date an amount equal to the amount by which the sum of the Initial Principal Amount of the Notes on issue, exceeds the aggregate of:
  - (A) the amount paid to acquire the Mortgages acquired by the Issuer on the Closing Date and any related collateral security;
  - (B) the amount applied to establish the General Reserve Fund and the Class A and Class B Liquidity Reserve Fund on the Closing Date;
  - (C) the sum of the Initial Mortgage MRF Required Amount and the Mortgage MRF Discretionary Amount on the Closing Date;
  - (D) the Initial Conversion MRF Discretionary Amount; and
  - (E) the amount credited to the MFA Pre-Funding Reserve Ledger on the Closing Date,

shall be credited to the Principal Ledger;

- (viii) all amounts debited from the MFA Pre-Funding Reserve Ledger, if applicable, up to and including the Principal Determination Date immediately preceding the Step-Up Date, shall be credited to the Principal Ledger;
- (ix) on the Closing Date it is expected that an amount equal to 0.14 per cent. of the Initial Principal Amount of the Notes shall be credited to the MFA Pre-Funding Reserve Ledger from the proceeds of the issue of the Notes;
- (x) all payments required to be made to PML as Administrator under Clause 11.2 shall be debited to the Revenue Ledger and all insurance commissions received by the Issuer shall be credited to the Revenue Ledger;
- (xi) all net receipts under any hedging arrangements, including under any Hedge Agreements and any Hedge Guarantee (other than (i) any Hedge Collateral provided by a Hedge Provider except to the extent that such Hedge Collateral is applied in or towards satisfaction of amounts due by the relevant Hedge Provider to the Issuer in accordance with the terms under which the Hedge Collateral was provided and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement; (ii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in paying a Hedge Provider Termination Amount; (iii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in purchasing one or more replacement transactions under a Hedge Agreement, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions and any swap replacement premia applied or to be applied by the Issuer in making any swap termination payment due from it to a Hedge Provider; and (iv) in the case of any credit in respect of Tax (as such term is defined in the relevant Hedge Agreement), allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that has given rise to an Additional Amount, an amount equal to the amount to be paid by the Issuer to the relevant Hedge Provider in respect of such Tax credit, allowance, set-off or repayment), shall be credited to the Revenue Ledger.
- (xii) if any amount is received by or on behalf of the Issuer pursuant to any of the Insurance Contracts, such portion thereof as corresponds to the amounts (other than principal) then due and payable under the relevant Mortgage shall be credited to the Revenue Ledger and the balance (if any) shall be credited to the Principal Ledger;

- (xiii) where the proceeds of disposal or on maturity of any Authorised Investment invested by the Issuer exceed the original cost of such Authorised Investment, the amount of such excess shall be credited to the Revenue Ledger and any income on any Authorised Investment (including interest earned on the Transaction Account) shall also be credited to the Revenue Ledger;
- (xiv) any other amounts whatsoever (other than (i) any Hedge Collateral provided by a Hedge Provider except to the extent that such Hedge Collateral is applied in or towards satisfaction of amounts due by the relevant Hedge Provider to the Issuer in accordance with the terms under which the Hedge Collateral was provided and only to the extent that such Hedge Collateral is not to be applied by the Issuer in the purchase of one or more replacement transactions under a Hedge Agreement; (ii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in paying a Hedge Provider Termination Amount; (iii) any Hedge Replacement Premium received by the Issuer that is to be applied by the Issuer in purchasing one or more replacement transactions under a Hedge Agreement, any swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions and any swap replacement premia applied or to be applied by the Issuer in making any swap termination payment due from it to a Hedge Provider; and (iv) in the case of any credit in respect of Tax (as such term is defined in the relevant Hedge Agreement), allowance, set-off or repayment from the tax authorities of any jurisdiction relating to the deduction or withholding that has given rise to an Additional Amount, an amount equal to the amount to be paid by the Issuer to the relevant Hedge Provider in respect of such Tax credit, allowance, set-off or repayment) received by or on behalf of the Issuer or the Trustee shall be credited, if clearly attributable to the principal amount of any Mortgage to the Principal Ledger and, otherwise to the Revenue Ledger;
- (xv) all amounts to be credited to the Class A and Class B Liquidity Reserve Fund Ledger, the General Reserve Fund Ledger, the Mortgage MRF Discretionary Fund Ledger or the Conversion MRF Discretionary Fund Ledger in accordance with clause 6.1.2 of the Deed of Charge shall be credited to such ledger and debited to the Revenue Ledger and all Class A and Class B Liquidity Reserve Fund Release Amounts and General Reserve Fund Release Amounts shall be credited to the Revenue Ledger and all amounts released from the Mortgage Margin Reserve Fund Ledger or Conversion Margin Reserve Fund Ledger in accordance with clause 6.4 of the Deed of Charge shall be credited to the Revenue Ledger; and

- (xvi) the revenue element of the Portfolio Option Purchase Price paid by the Portfolio Option Holder shall be credited to the Revenue Ledger as reasonably determined by the Administrator and the principal element of the Portfolio Option Purchase Price paid by the Portfolio Option Holder shall be credited to the Principal Ledger as reasonably determined by the Administrator.
- 6.4.3 The Administrators acknowledge the Issuer's intentions as described in Recitals (F) and (G) above and undertakes to perform its obligations under this Agreement in accordance with good practice according to market standards so as to ensure that amounts received are monitored, allocated, transferred and paid out in accordance with the terms of those recitals.
- 6.4.4 To the extent the MFA Pre-Funding Reserve Ledger Release Date has not occurred, and notwithstanding the security created by or pursuant to the Deed of Charge, PML as Administrator shall determine on or before the Principal Determination Dates relating to the Interest Payment Dates falling in each of December 2022, December 2023 and December 2024 an amount equal to any amount which must be paid out by the Issuer on such Interest Payment Date to ensure compliance by the Issuer with the payments condition for the purposes of Regulation 11 of the Taxation of Securitisation Companies Regulations 2006, and on or before such Principal Determination Date shall debit such amount from the MFA Pre-Funding Reserve Ledger and shall credit such amount to the Principal Ledger of the Transaction Account. Such amounts must then be applied either to purchase Mandatory Further Advances on or before the immediately following Interest Payment Date or as Available Redemption Funds in prepayment of the Notes in accordance with the Principal Priority of Payments on the immediately following Interest Payment Date.
- 6.4.5 In the event that, on any Interest Payment Date falling before enforcement, any funds are held by or on behalf of the Issuer which are not specifically required or permitted by any of the provisions of the Relevant Documents to be retained by the Issuer, an amount equal to such funds shall be paid by or on behalf of the Issuer to the Sellers by way of Payment on the Residual Certificates.
- 6.4.6 If PML as Administrator is at any time in any doubt as to which ledger a particular amount should be credited, it shall consult the Issuer.
- 6.4.7 PML as Administrator, shall also record all amounts debited to the Transaction Account and/or debited or credited to any of the ledgers in accordance with the terms of this Agreement and/or the Deed of Charge.
- 6.4.8 If at any time a Seller has a second mortgage or charge over any Property in the manner envisaged by Clause 8.1.2, such Seller agrees that it will take no action to encourage the relevant Borrower to make payments in respect of the second mortgage or charge in preference to the relevant Mortgage and if at any time a Seller receives moneys from a Borrower and it is unsure as to whether such moneys have been paid in respect of the Mortgage or a relevant second mortgage or charge, it will promptly pay such amount into the Transaction Account, **provided however that** this Clause 6.4.8 shall have effect only to the

extent that it does not constitute or create and is not deemed to constitute or create any mortgage, charge or other security interest of any kind.

- 6.4.9 In relation to any amount which is credited to the Discretionary Payment Holiday Reserve Fund Ledger, the Conversion MRF Discretionary Fund Ledger or the Mortgage MRF Discretionary Fund Ledger, and notwithstanding the security created by or pursuant to the Deed of Charge, PML as Administrator shall determine, on or before the last Business Day of the month preceding that in which such Interest Payment Date falls, the amount (if any) credited to the Discretionary Payment Holiday Reserve Fund Ledger, the Conversion MRF Discretionary Fund Ledger or the Mortgage MRF Discretionary Fund Ledger which must be paid out by the Issuer on such Interest Payment Date to ensure compliance by the Issuer with the payments condition for the purposes of Regulation 11 of the Taxation of Securitisation Companies Regulations 2006, and, on or before such date, shall debit such amount from the Discretionary Payment Holiday Reserve Fund Ledger, the Conversion MRF Discretionary Fund Ledger or the Mortgage MRF Discretionary Fund Ledger (as the case may be) and shall credit such amount to the Revenue Ledger of the Transaction Account. Such amounts must then be applied in accordance with the Revenue Priority of Payments on the immediately following Interest Payment Date.

## **6.5 Rating and the Transaction Account and the Collection Accounts**

- 6.5.1 The Transaction Account shall at all times be maintained with a bank (a) (i) which has a short-term, issuer default rating by Fitch of at least F1; or (ii) which has a long-term issuer default rating by Fitch of at least A; and whose long-term, unsecured and unsubordinated debt is rated at least A3 by Moody's or (b) that has ratings (other than that specified in (a) above) as are consistent with the then-current criteria of the relevant Rating Agencies as being the minimum ratings to support the then-current ratings of the Most Senior Class of Rated Notes. If such criteria are no longer satisfied in relation to the Operating Bank: (1) PML as Administrator will give notice thereof to the Rating Agencies and the Trustee; and (2) PML as Administrator and the Issuer will use commercially reasonable efforts to transfer the Transaction Account to another bank which does satisfy such criteria within 60 calendar days of such occurrence (or such longer period as the Trustee may agree). Upon the transfer of the Transaction Account to another bank PML as Administrator will procure that (i) the new account is charged to the Trustee in the same manner as the Transaction Account is charged to the Trustee pursuant to the Deed of Charge and the bank shall be requested to acknowledge receipt of notice of such charge; (ii) the provisions of this Clause 6.5.1 shall apply to such bank account; (iii) the provisions of the Deed of Charge and this Agreement relating to payments from the Transaction Account shall apply to such new bank account; and (iv) the arrangements for operation of such bank account shall be the same as in relation to the Transaction Account, all to the satisfaction of the Trustee.
- 6.5.2 Each of PML and Paragon Bank agree that the Collection Accounts shall at all times be maintained with a bank (a)(i) which has a short-term issuer default rating by Fitch of at least F2 or (ii) which has a long-term issuer default rating by Fitch of at least BBB; and (b) whose long-term unsecured and unsubordinated debt is rated at least Baa3 by Moody's; or that has at such time

such ratings (other than that specified in (b) above) as are consistent with the then-current criteria of Moody's as being the minimum ratings to support the then-current ratings of the Most Senior Class of Rated Notes. If such criteria are no longer satisfied in relation to the bank with which the relevant Collection Account is maintained: (1) PML as Administrator will give notice thereof to the Rating Agencies and the Trustee; and (2)(a) the Issuer and (b) PML as Administrator (as applicable) will use commercially reasonable efforts to transfer that Collection Account to another bank which does satisfy such criteria within 60 calendar days of such occurrence (or such longer period as the Trustee may agree). Upon the transfer of that Collection Account to another bank, PML as Administrator will procure that (a) all direct debit payments made by borrowers under the Mortgages and all other moneys paid in respect of the Mortgages purchased by the Issuer (including cheque payments, redemption moneys and moneys recovered on the sale of Properties following enforcement of any Mortgage) are made or paid into the new Collection Account and (b) PML and/or Paragon Bank (as applicable) executes a declaration of trust in the same terms, *mutatis mutandis*, as the Collection Account Declarations of Trust in respect of such new Collection Account.

6.5.3 Notwithstanding Clauses 6.5.1 and 6.5.2, PML as Administrator may at any time transfer:

- (a) (x) any Collection Account to HSBC Bank plc; or (y) the PB Collection Account to Barclays Bank plc, in each case without the consent of the Trustee or any other party hereto **provided that** at such time HSBC Bank plc or Barclays Bank plc (as applicable) (a) (i) has a short-term, issuer default rating by Fitch of at least F2 or (ii) has a long-term issuer default rating by Fitch of at least BBB; and (b) whose long-term, unsecured and unsubordinated debt rated at least Baa3 by Moody's; or HSBC Bank plc or Barclays Bank plc (as applicable) has at such time such other ratings as are consistent with the then current criteria of Moody's as being the minimum ratings that are required to support the then rating of the Most Senior Class of Rated Notes; and/or
- (b) the Transaction Account to HSBC Bank plc and/or Barclays Bank plc without the consent of the Trustee or any other party hereto **provided that** at such time HSBC Bank plc or Barclays Bank plc (i) has a short-term issuer default rating by Fitch of at least F1 or (ii) has a long-term issuer default rating by Fitch of at least A; and whose long-term, unsecured and unguaranteed debt is rated at least A3 by Moody's; or HSBC Bank plc or Barclays Bank plc has at such time such other ratings as are consistent with the then-current criteria of the relevant Rating Agencies as being the minimum ratings required to support the then-current ratings of the Most Senior Class of Rated Notes.

6.5.4 Upon the transfer of the Transaction Account to HSBC Bank plc and/or Barclays Bank plc pursuant to Clause 6.5.3, PML as Administrator will procure that (i) at the time the transfer is effective, the new account is charged to the Trustee in the same manner as the Transaction Account is charged to the Trustee pursuant to the Deed of Charge and HSBC Bank plc or Barclays Bank plc shall be requested to acknowledge receipt of notice of such charge; (ii) the provisions

of this Clause 6 shall apply to such bank account; (iii) the provisions of the Deed of Charge and this Agreement relating to payments from the Transaction Account shall apply to such new bank account; and (iv) the arrangements for operation of such bank account shall be the same as in relation to the Transaction Account and PML as Administrator shall notify the Trustee of such transfer as soon as practicable and deliver to the Trustee a certificate (substantially in the form of Schedule 7 (*Form of Transaction Account Transfer Certificate*)) confirming that conditions (i) to (iv) have been met as soon as reasonably practicable following the completion thereof.

6.5.5 Upon the transfer of any Collection Account to HSBC Bank plc and/or Barclays Bank plc pursuant to Clause 6.5.3, PML as Administrator will notify the Trustee of such transfer as soon as reasonably practicable and procure that (a) all direct debit payments made by borrowers under the Mortgages and all other moneys paid in respect of the Mortgages purchased by the Issuer (including cheque payments, redemption moneys and moneys recovered on the sale of Properties following the enforcement of any Mortgage) are made or paid into the new Collection Account; (b) PML or Paragon Bank (as applicable) executes a new declaration of trust in the same terms, *mutatis mutandis*, as the Collection Account Declarations of Trust in respect of such new Collection Account; and (c) (i) notice is given to HSBC Bank plc of the new declarations of trust executed pursuant to (b) above and the assignment of the rights of the Issuer under such declarations of trust; and (ii) the Trustee is provided with a copy of such notice and a copy of the new declarations of trust and PML as Administrator shall deliver to the Trustee a certificate confirming that conditions (a) to (c) have been met as soon as reasonably practicable following the completion thereof.

6.5.6 PML as Administrator shall notify the Rating Agencies of any transfer of any Collection Account and/or the Transaction Account to HSBC Bank plc and/or Barclays Bank plc pursuant to Clause 6.5.3 as soon as practicable following completion thereof.

## 6.6 **Withdrawals**

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

## 6.7 **Records**

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

## 6.8 Trust

If PML as Administrator, receives (including in its capacity as agent for the Issuer or the Trustee) any money whatsoever arising from the Mortgages or any collateral security therefor or any contract of insurance, which money belongs to the Issuer or the Trustee or is to be paid to the Issuer or the Trustee or into the Transaction Account pursuant to this Agreement, the Mortgage Sale Agreement or otherwise, it will hold such money on trust for the Issuer or the Trustee, as the case may be, and shall keep such money separate from all other money belonging to PML as Administrator, and shall forthwith upon receipt thereof pay the same in accordance with Clause 6.4.1 into the Transaction Account.

## 6.9 Class A and Class B Liquidity Reserve Fund and Class A and Class B Liquidity Reserve Fund Ledger

- 6.9.1 On the Closing Date, PML as Administrator will establish the Class A and Class B Liquidity Reserve Fund Ledger in the Transaction Account. PML as Administrator on behalf of the Issuer will fund the Class A and Class B Liquidity Reserve Fund Ledger from part of the proceeds of the Noteholders' subscription for the Class S Notes in an amount equal to the Class A and Class B Liquidity Reserve Fund Required Amount as at the Closing Date.
- 6.9.2 On each Mortgage Payment Date (other than an Interest Payment Date) PML as Administrator on behalf of the Issuer shall credit the Class A and Class B Liquidity Reserve Fund Ledger from amounts standing to the credit of the Revenue Ledger on that date (debiting the Revenue Ledger) an amount equal to the lesser of (i) any payments of the kind described in paragraphs (a) and (e) of clause 6.1.1 of the Deed of Charge which have been debited to the Class A and Class B Liquidity Reserve Fund Ledger since the immediately preceding Mortgage Payment Date and (ii) the amount which would result in the Class A and Class B Liquidity Reserve Fund Ledger being equal to the Class A and Class B Liquidity Reserve Fund Required Amount applicable on the immediately preceding Interest Payment Date.
- 6.9.3 On each Interest Payment Date:
- (a) there shall be transferred to the Class A and Class B Liquidity Reserve Fund (crediting the Class A and Class B Liquidity Reserve Fund Ledger), in accordance with the Deed of Charge, from amounts standing to the credit of the Revenue Ledger on that date (debiting the Revenue Ledger) an amount equal to any payments of the kind described in paragraphs (a) and (e) of clause 6.1.1 of the Deed of Charge which have been debited to the Class A and Class B Liquidity Reserve Fund Ledger during the Interest Period in question and (if relevant) in respect of which the Class A and Class B Liquidity Reserve Fund has not been replenished on an earlier Mortgage Payment Date during the Interest Period in question in accordance with the provisions of clause 6.9.2, **provided that** the amount of the Class A and Class B Liquidity Reserve Fund shall not, on any Interest Payment Date, exceed the Class A and Class B Liquidity Reserve Fund Required Amount applicable on that Interest Payment Date;



- (b) up to and including the Class B Redemption Date, PML as Administrator will credit to the Class A and Class B Liquidity Reserve Fund Ledger from the Revenue Ledger (following application of amounts standing to the credit of the Revenue Ledger pursuant to such Clause 6.9.3(a)) the amount applied by the Issuer on such Interest Payment Date to replenish the Class A and Class B Liquidity Reserve Fund up to the Class A and Class B Liquidity Reserve Fund Required Amount pursuant to item (g) of the Revenue Priority of Payments in the Deed of Charge.
- 6.9.4 Following the determination by PML as Administrator on each Principal Determination Date (and no later than one Business Day from the Interest Determination Date) up to but excluding the Principal Determination Date immediately preceding the Class B Redemption Date of the Class A and Class B Liquidity Reserve Fund Required Amount in respect of the immediately following Interest Payment Date, PML as Administrator shall determine (where no amounts are required to be credited to the Class A and Class B Liquidity Reserve Fund Ledger pursuant to Clause 6.9.3) the Class A and Class B Liquidity Reserve Fund Excess Amount to be credited to the Revenue Ledger on the immediately following Interest Payment Date (if any).
- 6.9.5 On each Interest Payment Date up to but excluding the Class B Redemption Date, PML as Administrator will credit to the Revenue Ledger the Class A and Class B Liquidity Reserve Fund Excess Amount (as determined on the immediately preceding Principal Determination Date).
- 6.9.6 On any Principal Determination Date up to and including the Principal Determination Date immediately preceding the Class B Redemption Date (prior to the service of an Enforcement Notice) (and no later than one Business Day from the Interest Determination Date), if the Administrator determines that on the immediately following Interest Payment Date, there would be a Class A and Class B Liquidity Deficit, the Administrator will apply on such Interest Payment Date and credit to the Revenue Ledger an amount from the Class A and Class B Liquidity Reserve Fund Ledger equal to the lesser of:
- (a) the amount standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger on such Interest Payment Date (for the avoidance of doubt, prior to any amounts being debited from the Class A and Class B Liquidity Reserve Fund Ledger on such Interest Payment Date but following the crediting to the Class A and Class B Liquidity Reserve Fund Ledger of any amounts pursuant to Clause 6.9.3); and
  - (b) the amount of such Class A and Class B Liquidity Deficit,
- (such amount being the "**Class A and Class B Liquidity Reserve Fund Release Amount**"), in meeting such Class A and Class B Liquidity Deficit against the relevant items in the Revenue Priority of Payments in the order that they appear in the Revenue Priority of Payments in accordance with clause 6.1.2 of the Deed of Charge (any such amount to be debited from the Class A and Class B Liquidity Reserve Fund Ledger immediately prior to the application of any General Reserve Fund Release Amount, any Principal Addition Amounts

and Available Revenue pursuant to the Revenue Priority of Payments on such Interest Payment Date).

- 6.9.7 On the Class B Redemption Date only, all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amount in meeting any Class A and Class B Liquidity Deficit against the relevant items in the Revenue Priority of Payments in the order they appear in the Revenue Priority of Payments and debiting such amount from the Class A and Class B Liquidity Reserve Fund Ledger) will be credited to the Revenue Ledger in accordance with the Revenue Priority of Payments.
- 6.9.8 Following service of an Enforcement Notice, monies standing to the credit of the Class A and Class B Liquidity Reserve Fund Ledger will be applied in accordance with the Enforcement Priority of Payments in accordance with clause 8.2 of the Deed of Charge.

#### **6.10 General Reserve Fund and General Reserve Fund Ledger**

- 6.10.1 On the Closing Date, PML as Administrator (on behalf of the Issuer) will establish the General Reserve Fund. PML as Administrator (on behalf of the Issuer) will fund the General Reserve Fund from part of the proceeds of the Noteholders' subscription for the Class S Notes in an amount equal to the General Reserve Fund Required Amount as at the Closing Date. Any amount representing the General Reserve Fund Required Amount on the Closing Date will be paid into the Transaction Account (with a corresponding credit recorded to the General Reserve Fund Ledger).
- 6.10.2 On each Mortgage Payment Date (other than an Interest Payment Date) there shall be transferred to the General Reserve Fund (crediting the General Reserve Ledger) from amounts standing to the credit of the Revenue Ledger on that date (debiting the Revenue Ledger) after fully utilising the Class A and Class B Liquidity Reserve Ledger an amount equal to the lesser of (i) any payments of the kind described in paragraphs (a) and (e) of clause 6.1.1 of the Deed of Charge which have been debited to the General Reserve Fund Ledger since the immediately preceding Mortgage Payment Date and (ii) the amount which would result in the General Reserve Fund Ledger being equal to the General Reserve Fund Required Amount applicable on the immediately preceding Interest Payment Date.
- 6.10.3 On each Interest Payment Date:
- (a) there shall be transferred to the General Reserve Fund (crediting the General Reserve Fund Ledger), in accordance with the Deed of Charge, from amounts standing to the credit of the Revenue Ledger on that date (debiting the Revenue Ledger) after fully utilising the Class A and Class B Liquidity Reserve Ledger an amount equal to any payments of the kind described in paragraphs (a) and (e) of clause 6.1.1 of the Deed of Charge which have been debited to the General Reserve Fund Ledger during the Interest Period in question and (if relevant) in respect of which the General Reserve Fund has not been replenished on an earlier

Mortgage Payment Date during the Interest Period in question in accordance with the provisions of Clause 6.10.2, **provided that** the amount of the General Reserve Fund shall not, on any Interest Payment Date, exceed General Reserve Fund Required Amount applicable on that Interest Payment Date;

- (b) up to and including the Final Redemption Date, the Administrator will credit to the General Reserve Fund Ledger from the Revenue Ledger (following application of amounts standing, to the credit of the Revenue Ledger pursuant to clause 6.10.3(a)) the amount applied by the Issuer on such Interest Payment Date to replenish the General Reserve Fund up to the General Reserve Fund Required Amount pursuant to item (n) of the Revenue Priority of Payments in accordance with clause 6.1.2 of the Deed of Charge.

6.10.4 Following the determination by PML as Administrator on each Principal Determination Date (and no later than one Business Day from the Interest Determination Date) up to and including the Principal Determination Date immediately preceding the Final Redemption Date of the General Reserve Fund Required Amount in respect of the immediately following Interest Payment Date, PML as Administrator shall determine (where no amounts are required to be credited to the General Reserve Fund Ledger pursuant to the paragraphs above) the General Reserve Fund Excess Amount on the immediately following Interest Payment Date (if any) and credit the Revenue Ledger.

6.10.5 On each Interest Payment Date up to and including the Final Redemption Date, the Administrator will credit the Revenue Ledger with the General Reserve Fund Excess Amount (as determined on the immediately preceding Principal Determination Date).

6.10.6 On any Principal Determination Date (and no later than one Business Day from the Interest Determination Date) up to and including the Principal Determination Date immediately preceding the Final Redemption Date (prior to the service of an Enforcement Notice), if PML as Administrator determines that on the immediately following Interest Payment Date, there would be a Revenue Deficit (following application of the Class A and Class B Liquidity Reserve Fund Release Amount and the crediting to the General Reserve Fund Ledger of any amounts pursuant to Clause 6.10.3), PML as Administrator will apply on such Interest Payment Date and credit the Revenue Ledger with an amount from the General Reserve Fund equal to the lesser of:

- (a) the amount standing to the credit of the General Reserve Fund Ledger on such Interest Payment Date; and
- (b) the amount of such Revenue Deficit,

(such amount being the "**General Reserve Fund Release Amount**"), in meeting such Revenue Deficit against the relevant items in the Revenue Priority of Payments in the order that they appear in the Revenue Priority of Payments (any such amount to be debited from the General Reserve Fund Ledger

immediately prior to the application of Available Revenue pursuant to the Revenue Priority of Payments on such Interest Payment Date).

- 6.10.7 On the Final Redemption Date only, all amounts standing to the credit of the General Reserve Fund Ledger (after first having applied any Class A and Class B Liquidity Reserve Fund Release Amounts in meeting any Class A and Class B Liquidity Deficit and then any General Reserve Fund Release Amount to meet any Revenue Deficit against the relevant items in the Revenue Priority of Payments in the order they appear in the Revenue Priority of Payments, and debiting such amounts from the Class A and Class B Liquidity Reserve Fund Ledger and/or the General Reserve Fund Ledger in accordance with the Revenue Priority of Payments, in each case on such Final Redemption Date) will be credited to the Principal Ledger and applied as Available Redemption Funds in accordance with the Principal Priority of Payments.
- 6.10.8 Following service of an Enforcement Notice, monies standing to the credit of the General Reserve Fund Ledger will be applied in accordance with the Enforcement Priority of Payments.

#### 6.11 Interest Shortfall Ledger

- 6.11.1 On each Principal Determination Date (and no later than one Business Day from the Interest Determination Date) prior to the service of an Enforcement Notice, and with reference to the immediately following Interest Payment Date, PML as Administrator will calculate whether there will be a shortfall of funds standing to the credit of the Revenue Ledger, Class A and Class B Liquidity Reserve Fund Release Amounts and any General Reserve Fund Release Amounts in meeting a Senior Expenses Deficit on such Interest Payment Date.
- 6.11.2 On any Principal Determination Date, while any Rated Note remains outstanding, (and no later than one Business Day from the Interest Determination Date) an amount equal to the Senior Expenses Deficit shall be debited to the Principal Ledger and credited to the Interest Shortfall Ledger.
- 6.11.3 If PML as Administrator determines that there will be a Senior Expenses Deficit, then PML as Administrator shall pay or provide for that Senior Expenses Deficit by the application of Principal Receipts (such reapplied amounts, "**Principal Addition Amounts**") on the following Interest Payment Date towards the payment in order of priority of:
- (a) the amounts referred to in items (a) to (d) in the Revenue Priority of Payments (in the same order of priority as set out in the Revenue Priority of Payments); and
  - (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, 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, the Class D Notes and the Class Z Notes,

in which case PML as Administrator shall transfer such Principal Addition Amounts from the Interest Shortfall Ledger to the Revenue Ledger on such Interest Payment Date.

- 6.11.4 If PML as Administrator makes any payments or provisions pursuant to Clause 6.12.3, PML as Administrator will debit the corresponding amount from the Principal Deficiency Ledger. Any credit balance on the Interest Shortfall Ledger after an Interest Payment Date will be transferred and credited to the Principal Ledger.

## 6.12 **Mortgage Margin Reserve Fund Ledger and Mortgage MRF Discretionary Fund Ledger**

- 6.12.1 On the Closing Date, PML as Administrator (on behalf of the Issuer) shall:
- (a) credit the Mortgage Margin Reserve Fund Ledger with the Initial Mortgage MRF Required Amount; and
  - (b) credit the Mortgage MRF Discretionary Fund Ledger with the Mortgage MRF Discretionary Amount,

in each case from part of the proceeds of the Noteholders' subscription for the Class S Notes on the Closing Date.

- 6.12.2 On the Closing Date and on each Principal Determination Date (and no later than one Business Day from the Interest Determination Date) (the "**Relevant Date**"), PML as Administrator will determine (in respect of the Closing Date) the Initial Mortgage MRF Required Amount and (in respect of each Principal Determination Date and no later than one Business Day from the Interest Determination Date) the Mortgage MRF Required Amount in respect of the Mortgages outstanding on such Relevant Date.
- 6.12.3 On each Interest Payment Date, PML as Administrator will debit from the Mortgage Margin Reserve Fund Ledger and credit to the Revenue Ledger the Quarterly MRF Release Amount applicable to the Mortgages for the Collection Period ending on the immediately preceding Principal Determination Date.
- 6.12.4 On each Principal Determination Date (and no later than one Business Day from the Interest Determination Date), PML as Administrator will determine the difference (if positive) (the "**Additional Mortgage MRF Required Amount**") between:
- (a) the amount determined on the Closing Date or, as the case may be, the most recent Principal Determination Date in respect of the Mortgage MRF Required Amount; and
  - (b) the Mortgage MRF Required Amount as determined by PML as Administrator on the Closing Date (in respect of the first Collection Period) or immediately preceding Principal Determination Date (in respect of a Collection Period other than the first Collection Period) (and excluding any Quarterly MRF Release Amount debited from the

Mortgage Margin Reserve Fund Ledger on the Interest Payment Date following such Principal Determination Date).

- 6.12.5 If PML as Administrator determines that an Additional Mortgage MRF Required Amount is applicable, PML as Administrator will transfer such Additional Mortgage MRF Required Amount from the Mortgage MRF Discretionary Fund (if a sufficient amount is standing to the credit thereof) to the Mortgage Margin Reserve Fund by debiting the Mortgage MRF Discretionary Fund Ledger and crediting the Mortgage Margin Reserve Fund in respect of such amount.

### 6.13 Conversion Margin Reserve Fund Ledger and Conversion MRF Discretionary Fund Ledger

- 6.13.1 On the Closing Date, PML will credit the Conversion MRF Discretionary Fund Ledger with the Initial Conversion MRF Discretionary Amount from part of the proceeds of the Noteholders' subscription for the Class S Notes on the Closing Date.
- 6.13.2 PML as Administrator may (at its discretion) on each Interest Payment Date up to but excluding the Step-Up Date, fund the Conversion MRF Discretionary Fund in an amount up to the Conversion MRF Discretionary Amount from the Revenue Ledger (to the extent available) in accordance with the provisions of the Revenue Priority of Payments.
- 6.13.3 On the conversion date in respect of any Proposed Interest Rate Converted Mortgage, PML as Administrator shall transfer the Conversion MRF Required Amount (to the extent available) from the Conversion MRF Discretionary Fund to the Conversion Margin Reserve Fund (by crediting the Conversion Margin Reserve Fund Ledger and debiting the Conversion MRF Discretionary Fund Ledger).
- 6.13.4 On each Interest Payment Date, PML as Administrator will debit from the Conversion Margin Reserve Fund Ledger and credit to the Revenue Ledger the aggregate of the Interest Rate Converted Mortgage Release Amounts applicable to each Interest Rate Converted Mortgage for the Collection Period ending on the immediately preceding Principal Determination Date.
- 6.13.5 If on any Interest Payment Date, PML as Administrator determines that the amount credited to the Conversion Margin Reserve Fund Ledger in respect of any Interest Rate Converted Mortgage exceeds the Conversion MRF Required Amount (that would be applicable in respect of such Interest Rate Converted Mortgage if calculated by reference to the Current Balance of such Mortgage as at the Principal Determination Date immediately preceding such Interest Payment Date (instead of the Current Balance at the date of conversion), and by reference to the number of years in the remaining term of the Mortgage for which the Product Conversion Rate Reduction Amount is applicable as at the Principal Determination Date immediately preceding such Interest Payment Date (instead of the term as at the date of conversion)) in respect of such Interest Rate Converted Mortgage, then the amount of such excess (the "**Conversion MRF Excess Amount**") shall be released from the Conversion Margin Reserve

Fund Ledger and credited to the Revenue Ledger for application as Available Revenue.

- 6.13.6 If on any Interest Payment Date, PML as Administrator determines that any Proposed Interest Rate Converted Mortgage did not become an Interest Rate Converted Mortgage as a result of (i) the Interest Rate Converted Mortgage Conditions not being satisfied on any day in the Collection Period ending on the Principal Determination Date immediately preceding such Interest Payment Date or (ii) the relevant Borrower electing not to proceed with the conversion, then the PML as Administrator shall release the Conversion MRF Required Amount credited to the Conversion Margin Reserve Fund Ledger in respect of such Proposed Interest Rate Converted Mortgage and credit such amount (the "**Non-Proceeding Conversion Release Amount**") to the Revenue Ledger for application as Available Revenue.

#### 6.14 **Discretionary Payment Holiday Reserve Fund Ledger**

- 6.14.1 On the Closing Date, PML as Administrator (on behalf of the Issuer) will establish and maintain the Discretionary Payment Holiday Reserve Fund Ledger, which may, in its discretion, be credited within the Transaction Account pursuant to the Revenue Priority of Payments.

- 6.14.2 On each Interest Payment Date, PML as Administrator may, at its discretion:

- (a) debit the Revenue Ledger and credit the Discretionary Payment Holiday Reserve Fund Ledger pursuant to the Revenue Priority of Payments; and/or
- (b) debit the Discretionary Payment Holiday Reserve Fund Ledger and credit the Revenue Ledger,

in each case, with any amount that the Administrator determines in its discretion (in accordance with the practices of a reasonable prudent administrator) is necessary to (i) provide for losses or expenses from the Issuer's business or (ii) maintain or enhance the creditworthiness of the Issuer.

- 6.14.3 Following the service of an Enforcement Notice, PML as Administrator shall apply the balance of the Discretionary Payment Holiday Reserve Fund Ledger as Available Revenue.

#### 6.15 **Class S VFN Drawdown Ledger**

- 6.15.1 On the Closing Date, PML as Administrator (on behalf of the Issuer) will establish the Class S VFN Drawdown Ledger. The Class S VFN Drawdown Ledger will be credited to the Transaction Account. The Class S VFN Drawdown Ledger will be funded in accordance with Clause 6.15.2.

6.15.2 Prior to the service of an Enforcement Notice, on each Business Day, PML as Administrator (on behalf of the Issuer), will apply amounts standing to the credit of Class S VFN Drawdown Ledger to:

- (a) fund any Amortised Cost Adjustments (by debiting the Class S VFN Drawdown Ledger and crediting the Principal Ledger);
- (b) (at the discretion of PML as Administrator and Class S VFN Holder) if and to the extent that the General Reserve Fund is less than the General Reserve Fund Required Amount in order, when such amounts are credited to the General Reserve Fund Ledger, to replenish the General Reserve Fund to the General Reserve Fund Required Amount and thus enable the Issuer to (subject to the other conditions applicable to the making of Discretionary Further Advances) fund any Discretionary Further Advances;
- (c) (at the discretion of PML as Administrator and Class S VFN Holder) if and to the extent that the Class A and Class B Liquidity Reserve Fund is less than the Class A and Class B Liquidity Reserve Fund Required Amount in order, when such amounts are credited to the Class A and Class B Liquidity Reserve Fund Ledger, to replenish the Class A and Class B Liquidity Reserve Fund to the Class A and Class B Liquidity Reserve Fund Required Amount and thus enable the Issuer to (subject to the other conditions applicable to the making of Discretionary Further Advances) fund any Discretionary Further Advances; and
- (d) (at the discretion of PML as Administrator and Class S VFN Holder) if and to the extent that there is a balance of less than zero on the Principal Deficiency Ledger, to credit such amounts to the Principal Deficiency Ledger (by debiting the Class S VFN Drawdown Ledger and crediting the Class Principal Deficiency Ledger) for the purposes of restoring such balance to zero in order for the Issuer to (subject to the other conditions applicable to the making of Discretionary Further Advances) fund any Discretionary Further Advances.

6.15.3 Following service of an Enforcement Notice on the Issuer, PML as Administrator will on behalf of the Trustee apply monies standing to the credit of Class S VFN Drawdown Ledger in accordance with the Enforcement Priority of Payments.

## 6.16 Retained Pre-Closing Accruals and Arrears

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

6.16.2 PML as Administrator shall, in accordance with Clause 12.9.1, notify the Issuer of the aggregate amount that in accordance with Clause 6.16.5 has been received by the Issuer in respect of the Retained Pre-Closing Accruals and Arrears.



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

## 6.17 Hedge Collateral

- 6.17.1 In the event that pursuant to the terms of a Hedge Agreement a Hedge Provider pays or transfers Hedge Collateral to the Issuer, PML as Administrator shall:
- (a) create the Hedge Collateral Ledger, with such sub-ledgers as PML as Administrator considers appropriate, in the books of the Issuer if not already created so as to record the amount and type of such Hedge Collateral and identify the relevant Hedge Agreement in respect of which it has been posted;
  - (b) upon receipt of such Hedge Collateral, credit it to and record the relevant details in the Hedge Collateral Ledger;
  - (c) to the extent that such Hedge Collateral is in the form of cash, pay it into the relevant Hedge Collateral Cash Account; and
  - (d) to the extent that such Hedge Collateral is in the form of securities, arrange for it to be credited to the relevant Hedge Collateral Securities Account.
- 6.17.2 If and when the terms of the relevant Hedge Agreement permit such Hedge Collateral to be applied in or towards satisfaction of the Hedge Provider's

obligations under the relevant Hedge Agreement, and in the event that such Hedge Collateral is to be so applied, PML as Administrator shall:

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

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

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

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

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

6.17.4 Where:

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

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

6.17.5 PML as Administrator may open and operate Hedge Collateral Accounts as it considers appropriate and shall deal with Hedge Collateral in accordance with each Hedge Agreement relating to such Hedge Collateral.

6.17.6 PML as Administrator and Issuer may enter into such Hedge Collateral Ancillary Documents as PML as Administrator and Issuer consider appropriate from time to time for the purposes of dealing with Hedge Collateral in accordance with each Hedge Agreement relating to such Hedge Collateral.

6.17.7 The terms of this Clause 6.17 shall prevail if and to the extent that they are inconsistent with the other paragraphs of this Administration Agreement and the Deed of Charge.

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

6.18.1 Any Hedge Replacement Premium required to be applied by the Issuer to make a payment to a replacement Hedge Provider to purchase one or more replacement transactions under a Hedge Agreement shall be so applied by the Issuer at the direction of PML as Administrator.

6.18.2 Any Hedge Replacement Premium received by the Issuer from a replacement Hedge Provider upon entry by the Issuer into a replacement Hedge Agreement with such replacement Hedge Provider shall be applied firstly in making a Hedge Provider Termination Amount by the Issuer at the direction of PML as Administrator prior to use for any other means.

#### **6.19 Variable Funding Note**

6.19.1 PML as Administrator on behalf of the Issuer will arrange for funding under the Class S VFN pursuant to Condition 18 and this Clause 6.19.

6.19.2 If the Issuer (or PML as Administrator on behalf of the Issuer) determines that:

(a) amounts standing to the credit of the General Reserve Fund are less than the General Reserve Fund Required Amount;

(b) amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund are less than the Class A and Class B Liquidity Reserve Fund Required Amount; or

(c) there is a balance of less than zero on the Principal Deficiency Ledger,

then not later than 2.00 p.m. one Business Days prior to the date on which a further funding of the Class S VFN is required (or such lesser time as may be agreed by the Class S VFN Holder), PML as Administrator on behalf of the Issuer may serve a Notice of Increase on the Class S VFN Holder requesting that the Class S VFN Holder further fund its obligations under the Class S VFN

on the next following Interest Payment Date or other Business Day specified in the Notice of Increase in an amount as calculated by PML as Administrator pursuant to Clause 6.19.3 below and confirming in such Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Class S VFN Funding.

- 6.19.3 Prior to the delivery of the notice specified in Clause 6.19.2, PML as Administrator on behalf of the Issuer will calculate the amount to be specified in the Notice of Increase as:
- (a) in respect of clause 6.19.2(a), the General Reserve Fund Required Amount less all amounts standing to the credit of the General Reserve Fund;
  - (b) in respect of clause 6.19.2(b), the Class A and Class B Liquidity Reserve Fund Required Amount less all amounts standing to the credit of the Class A and Class B Liquidity Reserve Fund; or
  - (c) in respect of clause 6.19.2(c), the balance of the Principal Deficiency Ledger.
- 6.19.4 Following receipt of a Notice of Increase, the Class S VFN Holder may, at its discretion, agree to the increase for the purposes of Clause 6.19.2 above.
- 6.19.5 To the extent that the Class S VFN Holder agrees to the request. PML as Administrator on behalf of the Issuer will apply the proceeds of any Further Class S VFN Funding made pursuant to Clause 6.19.2 above towards: (a) funding the General Reserve Fund up to and including an amount equal to the General Reserve Fund Required Amount, (ii) funding the Class A and Class B Liquidity Reserve Fund up to and including an amount equal to the Class A and Class B Liquidity Reserve Fund Required Amount, and (iii) if and to the extent that there is a balance of less than zero on the Principal Deficiency Ledger in order, to credit such amounts to the Principal Deficiency Ledger.

## **7. NO LIABILITY**

- 7.1 Each Administrator shall have no liability for any obligation of a Borrower under any Mortgage or any collateral security and nothing herein shall constitute a guarantee, or similar obligation, by each Administrator of any Mortgage, Guarantee or any Borrower.
- 7.2 The Administrator shall have no liability for the obligations of the Issuer or the Trustee under any of the Relevant Documents or otherwise and nothing herein shall constitute a guarantee, or similar obligation, by each Administrator in respect of any thereof.

## **8. LEGAL TITLE HOLDER FURTHER ADVANCES, DISCRETIONARY FURTHER ADVANCES AND MANDATORY FURTHER ADVANCES**

### **8.1 Further Advances**

- 8.1.1 If a Borrower seeks a further advance, the Administrators shall promptly (and in any event within three Business Days of the receipt of such request) notify

the Issuer and the relevant Legal Title Holder of such request and provide them with all details of such request which are available to them.

- 8.1.2 If, pursuant to Clause 8.1.1, the relevant Administrator on behalf of the Issuer is not willing, or is unable, to make such further advance as a Discretionary Further Advance but the relevant Legal Title Holder decides that it wishes to make a further advance to that Borrower (although it is not obliged to do so), the relevant Legal Title Holder may by notice to the Issuer and the Trustee (with a copy to the relevant Administrator) only make the further advance to the Borrower on the basis that the advance will be secured by a second mortgage or charge over the Property in question in favour of the relevant Legal Title Holder ranking after the Mortgage in point of priority.
- 8.1.3 If the relevant Legal Title Holder makes a further advance on the security of a second mortgage or charge over the relevant Property, the Trustee and the Issuer in accordance with their respective estates and interests shall be deemed to consent to the creation of any such second mortgage or charge made in accordance with paragraphs (a), (b) and (c) below pursuant to the Mortgage Conditions and the Trustee and the Issuer (and in the case of paragraph (c) below, the relevant Legal Title Holder) shall at the expense of the relevant Legal Title Holder:
- (a) within seven days of receipt from the relevant Legal Title Holder of notice that it intends to make a further advance, execute and deliver or instruct and authorise the relevant Administrator to execute and deliver to the relevant Legal Title Holder a letter of consent in such form as the relevant Legal Title Holder shall require;
  - (b) promptly give, or authorise the relevant Administrator to give, the relevant Legal Title Holder access to the Mortgage Deeds or copies thereof to enable the relevant Legal Title Holder to make any investigations which it requires prior to making the further advance; and
  - (c) promptly execute all documents and do all things reasonably considered necessary or desirable to facilitate the creation of such second mortgage or charge and to postpone all rights of the relevant Legal Title Holder thereunder to those present and future rights of the Issuer and the Trustee in the Mortgage including, for the avoidance of doubt, future Mandatory Further Advances and Discretionary Further Advances.

## 8.2 Discretionary Further Advances

- 8.2.1 Subject to Clause 8.5, if an Administrator, pursuant to Clause 8.1.1, on behalf of the Issuer decides to make the further advance requested by the Borrower it may only make such Discretionary Further Advance to the Borrower on the basis that the advance will be secured on the relevant Property and if the following conditions are satisfied:
- (a) upon the making of any such Discretionary Further Advance, the Lending Guidelines will be satisfied so far as applicable subject to such

waivers as might be within the discretion of a reasonably prudent mortgage administrator;

- (b) to the extent that the relevant Administrator on behalf of the Issuer has reason to believe that any such Discretionary Further Advance to be made to a Borrower may result in a regulated agreement (as defined in the Consumer Credit Acts 1974 and 2006 and the Regulated Activities Order), the applicable provisions of the Consumer Credit Acts 1974 and 2006, the Financial Services and Markets Act 2000, the Regulated Activities Order and the Consumer Credit Sourcebook of the FCA Handbook relating to regulated agreements will be complied with;
- (c) in the period between a Principal Determination Date and an Interest Payment Date, no such Discretionary Further Advance may be made out of funds notified by the relevant Administrator to the Issuer and the Principal Paying Agent as being available to redeem Notes on that Interest Payment Date pursuant to Condition 5(a);
- (d) prior to making the Discretionary Further Advance, the relevant Administrator shall ask the Borrower to confirm that no second charge has been created over the relevant Property; if the relevant Administrator has received notice (actual or constructive) that the relevant Borrower has created a second charge over the relevant Property, the relevant Administrator shall ensure that such Discretionary Further Advance is not made to such Borrower unless such second charge has been expressly postponed to the charge securing such Discretionary Further Advance or unless the second charge is to be, and is, redeemed out of the proceeds of the Discretionary Further Advance simultaneously with the making of the Discretionary Further Advance;
- (e) the Discretionary Further Advance must not result in Clause 8.5 being contravened;
- (f) no Discretionary Further Advance (other than by way of capitalisation of interest unless that would amount to a further advance under the terms of the relevant Mortgage) may be made to a Borrower whose obligations are guaranteed by another person without the prior written consent of that person; and
- (g) the relevant Administrator may not agree to make any Discretionary Further Advance unless the Administrator is satisfied that the Issuer has funds available for this purpose credited to the Principal Ledger to do so.

8.2.2 If an Administrator decides to make a Discretionary Further Advance pursuant to and in accordance with Clause 8.2.1, it shall:

- (a) execute and deliver on behalf of the Issuer, or as the case may be, the Seller, a letter of consent to the Borrower and promptly execute all documents and do all things reasonably considered necessary or desirable to facilitate the making of the Discretionary Further Advance; and

- (b) in relation to a Discretionary Further Advance made to a Borrower where a second charge has been expressly postponed to such Discretionary Further Advance in accordance with clause 8.2.1(d):
  - (i) where title to the Property in relation to the relevant Mortgage (being Property located in England or Wales) is registered at the Land Registry make an application for registration of the deed by which such second charge has been expressly postponed to such Discretionary Further Advance to the Land Registry and use its reasonable efforts to procure that such deed is registered; and
  - (ii) where the title to the Property in relation to the relevant Mortgage (being Property located in England or Wales) is unregistered, endorse a note of such deed of postponement on the relevant Mortgage and keep the deed of postponement with the Mortgage Deeds;

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

8.2.4 No Discretionary Further Advance shall be made pursuant to Clause 8.2.1 or Clause 8.2.3 if the effect thereof would be to extend the final maturity date of the relevant Mortgage beyond 31 October 2045 and, subject to the provisions of Clause 8.2.1 and Clause 8.5, any Discretionary Further Advance may be made if it will not cause this limit to be exceeded.

8.2.5 Discretionary Further Advances will be advanced in the same manner as Mandatory Further Advances and accordingly Clauses 8.3.1, 8.3.2, 8.3.3 and 8.3.4 (so far as is applicable) shall apply to Discretionary Further Advances as they apply to Mandatory Further Advances, *mutatis mutandis*.

### 8.3 Mandatory Further Advances

8.3.1 If a Mandatory Further Advance is to be made to a Borrower and if the Mortgage pursuant to which such Mandatory Further Advance is to be made is secured on Property which comprises registered land in England or Wales or comprises land in England or Wales which is the subject of an application for first registration each Legal Title Holder agrees to make such Mandatory Further Advance in accordance with the relevant Mortgage Conditions **provided that**, subject to the provisions of Clause 8.4, if at any time the Issuer has become the registered proprietor or registered owner of such Mortgage (or, in the case of unregistered land in England and Wales, if at any time the unregistered land Transfer has taken effect) the relevant Legal Title Holder will make such Mandatory Further Advance as agent for the Issuer and as the creditor (in

relation to the Borrower) for the purposes of the Consumer Credit Acts 1974 and 2006.

8.3.2 The Issuer hereby agrees that, in all cases where the relevant Legal Title Holder makes a Mandatory Further Advance, but subject always to Clause 8.4, the funds for the making of each such Mandatory Further Advance will be made available by it to the Legal Title Holder or to its order in the manner specified in Clause 8.3.3.

8.3.3 The funds for the making of any Mandatory Further Advance will be made available to the relevant Legal Title Holder or to its order by the Issuer in the following manner. The Administrators shall, on behalf of the Issuer:

(a) draw funds from the Transaction Account (debiting the MFA Pre-Funding Reserve Ledger); or

(b) draw funds from the Transaction Account (debiting the Principal Ledger),

and, in the case of each of paragraph (a) or (b) above, pay the funds so drawn to the relevant Legal Title Holder so that the relevant Legal Title Holder is put in funds in order to enable it to make the relevant Mandatory Further Advance and each Legal Title Holder hereby agrees with all other parties hereto to apply any such funds so received by it solely for such purposes and pending such application to hold such funds on trust for the Issuer.

8.3.4 For the avoidance of doubt, no Mandatory Further Advance shall be made to a Borrower nor shall any drawings as contemplated in Clause 8.3.3 be made by the Administrators to provide funds to the relevant Legal Title Holder for the making of any Mandatory Further Advance if the relevant Legal Title Holder or the Administrators have notice that the relevant Borrower was or is in breach of the relevant Mortgage Conditions.

8.3.5 In the event that a Legal Title Holder fails to make any Mandatory Further Advance to a Borrower in circumstances where it had agreed to make such advance by virtue of the provisions of Clause 8.3.1 and where it had been put in funds by the Administrators to make such advance pursuant to Clause 8.3.3, the relevant Legal Title Holder shall indemnify the Issuer and the Trustee against any loss resulting from that failure. Full satisfaction by a Legal Title Holder of its obligations under such indemnity by way of a payment to the Issuer or the Trustee shall constitute a full discharge and release of that Legal Title Holder from any claim which the Issuer or the Trustee may have against that Legal Title Holder arising from such failure to make any Mandatory Further Advance.

8.4 Notwithstanding the provisions of Clause 8.3, no Mandatory Further Advance shall be made in relation to any Individual Mortgage, by the Issuer or by any Legal Title Holder or the Administrators, in each case as agent for or otherwise on behalf of the Issuer, (or in the case of the Administrators, on behalf of the relevant Legal Title Holder, as the case may be) if the making of such Mandatory Further Advance will involve the Issuer in carrying on a regulated activity in the United Kingdom in breach of section 19 of the Financial Services and Markets Act 2000.



8.5 Neither the Issuer nor the Administrators on behalf of the Issuer shall advance, or agree to advance, to a Borrower a Discretionary Further Advance if:

8.5.1 the sum of:

- (a) all Discretionary Further Advances (other than any Discretionary Further Advance made by way of capitalisation of arrears) which have been made since the Closing Date or which are proposed to be made on or before the date on which that Discretionary Further Advance is proposed to be made;
- (b) all Mandatory Further Advances which have been made since the Closing Date or which are to be made on or before the date on which that Discretionary Further Advance is proposed to be made; and
- (c) all Mandatory Further Advances which may be required to be made after the making of that Discretionary Further Advance,

would at the date of that Discretionary Further Advance exceed a combined aggregate cumulative limit of 16 per cent. of the Initial Principal Amount of the Notes;

8.5.2 at the last Principal Determination Date, 2 per cent. or more of the Mortgages, by Current Balance, are more than three months in arrears in aggregate (excluding COVID Missed Payments) (as such term is defined in the Trust Deed);

8.5.3 on the immediately preceding Interest Payment Date there is a balance of less than zero on the Principal Deficiency Ledger unless an amount has been or is drawn down under the Class S VFN prior to the making of that Discretionary Further Advance which has reduced or reduces to zero any such debit balance on the Principal Deficiency Ledger;

8.5.4 on the immediately preceding Interest Payment Date the General Reserve Fund was not at least equal to the General Reserve Fund Required Amount and/or the Class A and Class B Liquidity Reserve Fund was not at least equal to the Class A and Class B Liquidity Reserve Fund Required Amount unless an amount has been or is drawn down under the Class S VFN prior to the making of that Discretionary Further Advance which has replenished or replenishes the General Reserve Fund to the General Reserve Fund Required Amount and/or the Class A and Class B Liquidity Reserve Fund to the Class A and Class B Liquidity Reserve Fund Required Amount;

8.5.5 the relevant Legal Title Holder or the relevant Administrator have notice that the relevant Borrower was or is in breach of the relevant Mortgage Conditions;

8.5.6 on the immediately preceding Principal Determination Date, the weighted average Current LTV Ratio exceeded 77 per cent.; or

8.5.7 on the last Principal Determination Date, the aggregate Current Balance of the Mortgages of the 20 largest borrowers exceeded £55,000,000.

## 9. REDEMPTION OF MORTGAGES

- 9.1 Upon repayment in full of all sums secured by a Mortgage, the relevant Seller, or, failing which, the relevant Administrator, shall (subject, in the case of the relevant Administrator, to the continued existence of all necessary powers of attorney) execute on behalf of the Issuer and the Trustee, a reconveyance, receipt or discharge of the Mortgage and of the collateral security. The Issuer and the Trustee shall forthwith upon payment in full as aforesaid release, or authorise the Administrators to release, the relevant Mortgage Deeds to the person or persons entitled thereto. In order to enable the Administrators to take such action on their behalf as is referred to above, the Issuer shall deliver to the Administrators on or before the Closing Date a power of attorney in the form set out in Schedule 3 (*Form of Power of Attorney of the Issuer*) and the Trustee shall deliver to the Administrators on or before the Closing Date a power of attorney in the form set out in Schedule 4 (*Form of Trustee's Power of Attorney*) together with evidence of due execution and its authority to grant the same. The Issuer and the Trustee shall in addition give such further or other authority as may be reasonably requested by either Administrator for the purpose of discharging any Mortgage which has been paid in full and any collateral security therefor.
- 9.2 Each Administrator undertakes that prior to any actual release by it of, or receipt of authorisation to it to release, the relevant Mortgage Deeds, it will obtain a letter from a solicitor, licensed or qualified conveyancer or authorised practitioner addressed to themselves and the Trustee confirming that the relevant Mortgage Deeds are being released to the person or persons entitled thereto. In the event that such solicitor or licensed or qualified conveyancer requires possession of the relevant Mortgage Deeds for the purposes of giving such confirmation, the relevant Administrator shall be entitled to release the relevant Mortgage Deeds to such solicitor or licensed or qualified conveyancer to be held to the order of the Administrator pending receipt of such confirmation and repayment in full of all sums secured by such Mortgage whereupon the Administrators shall be entitled to authorise the relevant solicitor or licensed or qualified conveyancer to release the relevant Mortgage Deeds to the person or persons entitled thereto.

## 10. REMUNERATION

- 10.1 The Issuer shall pay to each Administrator for its services hereunder an administration fee which:
- 10.1.1 shall be paid to each Administrator in arrear on each Interest Payment Date calculated as at the Principal Determination Date immediately preceding such Interest Payment Date and paid as specified in accordance with the applicable priority of payments; and
- 10.1.2 shall, for so long as PML and/or Paragon Bank are Administrators, be calculated on the basis of actual days elapsed from the Closing Date (in respect of the calculation on the first Principal Determination Date) and from the previous Principal Determination Date (in respect of the calculations on all Principal Determination Dates except the first) and a 365 day year (or 366 day year in the case of a leap year) at the rate of not more than 0.20 per cent. per annum (the "**Administration Fee**") (inclusive of any amounts in respect of VAT and section 89 of the Value Added Tax Act 1994 shall not apply to affect the amount

of such fee) of the aggregate Interest Charging Balances of the outstanding Mortgages administered by the relevant Administrator on the first day of the Collection Period which ends on the relevant Principal Determination Date (or, in the case of the payment due on the first Interest Payment Date, on the then aggregate Interest Charging Balances on the Closing Date).

- 10.2 For the avoidance of doubt it is hereby declared that each Seller or Administrator, as the case may be, shall continue to be entitled to receive and retain in full for its own account the aggregate of all commissions paid by any insurance companies as a result of the placing with them by it of buildings insurance in relation to any of the Properties. If the receipt of such commissions is held to be part of the consideration for any supply for VAT purposes by the relevant Seller or Administrator, as the case may be, to the Issuer, the Issuer shall not be obliged to pay any amount in respect of such VAT liability of that Seller or Administrator.
- 10.3 Each payment by the Issuer to the Administrators under this Clause 10 shall be subject to clauses 6 (*Payments out of the Transaction Account prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of the Deed of Charge and Clause 20.15 and Clause 22.4.

## 11. COSTS AND EXPENSES

- 11.1 The Issuer will reimburse the Administrators for all out-of-pocket costs, expenses and charges (not being costs, expenses and liabilities of the Issuer falling within Clause 11.2 but including, without limitation, the proportion of any premium paid by the Administrator under the Fidelity Insurance Policy (or other policies providing equivalent cover) referred to in Clause 13.5.1) properly incurred by the Administrator in the performance of the Services on the Interest Payment Date falling at the end of the Interest Period during which they are incurred, subject to and in accordance with clauses 6 (*Payments out of the Transaction Account prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of the Deed of Charge, but the Issuer shall only be obliged to reimburse the Administrators in respect of any VAT incurred by the Administrators on such costs and expenses to the extent that such VAT is not recoverable by the Administrators by way of repayment, credit or set off.
- 11.2 The Issuer authorises the Administrators on its behalf to incur those costs, expenses and liabilities to third parties which must necessarily be incurred in the enforcement of any Mortgage or the rights and remedies in relation thereto of the Issuer and/or the Trustee. For the avoidance of doubt it shall solely be the obligation of the Issuer to reimburse the Administrators, on the Interest Payment Date falling at the end of the Interest Period during which they are incurred, such costs, expenses and liabilities subject to and in accordance with clauses 6 (*Payments out of the Transaction Account prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of the Deed of Charge.
- 11.3 Each Administrator waives any right that it might otherwise have against the Trustee or each Seller to indemnity or reimbursement in connection with its appointment as Administrator under this Agreement or its appointment as attorney of the Trustee or each Seller under the Power of Attorney and each of the Issuer and each Seller waives any right that it might otherwise have against the Trustee of contribution, indemnity or reimbursement arising out of the same.

## 12. INFORMATION

### 12.1 Maintenance of Records

12.1.1 PML as Administrator shall keep the Loan Files in a secure place and shall maintain in an adequate form such records as are necessary to enforce each Mortgage and, where relevant, the collateral security therefor.

12.1.2 PML as Administrator shall keep the Loan Files in relation to the Mortgages in such a way that they can be clearly distinguished from the loan files relating to other mortgages or charges in respect of which any Administrator is a mortgagee, chargee or administrator. PML as Administrator shall keep the Trustee informed of the location of such Loan Files and duplicate computer tapes.

### 12.2 Annual Budget

Not later than 30 September 2021 and thereafter no later than the date falling 90 days after each accounting reference period of the Issuer, PML as Administrator shall, deliver to the Issuer an annual budget for the Issuer, each annual budget to be based on an accounting reference period ending on the next following 30 September. Each annual budget shall contain without limitation:

12.2.1 an estimate, identified by category, of all the expenses and liabilities expected to arise during that accounting reference period;

12.2.2 an estimate of all the income, identified by category, expected to arise during that accounting reference period;

12.2.3 in respect of the Issuer's annual budget, assumptions in relation to the Rate of Interest applicable to each class of Notes during that accounting reference period; and

12.2.4 such other information as the Issuer may reasonably require,

such budget to be divided into three-monthly periods.

### 12.3 Budget Updates

If at any time in the opinion of PML as Administrator, there has been a material adverse change in the financial circumstances of the Issuer since the preparation of the last annual budget delivered pursuant to Clause 12.2, PML as Administrator, shall deliver to the Issuer within 45 days of such determination that there has been such a material adverse change, a revised annual budget report for the Issuer adjusted to take into account actual circumstances and all further relevant known information.

### 12.4 Quarterly Management Accounts

PML as Administrator, shall on behalf of the Issuer prepare a management account for each Collection Period, the first such accounts being for the period from the Closing Date to the Principal Determination Date falling in February 2021 in the form of the agreed draft, and PML as Administrator shall deliver such quarterly management

account to the Issuer not later than the first day of the second month of the next following Collection Period.

#### **12.5 Bank Account Statements**

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

#### **12.6 Statutory Accounts**

PML as Administrator shall prepare, on behalf of the Issuer, a profit and loss account, balance sheet and directors' report and any other reports or information required by English law to be attached thereto or incorporated therein for the Issuer in respect of each accounting reference period of the Issuer and shall cause such accounts to be audited by auditors approved by the Issuer and shall procure so far as it is able so to do that the auditors of the Issuer shall make a report thereon as required by relevant law and copies of all such documents shall be delivered to the Issuer as soon as practicable after the end of each accounting reference period of the Issuer. The auditors to the Issuer shall also confirm to the Issuer that the statutory accounts of the Issuer prepared pursuant to this Clause 12 have been audited in accordance with generally accepted auditing practices of the United Kingdom. For these purposes the auditors are KPMG LLP as approved by the Issuer for the first accounting reference period, or any other firm of auditors approved by the Issuer from time to time.

#### **12.7 Access to Books and Records**

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

#### **12.8 Statutory Obligations**

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

- 12.8.1 prepare, assist or procure the preparation of and file all reports, annual returns, statutory forms and other returns which the Issuer is required by relevant law to prepare and file; and
- 12.8.2 to the extent that the Issuer has delegated any of its obligations under EMIR to a third party, provide assistance and information to such third party as it may reasonably request in order to satisfy the Issuer's obligations under EMIR.

## 12.9 Further Information

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

- (a) in respect of each calendar month, no later than 30 days following the end of the relevant calendar month:
  - (i) a report including all the information set out in Part A of Schedule 5 (*Contents of Investor Reports*); and
  - (ii) any further information required from time to time to meet the Bank of England's Discount Window Facility requirements for residential mortgage backed securities; and
- (b) in respect of each Collection Period no later than 30 days following the end of the relevant Collection Period:
  - (i) a report having the same form and content as the reports made available on the website of PBG from time to time for residential mortgage backed securities issued by the Paragon Banking Group Companies; and
  - (ii) a report including all the information set out in Part B of Schedule 5 (*Contents of Investor Reports*).

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

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

12.9.4

- (a) If, prior to the giving of an Enforcement Notice on any Interest Payment Date, the full amount of Normal Interest due in relation to the Class A Notes (or, should they be the Most Senior Class of Notes, the other classes of Notes) then outstanding which would fall due for payment is not paid, PML as Administrator shall on behalf of the Issuer prepare and deliver to the Trustee by close of business on the second Business Day following such Interest Payment Date a report signed by a duly authorised officer of the Administrator and by a duly authorised officer of the Issuer and addressed to the Trustee setting out:

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

## 13. INSURANCES

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

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

### 13.3 Block Buildings Insurance

13.3.1 Each Administrator shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of any applicable Block Buildings Policy or would reduce the amount payable on any claim thereunder. Each Administrator shall use its reasonable endeavours to keep in

full force and effect each Block Buildings Policy (or another policy providing equivalent cover) in relation to any Mortgage and associated Property to which it applies other than assuming any liability for the premium thereon.

- 13.3.2 Each Administrator shall take such action as the Issuer and/or the Trustee shall reasonably direct and in the absence of such direction may on behalf of the Issuer pay premiums due and payable under any applicable Block Buildings Policy in order that the cover provided by such Block Buildings Policy shall not lapse.
- 13.3.3 If a claim is made under any Block Buildings Policy for an amount less than or equal to £5,000 (or such other figure as is for the time being the maximum amount of insurance proceeds which the relevant Administrator in accordance with its then normal practice permit to be paid direct to borrowers) (the "**Maximum Amount**") the proceeds of such claim will be sent directly to the Borrower. The Administrators may procure the preparation and submission on behalf of the Issuer and the Trustee of any claim under any Block Buildings Policy in excess of the Maximum Amount. In such a case the relevant Administrator may (but shall not be obliged to) instruct a valuer to check that satisfactory reinstatement has taken place and to review the value of the Property in respect of which the claim was made as security for the relevant Mortgage. The relevant Administrator will arrange for the proceeds of any such claim in excess of the Maximum Amount only to be paid to the relevant Borrower after the relevant Administrator 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 the Transaction Account prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of the Deed of Charge.
- 13.3.4 Each Administrator shall manage the arrangements for collection and payment by Borrowers of premiums in relation to Block Buildings Policies (whether collected as part of a Monthly Payment or otherwise) in accordance with the relevant Mortgage Conditions, and the payment thereof to the relevant insurance company subject to clauses 6 (*Payments out of the Transaction Account prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of the Deed of Charge.
- 13.3.5 Upon receipt of notice that any Property is not insured against fire and other perils (including subsidence) under a householder's comprehensive insurance policy or similar policy in accordance with the terms of each Mortgage, the Administrator will to the extent it is able and at the cost of the Issuer arrange such insurance in accordance with the terms of each Mortgage.
- 13.3.6 Upon receipt by an Administrator of a notice from an insurance company stating that a Property of a Borrower is no longer insured the Administrator, as agent of the Issuer shall to the extent they are able procure that the Property the subject of the notice is insured under a Block Buildings Policy.
- 13.3.7 Each Administrator shall not permit any Property to cease to be insured under a Block Buildings Policy, unless such property qualifies for cover under the Mortgage Impairment Contingency Policy.



#### 13.4 **Mortgage Impairment Contingency Policy**

- 13.4.1 Each Administrator shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of the Mortgage Impairment Contingency Policy or such other policy or policies of insurance providing similar cover of which the Issuer has the benefit or which would reduce the amount payable on any claim under any of the foregoing. The Administrators shall use reasonable endeavours to keep the Mortgage Impairment Contingency Policy (or, in each case, such other policy or policies providing equivalent cover) in full force and effect other than assuming any liability for the premium thereon.
- 13.4.2 Each Administrator shall prepare and submit on behalf of the Issuer and the Trustee any claim under the Mortgage Impairment Contingency Policy or such other policy or policies of insurance aforesaid.

#### 13.5 **Fidelity Insurance Policy**

- 13.5.1 The Administrators shall use reasonable endeavours to maintain the Fidelity Insurance Policy (or other policies providing equivalent cover) in respect of the performance by the Administrators of the Services.
- 13.5.2 The Issuer shall reimburse to the relevant Administrator on demand on any Interest Payment Date the proportion of the premium paid by an Administrator which is attributable to the cover extended to the Issuer subject to and in accordance with clauses 6 (*Payments out of the Transaction Account prior to Enforcement*), 7 (*Protection Notice*) and 8 (*Upon Enforcement*) of the Deed of Charge as a cost or expense incurred by the Administrators falling within Clause 11.1.
- 13.5.3 The Administrators shall not knowingly take any action or omit to take any action which would result in the avoidance or termination of the Fidelity Insurance Policy or reduce the amount payable on any claim thereunder.
- 13.5.4 The Administrators shall prepare and submit on behalf of the Issuer and the Trustee any claim under the Fidelity Insurance Policy.

#### 14. **MORTGAGE DEEDS**

- 14.1 Each Administrator shall keep the Mortgage Deeds and the Insurance Contracts in safe custody to the order of the Issuer and the Trustee and shall not without the prior written consent of the Trustee and the Issuer part with possession, custody or control of them otherwise than to a sub-contractor or delegate appointed pursuant to Clause 4.3 (*Sub-contracts*) or to a solicitor, licensed or qualified conveyancer or authorised practitioner subject to the usual undertaking or to the Land Registry or for the purposes of the redemption of Mortgages subject to the conditions of Clause 9 (*Redemption of Mortgages*).
- 14.2 The Mortgage Deeds and the Insurance Contracts shall be kept in such manner so that they are readily identifiable and distinguishable from the title deeds, life policies and

insurance contracts of other properties and mortgages and charges which are held by or on behalf of each Administrator.

- 14.3 Each Administrator shall deliver such Mortgage Deeds to or to the order of the Trustee upon written request made by or on behalf of the Trustee at any time and shall provide access to the Mortgage Deeds to the Trustee and its agents at all reasonable times. Each Administrator acknowledges that the Mortgage Deeds in its possession, custody or control will be, after execution of the Deed of Charge, held to the order of the Issuer and the Trustee and that it has no beneficial interest therein whatsoever and irrevocably waives any rights or lien which it might have therein or to which it might at any time be entitled.
- 14.4 Each Administrator shall use all reasonable endeavours to ensure that within six months from the Closing Date all Mortgage Deeds are in the possession or custody, or under the control, of the relevant Administrator. Where, for any reason, all such Mortgage Deeds are not in the possession or custody, or under the control of, the relevant Administrator within such six-month period, then the relevant Administrator shall deliver to the Issuer and the Trustee within one month of such date a schedule detailing the missing Mortgage Deeds and other such documents and their whereabouts (if then known to the relevant Administrator).

## 15. DATA PROTECTION

In this Clause 15:

**"Data Protection Laws"** means: (i) Regulation (EU) 2016/679, and (ii) any other applicable law in any relevant jurisdiction that applies to the processing of data relating to living persons, including but not limited to the Data Protection Act 2018, in each case as amended or replaced from time to time;

**"Personal Data Breach"** means any actual or suspected breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, Relevant Personal Data transmitted, stored or otherwise processed;

**"Relevant Personal Data"** means Personal Data provided or made available to an Administrator for the purpose of providing the Services, performing its obligations or exercising its rights arising under or in connection with this Agreement; and

the terms **"Data Controller"**, **"Data Processor"**, **"Data Subject"**, **"Personal Data"**, and **"processing"** shall each have the meanings set out in the Data Protection Laws.

- 15.1 The Administrators will endeavour to procure that each of them, the Issuer and the Sellers:
- 15.1.1 obtain and maintain; and
- 15.1.2 use all reasonable endeavours to ensure that, in the event of the appointment of a sub-contractor or delegate in accordance with Clause 4.3 such sub-contractor or delegate shall have and maintain,

all appropriate registrations, licences and authorisations required (including, without limitation, those required under Data Protection Laws (if any), the CCA and FSMA), as applicable, to enable it to perform its obligations under the Relevant Documents.

15.2 The Administrators, the Issuer and the Sellers each acknowledge that, for the purpose of Data Protection Laws it is a Data Controller of Relevant Personal Data and that it independently of, and not jointly with, the other, determines the purposes for which and the manner in which Relevant Personal Data is, or is to be, processed.

15.3 Each of the Administrators, the Issuer and each Seller shall at all times comply with its obligations under Data Protection Laws in respect of its processing of Relevant Personal Data.

15.4 In addition to the foregoing and notwithstanding any of the other provisions of this Agreement, each of the Administrators, the Issuer and each Seller hereby agree and covenant as follows:

15.4.1 subject to Clause 15.4.2, that it will only use Relevant Personal Data in relation to the Mortgages and the related Customers for the purposes of administering and/or managing the Mortgages, and will not sell such Relevant Personal Data to any third party or allow any third party to use such Relevant Personal Data other than in compliance with the conditions stated in this Clause 15.4 and for the sole purpose of administering and/or managing the Mortgages;

15.4.2 for so long as Administrators each act as an administrator, notwithstanding the provisions of Clause 15.4.1, the Administrators, the Issuer and the Sellers or any affiliate shall be permitted to use any Relevant Personal Data in relation to the Mortgages and the related customers for purposes other than administering and/or managing the Services, and is permitted to transfer such Relevant Personal Data to an Affiliate, **provided that** such use and/or transfer of such Relevant Personal Data is in compliance with Data Protection Laws.

15.5 Each of the Administrators, the Issuer and each Seller shall:

15.5.1 upon becoming aware of any Personal Data Breach:

(a) notify the Administrators, the Issuer and the Sellers (as applicable) as soon as reasonably practicable and provide the Administrators, the Issuer and the Sellers (as applicable) with a reasonable description of the Personal Data Breach (including the facts surrounding it and the type of data that was the subject of the Personal Data Breach) promptly upon such information becoming available;

(b) work together with the Administrators, the Issuer and the Sellers (as applicable), acting reasonably and in good faith, to mitigate any adverse effects of any such breach on the Administrators', the Issuer's, and the Sellers' business (as applicable) and the affected Data Subjects;

(c) not release or publish any filing, communication, notice, press release, or report concerning the breach without first consulting the other party with regards to the content of that notice and giving due regard to the

Administrators', the Issuer's and the Sellers' reasonable comments (as applicable), save that it may disclose a Personal Data Breach to the extent required by applicable law; and

- (d) bear all its own costs and expenses incurred as a result of any actions and steps undertaken in accordance with this Clause 15.5.1;

15.5.2 to the extent permitted by law, if it receives any complaint, notice or communication from a supervisory authority which relates directly or indirectly to the Administrators, the Issuers or the Sellers' (as relevant): (1) processing of the Relevant Personal Data; or (2) an actual or potential failure by either the Administrators, the Issuer or the Sellers to comply with Data Protection Laws, promptly forward the complaint, notice of communication to the Administrators, the Issuer or the Sellers (as relevant) and provide them with reasonable co-operation and assistance in relation to the same; and

15.5.3 if, in relation to Relevant Personal Data, a Data Subject makes a written request to the Administrators, the Issuer or the Sellers to exercise their rights of access, rectification or erasure, to restrict or object to processing of Relevant Personal Data or to data portability; (1) forward the request to the other promptly and in any event within five Business Days of the date of receipt of the request; and (2) respond promptly to such request, acting on behalf of the other where necessary, and meet applicable deadlines under the Data Protection Laws.

15.6 Notwithstanding Clause 15.2, the Administrators shall provide fair processing information, on behalf of the Administrators, the Issuer and the Sellers, to all Data Subjects to whom Relevant Personal Data relates.

## 16. SOFTWARE

16.1 PML as Administrator will use all reasonable endeavours to negotiate with the relevant parties so that any intellectual property rights not owned by it but used by it in connection with the performance of its obligations under this Agreement and in particular all software programs used in connection with the Mortgages and their administration are licensed or sub-licensed to the Issuer, the Trustee and, if appointed, any substitute administrator so as to permit the Issuer, the Trustee and, if appointed, any substitute administrator to use such intellectual property rights only in connection with the administration of the Mortgages free of charge for so long as any of the Mortgages are outstanding or, in relation to any substitute administrator, for such period as contemplated by Clause 16.3.2. For the avoidance of doubt, PML as Administrator, shall not be in breach of its obligations under this Agreement if such rights and/or software programs are not so licensed or sub-licensed to the Issuer, the Trustee and, if appointed, any substitute administrator at any time after the relevant Administrator has ceased to be the Administrator.

16.2 As regards any such intellectual property rights which are owned by each Administrator, each Administrator grants to the Issuer, the Trustee and, if appointed, any substitute administrator a licence to use such intellectual property rights only in connection with the administration of the Mortgages free of charge for so long as any of the Mortgages are outstanding, or in relation to any substitute administrator, for such period as contemplated by Clause 16.3.2.

## 16.3

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

16.3.2 If this Agreement is terminated then:

- (a) the licence under Clause 16.2 shall continue in force for a period of six months from the date of termination of this Agreement, when it shall immediately terminate; and
- (b) during such six month period the Administrators shall use reasonable endeavours to assist the Issuer and/or any substitute administrator, to (i) establish and implement a computer system for administering the Mortgages and to load the data held by the Administrator in relation to Borrowers and the Mortgages onto that system, and (ii) make available the software licences referred to in Clause 16.2.

16.4 Each Administrator covenants that it will take no action and will not omit to take any action the effect or likely effect of which will be to terminate any existing licence agreement in relation to any such intellectual property rights or bring to an end its right to grant the licence contained in Clause 16.2, **provided always that** a licence agreement may be terminated if it is replaced by a substitute arrangement under which the intellectual property rights, including rights to computer software, are such that the services resulting therefrom are at least as good as under the previous arrangement.

## 17. COVENANTS OF ADMINISTRATOR

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

17.1.1 it will devote the same amount of time and attention to and will exercise the same level of skill, care and diligence in, the performance of the Services as it would if it were administering mortgages or charges of a similar type which it administers on behalf of, and/or are beneficially owned by a Paragon Banking Group Company;

17.1.2 it will comply with any proper written directions, orders and instructions which the Issuer or the Trustee may from time to time give to it in accordance with the provisions of this Agreement (and in the event of any conflict those of the Trustee shall prevail);

17.1.3 it will use its reasonable endeavours to obtain and keep in force all licences, approvals, authorisations and consents which may be necessary in connection with the performance of the Services;

17.1.4 save as otherwise agreed with the Issuer and the Trustee it will provide free of charge to the Issuer office space, facilities, equipment and staff sufficient to fulfil the obligations of the Issuer under this Agreement;

- 17.1.5 it will not knowingly fail to comply with any legal requirements in the performance of the Services;
  - 17.1.6 it will make all payments required to be made by it pursuant to this Agreement on the due date for payment thereof in Sterling for value on such day without set off or counterclaim;
  - 17.1.7 it will not amend or terminate any of the Relevant Documents, without in any case the prior written consent of the Trustee;
  - 17.1.8 it will take all reasonable steps to enforce the obligations of each Hedge Provider under each Hedge Agreement and of any Hedge Guarantor under any Hedge Guarantee and of any other provider or guarantor of any other hedging arrangements entered into by the Issuer;
  - 17.1.9 it will administer the Mortgages and any related collateral security with due and proper regard to the principles and procedures set out in the Administration Manual or in such other manner as would a reasonably prudent mortgage administrator administering its own mortgages and charges of a similar type;
  - 17.1.10 without prejudice to Condition 18, it will, on behalf of the Issuer, request a drawing under the Class S VFN in the amount required and any Amortised Cost Adjustments and where applicable, a drawing in accordance with Clause 6.19.2;
  - 17.1.11 to the extent that carrying out the Services in accordance with the provisions of this Agreement requires any Administrator to obtain any authorisation, licence, approval or consent under the Financial Services and Markets Act 2000 (a "**FSMA Authorisation**"), such Administrator shall, to the extent permissible in law, delegate or sub-contract the performance of such services to either: (i) a Paragon Banking Group Company which has the necessary FSMA Authorisation which will use any reasonable endeavours to keep in force any such FSMA Authorisation or (ii) a third party which has the necessary FSMA Authorisation;
  - 17.1.12 to the extent that the carrying on by the Issuer of its business as contemplated by the Relevant Documents requires the Issuer to obtain any FSMA authorisation then the Administrator will procure that the Issuer obtains and further maintains such FSMA authorisation;
  - 17.1.13 it will complete an independent file audit of the Additional Mortgage Pool within three months of the Closing Date, provide the results of the independent file audit to the Rating Agencies and, once provided, notify the Issuer and the Trustee of the satisfaction of this clause 17.1.13.
- 17.2 The covenants and undertakings of the Administrators in Clause 17.1 above shall remain in force until this Agreement is terminated but without prejudice to any right or remedy of the Issuer and/or the Trustee arising from breach of any such covenant prior to the date of termination of this Agreement.

17.3 PML as Administrator hereby covenants with and undertakes to each of the Trustee and the Substitute Administrator to forward to them an Administrator Report within one Business Day from each Interest Determination Date.

## 18. SERVICES NON-EXCLUSIVE

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

## 19. SECURITISATION REGULATION REPORTING

19.1 The Issuer hereby appoints PML to perform the Issuer's obligations pursuant to Article 7(2) of the Securitisation Regulation, and PML accepts such appointment.

19.2 PML undertakes to the Issuer that it, on behalf of the Issuer (as the designated entity under Article 7(2) of the Securitisation Regulation), shall use all reasonable efforts to provide and publish the information to the competent authorities, to Noteholders and (upon request) potential investors as required by Article 7(1) of the Securitisation Regulation in a manner consistent with Article 7(2) of the Securitisation Regulation, subject always to any requirement of law, and **provided that**, (i) PML will not be in breach of such undertaking if PML fails to so comply due to events, actions or circumstances beyond PML's control; and (ii) PML is only required to do so to the extent that the retention and disclosure requirements under Articles 6 and 7 of the Securitisation Regulation remain in effect.

19.3 The Issuer and PML hereby agree that PML may delegate its obligations under this Clause 19 to any affiliate or third party which it reasonably considers to be suitably qualified to perform such obligations without the consent of the Trustee or any other person (**provided that** PML shall be solely responsible for the costs and performance of any such third party, and, for the avoidance of doubt, PML shall not thereby be released or discharged from any liability hereunder and shall remain responsible for the performance of the obligations of PML under this Clause 19 and the performance or non-performance or the manner of performance of any affiliate or third party shall not affect PML's obligations under this Clause 19).

## 20. TERMINATION

20.1 If any of the following events (each, together with the events specified in Clauses 20.2 and 20.3, a "**Termination Event**") shall occur:

20.1.1 default is made by an Administrator in the payment on the due date of any payment due and payable by it under this Agreement and such default continues unremedied for a period of two Business Days after the earlier of the relevant Administrator becoming aware of such default and receipt by that Administrator of written notice from the Issuer, any Seller and/or the Trustee requiring the same to be remedied;

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



under any applicable liquidation, administration, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally,

then the Issuer or Trustee may at once or at any time thereafter while such default continues by notice in writing to each Administrator (with a copy to the Substitute Administrator Facilitator) terminate the appointment of each Administrator with effect from a date (not earlier than the date of the notice) specified in the notice in accordance with Clauses 20.6, 20.7, 20.8 and 6 (*Payments, Accounts, Ledgers*) of this Agreement **provided that** if during the period in which PML and Paragon Bank are the providers of the Services, the relevant event has occurred in relation to only one of the Administrators (the "**Defaulting Administrator**"), and the other Administrator gives notice under clause 9.4 of the Deed of Charge (**and further provided that** in the case of a Termination Event specified under Clauses 20.1.1 to 20.1.4 (inclusive), the other Administrator has remedied the relevant Termination Event prior to giving such notice and the other Administrator certifies to that effect, which certification the Trustee can rely on without further investigation or liability); (x) the Termination Event (in the case of a Termination Event other than as specified under Clauses 20.1.1 to 20.1.4 (inclusive)) shall be deemed to be remedied; (y) (in the case of any Termination Event) for all purposes under the Relevant Documents no Termination Event shall have occurred and, for the avoidance of doubt, any termination of the appointment of the Administrators that occurs with immediate effect on the occurrence of a Termination Event shall be deemed not to have occurred; and (z) (in the case of any Termination Event) shall entitle the appointment of the Defaulting Administrator only to be terminated. For the avoidance of doubt, the cessation and release of the rights and obligations of the Defaulting Administrator and the corresponding assumption by the Assuming Administrator (as that term is defined in paragraph (b) of the definition of "Administrator" in this Agreement) of all such rights and obligations pursuant to, and upon the giving of notice by the Assuming Administrator in accordance with clause 9.4 of the Deed of Charge, shall not constitute termination of the appointment of the Defaulting Administrator for the purposes of this Clause 20.

## 20.2 If at any time:

- 20.2.1 an Administrator (or any sub-contractor or delegate of an Administrator appointed by the Administrator to perform the relevant Services) does not have any FSMA authorisation which it is required to have in order to enable it to perform the Services without it; or
- 20.2.2 the Issuer is carrying on a regulated activity in the United Kingdom in breach of section 19 of the Financial Services and Markets Act 2000 in circumstances where the Issuer is not itself so authorised and is not exempt from being so authorised,

the appointment of each Administrator will, unless that Administrator, the Trustee and the Issuer agree otherwise in writing, terminate with immediate effect in accordance with Clause 20.1 and that Administrator shall notify in writing to the Substitute Administrator Facilitator and the Substitute Administrator of the termination of its appointment **provided that**, if the relevant event described in Clause 20.2.1 has occurred in relation to only one of the Administrators or in the case of Clause 20.2.2, such event is applicable to Mortgages administered by only one Administrator, the

event shall be deemed to be remedied and shall not entitle the appointment of the other Administrator to be terminated if that other Administrator gives notice under clause 9.4 of the Deed of Charge **provided that** immediately following such notice the events set out in Clauses 20.2.1 and 20.2.2 are no longer continuing and the other Administrator certifies to that effect, which certification the Trustee can rely on without further investigation or liability.

## 20.3

- 20.3.1 Subject to Clause 20.3.2, if a Force Majeure Event prevails for a period of more than fifteen (15) consecutive Business Days, and it is such that it prevents an Administrator from performing a substantial or a material part of its Services in accordance with this Agreement (or from being able to perform such services in accordance with applicable law), the appointment of each Administrator will, unless that Administrator, the Trustee and the Issuer agree otherwise in writing, terminate upon the Issuer giving not less than thirty (30) days' written notice to the Administrators (with a copy to the Trustee) (the "**Notice Period**") of the intention to so terminate and that Administrator shall notify in writing to the Substitute Administrator Facilitator and the Substitute Administrator of the termination of its appointment **provided that**, if the relevant Force Majeure Event has occurred in relation to only one of the Administrators or is applicable to Mortgages administered by only one Administrator, the event shall be deemed to be remedied in respect of the other Administrator and shall not entitle the appointment of that other Administrator to be terminated if that other Administrator gives notice under clause 9.4 of the Deed of Charge **provided that** immediately following such notice the relevant Force Majeure Event is no longer continuing in respect of that other Administrator and that other Administrator certifies to that effect, which certification the Trustee can rely on without further investigation or liability.
- 20.3.2 If at any time during the Notice Period, the relevant Force Majeure Event ceases to exist, the relevant Administrator shall promptly notify the Trustee, the Issuer, the Substitute Administrator and the Substitute Administrator Facilitator, and the notice of termination of the appointment of such Administrator shall become null and void.
- 20.3.3 For the avoidance of doubt, termination of the appointment of an Administrator pursuant to this Clause 20.3 would be on a no-fault basis without liability to the relevant Administrator arising out of or related to such termination.
- 20.4 Subject to Clause 20.1, if any of the events in Clauses 20.1.1, 20.1.2 or 20.1.3 has occurred while HML is appointed as Substitute Administrator and is able to assume the duties and obligations of the Administrator on the terms set out in the Substitute Administrator Agreement where the Assuming Administrator has not taken over the duties of the Defaulting Administrator, the appointment of the Administrators will, unless the Administrators, the Trustee and the Issuer agree otherwise, terminate with immediate effect in accordance with Clauses 20.5 and 20.7 of this Agreement.
- 20.5 Without prejudice to Clauses 20.1, 20.2 and 20.3, if the Substitute Administrator's obligations have been terminated in accordance with the Substitute Administrator Agreement or the Substitute Administrator is unable to assume all of the duties and

obligations of the Administrator (or the Defaulting Administrator) on the terms set out in the Substitute Administrator Agreement in accordance with Clause 20.4, then the Issuer or Trustee may at once or at any time thereafter while such default continues by notice in writing to the Administrators (or the Defaulting Administrator) (with a copy to the Substitute Administrator Facilitator) terminate the appointment of the Administrator (or the Defaulting Administrator) in respect of the Cash Bond Management Services only with effect from a date (not earlier than the date of the notice) specified in the notice in accordance with Clauses 20.6 and 20.8.

20.6 On and after termination of the appointment of the Administrators pursuant to Clause 20.1, Clause 20.2 Clause 20.3 or Clause 20.5, all authority and power of the Administrators under this Agreement shall be terminated and be of no further effect and the Administrators shall not thereafter hold themselves out in any way as the agent of the Issuer or the Trustee, except to the extent required for such Administrator to continue to perform the services required under this Agreement pending the Substitute Administrator's assumption of performance of such services **provided that** if the duties and obligations of any Administrator are terminated in relation to the Cash Bond Management Services only pursuant to Clause 20.5, the provisions of this Clause 20.6 shall only apply to the authority and power of any Administrator necessary for the performance of the Cash Bond Management Services only and all necessary authority and powers provided to any Administrator under this Agreement to perform all Services other than the Cash Bond Management Services shall continue unaffected.

20.7 Upon termination of the appointment of any Administrator pursuant to Clauses 20.1, 20.2, 20.3 or 20.4, the Administrator shall forthwith deliver (and in the meantime hold on trust for, and to the order of the Trustee) to the Trustee or as it shall direct the relevant Loan Files, the Mortgage Deeds, the Insurance Contracts, all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of or belonging to the Issuer and the Trustee and the Mortgages and any other security therefor, any moneys then held by that Administrator on behalf of the Issuer and/or the Trustee and any other assets of the Issuer or the Trustee and shall take such further action as the Trustee may reasonably direct.

The relevant Administrator will, in addition, provide all relevant information contained on computer records in the form of computer disks, together with details of the layout of the files encoded on such computer disks. The relevant Administrator shall co-operate and consult with and assist the Substitute Administrator, the Trustee or their nominees for the purposes of explaining the file layouts and the format of the computer disks generally. Upon termination of the appointment of the relevant Administrator pursuant to Clause 20.1, 20.2 or 20.3, the Issuer shall notify the Substitute Administrator in writing of the occurrence of such termination and request the Substitute Administrator to assume the duties and obligations of the relevant Administrator on the terms set out in the Substitute Administrator Agreement immediately upon receipt of such notice of termination.

20.8 Upon termination of the Administrator's duties and obligations in respect of the Cash Bond Management Services pursuant to Clause 20.5, the relevant Administrator shall forthwith deliver (and in the meantime hold on trust for, and to the order of the Issuer and the Trustee) to the Substitute Administrator or to any other person as the Issuer or the Trustee shall direct:

- 20.8.1 the Administrator Reports;
- 20.8.2 the relevant papers and records in its possession or under its control relating to the Cash Bond Management Services; and
- 20.8.3 all relevant information contained on computer records in the form of computer disks, together with details of the layout of the files encoded on such computer disks.

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

- 20.9 If the Substitute Administrator is unable, for any reason whatsoever, to assume the duties and obligations of the relevant Administrator on the terms set out in the Substitute Administrator Agreement, or the Substitute Administrator's obligations have been terminated in accordance with clause 14 (*Termination by Issuer*) of the Substitute Administrator Agreement then the Issuer (with the assistance of the Substitute Administrator Facilitator) shall appoint another substitute administrator capable of assuming such duties and obligations (or any relevant part thereof) on terms substantially similar to those of this Administration Agreement, subject to clause 9.1 of the Deed of Charge.
- 20.10 Upon execution of any substitute administrator agreement in accordance with Clause 20.9, the Issuer shall promptly execute a charge of its interest in such agreement in favour of the Trustee in accordance with the terms of the Deed of Charge (and in particular, but without limitation, clause 3.6 of the Deed of Charge), *mutatis mutandis*, to the satisfaction of the Trustee.
- 20.11 This appointment of each Administrator may be terminated upon the expiry of not less than six months' notice of termination given by the Administrator to the Issuer, the Trustee and the Substitute Administrator Facilitator, **provided that**:
  - 20.11.1 the Issuer, the Trustee and the Substitute Administrator consent in writing to such termination;
  - 20.11.2 a substitute administrator (which can include the Substitute Administrator in which case the terms of the Substitute Administrator Agreement shall apply) shall be appointed, such appointment to be effective not later than the date of termination of the appointment of any Administrator (and the Administrator shall notify the Rating Agencies in writing of the identity of such substitute administrator), and such substitute administrator (if other than the Substitute Administrator) enters into an agreement substantially on the terms of this Agreement (in particular, but without limitation, taking account of the provisions of Clause 5.5.1) but subject to clause 8.1 of the Deed of Charge and any Administrator shall not be released from its obligations under this Agreement until such substitute administrator (if other than the Substitute Administrator) has entered into such new agreement;

- 20.11.3 such substitute administrator has experience of administering mortgages and charges of residential property in England and Wales and (if other than the Substitute Administrator) is approved by the Trustee; and
- 20.11.4 PML as Administrator certifies that, in its reasonable opinion, the then-current ratings of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class Z Notes by the Rating Agencies would not be adversely affected as a result thereof unless otherwise agreed by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders respectively.
- 20.12 Each Administrator shall deliver to the Issuer, the Trustee, the Substitute Administrator and the Substitute Administrator Facilitator as soon as reasonably practicable but in any event within five days of becoming aware thereof a notice of any Termination Event or any Event of Default (as defined in Condition 9) or any event which with the giving of notice or lapse of time or certification would constitute the same.
- 20.13 Termination of the appointment of any Administrator, or termination of this Agreement, shall be without prejudice to liabilities of the Issuer or the Trustee due to the Administrator incurred before the date of such termination or *vice versa*. The Administrator shall have no right of set off or any lien in respect of such amounts against amounts held by it on behalf of the Issuer.
- 20.14 This Agreement shall terminate at such time as neither the Issuer nor the Trustee has any further interest in any of the Mortgages or, if later, upon discharge of all Secured Amounts other than the Administrator Secured Amounts and the Seller Secured Amounts.
- 20.15 On termination of the appointment of any Administrator under the provisions of this Clause 20, the Administrator shall be entitled to receive all fees and other moneys accrued up to the date of termination but shall not be entitled to any other or further compensation **provided that** if the duties and obligations of any Administrator are terminated in relation to the Cash Bond Management Services only pursuant to Clause 20.5 then any Administrator shall be entitled to continue to receive all fees and other moneys payable to any Administrator under this Agreement less any fees and other moneys payable to the successor Administrator which has assumed performance of the Cash Bond Management Services. Such moneys so receivable by that Administrator shall be paid solely by the Issuer on the dates on which they would otherwise have fallen due hereunder. For the avoidance of doubt, such termination shall not affect the relevant Administrator's rights to receive payment of all amounts due to it by the Issuer other than under this Agreement, including but without limitation, all amounts due under the Paragon Corporate Services Letter and the Deed of Charge.
- 20.16 Prior to termination of this Agreement, the Administrators, the Sellers, the Trustee and any substitute administrator shall if the Issuer, the Trustee or any Substitute Administrator requires co-operate to obtain the agreement of the Borrowers to a new bank mandate permitting the Issuer, the Trustee or such substitute administrator to operate the Direct Debiting Scheme.
- 20.17 Any provision of this Agreement which is stated to continue after termination of the Agreement shall remain in full force and effect notwithstanding termination.

20.18 The parties hereto agree that to the extent there is a conflict between the provisions of the Administration Agreement and the Substitute Administrator Agreement (as amended from time to time) and the description of the provisions of those agreements in any Relevant Document, the provisions of the Administration Agreement and the Substitute Administrator Agreement shall prevail.

## 21. **THE TRUSTEE**

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

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

## 22. **FORCE MAJEURE**

### 22.1 **Administrator not liable for obligations**

If an Administrator is rendered unable to carry out its obligations under this Agreement by electricity power-cuts, computer software, hardware or system failure (excluding a failure of its own IT systems), strikes, lock-outs, sit-ins, industrial disturbances, earthquakes, storms, fire, flood, acts of God, insurrections, riots, epidemics, war, civil disturbances, governmental directions or regulations, in each case to the extent these are beyond such Administrator's control, or any other circumstances beyond its control (each "**Force Majeure Events**"), such Administrator shall not be liable for any failure to carry out its obligations under this Agreement which are affected by the event in question and, for so long as such circumstances continue, shall be relieved of its obligations under this Agreement which are affected by the event in question without liability **provided that** this Clause 22.1 shall not apply if any such event arose as a result of the fraud, gross negligence or wilful default of such Administrator.

### 22.2 **Mitigation**

An Administrator shall, notwithstanding that it is relieved from its obligations pursuant to Clause 22.1 (*Administrator not liable for obligations*), take all reasonable steps available to it to procure that any event described in Clause 22.1 ceases to exist and take all practical steps to minimise any liabilities arising from any such event.

### 22.3 **Administrator notice of failure to carry out obligations**

If an Administrator is prevented from carrying out any of its obligations under this Agreement as a result of any event referred to in Clause 22.1, such Administrator shall give notice to the Issuer and the Trustee as soon as reasonably practicable after being so prevented, detailing the particulars of such event.

### 22.4 **Administrator disentitled to fees**

During any period in which an Administrator is prevented from performing any of its obligations under this Agreement as a result of any event referred to in Clause 22.1, such Administrator shall not be entitled to be paid its fees pursuant to Clause 10 (*Remuneration*) but shall remain entitled to reimbursement of any liabilities pursuant to Clause 11 (*Costs and Expenses*).

## 23. FURTHER ASSURANCE

- 23.1 The parties hereto agree that they will co-operate fully to do all such further acts and things and execute any further documents as may be necessary or desirable to give full effect to the arrangements contemplated by this Agreement, **provided that**, where a party requests such further acts or things, that party will be responsible for the reasonable costs of those parties co-operating with such request to the extent such requires the performance of an act or thing by each co-operating party which is not (or could not reasonably be expected to be) within the duties or the obligations of the relevant co-operating party pursuant to this Agreement or any other Relevant Document.
- 23.2 Without prejudice to the generality of Clause 23.1, the Issuer, the Trustee and each Seller shall upon request by an Administrator forthwith give to such Administrator such further powers of attorney or other written authorisations or mandates and instruments as are necessary to enable the Administrators to perform the Services.

## 24. CONFIDENTIALITY

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

- 24.1.1 to any information already known to the recipient otherwise than as a result of entering into any of the Relevant Documents;
- 24.1.2 to any information subsequently received by the recipient which it would otherwise be free to disclose;
- 24.1.3 to any information which is or becomes public knowledge otherwise than as a result of the conduct of the recipient;
- 24.1.4 to any extent that the recipient is required to disclose the same pursuant to any law or order of any court or pursuant to any direction, request or requirement (whether or not having the force of law) of any central bank or any governmental or other authority (including, without limitation, any official bank examiners or regulators);
- 24.1.5 to the extent that the recipient needs to disclose the same for the protection or enforcement of any of its rights under any of the Relevant Documents or in connection herewith or therewith or, in the case of the Trustee, for the purpose of discharging, in such manner as it thinks fit, its duties under or in connection

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

- 24.1.6 to any information which the Rating Agencies may require to be disclosed to them; or
- 24.1.7 to any disclosure by the Substitute Administrator to its parent undertaking **provided that** the Substitute Administrator shall procure that its parent undertaking (i) is made aware of the confidential nature of such information and the terms of this Clause 24 and (ii) complies with all the provisions of this Clause 24 as if it were a party to this Agreement.

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

## 25. NOTICES

- 25.1 Any notices to be given pursuant to this Agreement to any of the parties hereto or to the Rating Agencies shall be sufficiently served if delivered by hand or sent by prepaid post or by facsimile transmission or by email transmission and shall be deemed to be given upon receipt and shall be delivered or sent:
  - 25.1.1 in the case of the Issuer to 51 Homer Road, Solihull, West Midlands B91 3QJ (email to [Company.Secretary@Paragonbank.co.uk](mailto:Company.Secretary@Paragonbank.co.uk) and [securitisations@paragonbank.co.uk](mailto:securitisations@paragonbank.co.uk)) for the attention of: The Company Secretary, with a copy to: (facsimile number +44 20 7466 1700 or email to [london\\_structured@maples.com](mailto:london_structured@maples.com)) for the attention of: The Directors, Paragon Mortgages (No.28);
  - 25.1.2 in the case of Paragon Bank, to the address appearing at the beginning of this Agreement (for the attention of The Company Secretary or email to [Company.Secretary@Paragonbank.co.uk](mailto:Company.Secretary@Paragonbank.co.uk) and [securitisations@paragonbank.co.uk](mailto:securitisations@paragonbank.co.uk) for the attention of The Company Secretary);
  - 25.1.3 in the case of PML, to the address appearing at the beginning of this Agreement (for the attention of the Company Secretary or email to [Company.Secretary@Paragonbank.co.uk](mailto:Company.Secretary@Paragonbank.co.uk) and [securitisations@paragonbank.co.uk](mailto:securitisations@paragonbank.co.uk) for the attention of The Company Secretary);
  - 25.1.4 in the case of the Trustee, to the address appearing at the beginning of this Agreement (facsimile number: +44 (0)20 7500 2931, for the attention of: Agency & Trust);
  - 25.1.5 in the case of Fitch to [SF\\_Surveillance@fitchratings.com](mailto:SF_Surveillance@fitchratings.com) for the attention of: Surveillance - European Structured Finance Ratings);



- 25.1.6 in the case of Moody's to Monitor.RMBS@moodys.com for the attention of RMBS Monitoring; and
- 25.1.7 in the case of the Substitute Administrator Facilitator, to 11<sup>th</sup> Floor, 200 Aldersgate Street, London EC1A 4HD (facsimile number: +44 20 7466 1700, email: london\_structured@maples.com, for the attention of Substitute Administrator Facilitator); and
- 25.1.8 in the case of PFPLC, to 51 Homer Road, Solihull, West Midlands B91 3QJ, for the attention of The Company Secretary (email: Company.Secretary@Paragonbank.co.uk and securitisations@paragonbank.co.uk).

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

## 25.2

- 25.2.1 PML as Administrator shall, while any Note remains outstanding, give notice to the Rating Agencies of:
- (a) any amendment which the Trustee considers material to any of the Relevant Documents;
  - (b) the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class Z Notes, the Class S Notes or the Class S VFN being repaid in full;
  - (c) any repurchase by any Seller of a Mortgage pursuant to clause 6 (*Warranties, Representations and Undertakings*) of the Mortgage Sale Agreement; and
  - (d) any Event of Default under the Notes.
- 25.2.2 PML as Administrator shall within 30 days of the end of each Collection Period give or otherwise make available to the Rating Agencies in accordance with Clause 12.9.1 information on or a report in respect of:
- (a) the number and aggregate or principal amount of all Mortgages respectively 30, 60 and 90 days in arrears (excluding any COVID Missed Payments, as such term is defined in the Trust Deed) at the end of such Interest Period;
  - (b) the number of Mortgages in respect of which orders for possession were granted during the preceding Interest Period;
  - (c) the number of Mortgages in respect of which orders for possession were pending during the preceding Interest Period; and

- (d) the gross and net losses incurred in respect of Mortgages in respect of which Enforcement Procedures have been completed during such preceding Interest Period.

**26. NO VARIATION AND WAIVER**

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

**27. ASSIGNMENT**

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

27.2 Subject to Clause 27.3, the Administrators may not assign or transfer any of its rights and obligations under this Agreement to any other person without the prior written consent of the Issuer and the Trustee.

27.3 Each of PML, as Administrator and Paragon Bank may assign or transfer any of their rights and obligations under this Agreement to each other without the prior written consent of the Issuer and the Trustee.

**28. EXCLUSION OF THIRD PARTY RIGHTS**

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

**29. GOVERNING LAW**

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

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

**EXECUTION PAGES**

**EXECUTED** as a **DEED** and delivered by )  
**PARAGON MORTGAGES (NO. 28)** )  
**PLC**  
acting by two Directors being )

MaplesFS UK Corporate Director No.1  
Limited; and


..... Jennifer Jones

MaplesFS UK Corporate Director No.2  
Limited

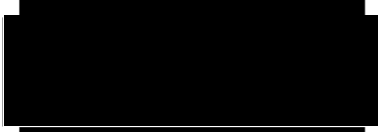
..... Jennifer Jones

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

**PARAGON MORTGAGES (2010)  
LIMITED**

By:.....

Signature:



Name: Jimmy Giles

Witness Name: Julia Gilbride

Title: Attorney

Occupation: Securitisation Officer

Address: 51 Homer Road, Solihull

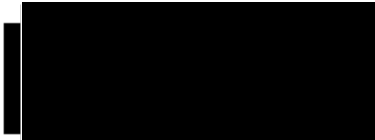
West Midlands, B91 3QJ

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

**PARAGON BANK PLC**

By:  .....

Signature:



Name: Jimmy Giles

Witness Name: Julia Gilbride

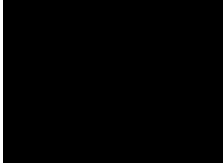
Title: Attorney

Occupation: Securitisation Officer

Address: 51 Homer Road, Solihull  
West Midlands, B91 3QJ

Executed by:  
**CITICORP TRUSTEE COMPANY  
LIMITED** as a deed  
Signed for and on its behalf by one of its duly  
authorised attorneys

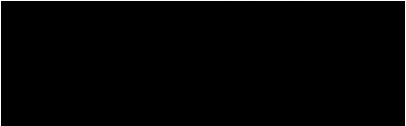
Signature: .....



Name: .....  
Title: Attorney

Viola Japaul  
Attorney

Witness..



Name: .....

*K PHILLIPS*

Occupation: .....

*BANK OFFICER*

Address: .....

.....

.....

Citi Agency & Trust  
Citigroup Centre  
25 Canada Square  
Canary Wharf  
London E14 5LB

## **SCHEDULE 1 THE SERVICES**

### **1. The Mortgage and Loan Administration Services**

The Administrators shall:

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

### **2. General Services**

The Administrators shall:

- (a) make all filings, give all notices and make all registrations and other notifications required in the day-to-day operation of the business of the Issuer and Holdings;

- (b) arrange for all payments due to be made by the Issuer under any of the Relevant Documents to be made, **provided that** such moneys are at the relevant time available to the Issuer and **provided further that** nothing herein shall constitute a guarantee by the Administrators of all or any of the obligations of the Issuer under any of the Relevant Documents;
- (c) keep general books of account and records of the Issuer and Holdings and provide accounting services, including reviewing receipts and payments, supervising and assisting in the preparation of interim statements and final accounts, and supervising and assisting in the preparation of tax returns of the Issuer and Holdings;
- (d) make all returns and filings required to be made by the Issuer and Holdings;
- (e) provide company secretarial and administration services to the Issuer and Holdings including the keeping of all registers and the making of all returns required by U.K. regulatory authorities, co-operate in the convening of board and general meetings and provide registered office facilities for the Issuer;
- (f) itself on behalf of the Issuer pay, or procure the payment in accordance with the Deed of Charge of, all the out-of-pocket expenses of the Issuer incurred in the performance of the Administrators' duties hereunder including without limitation:
  - (i) all taxes which may be due or payable by the Issuer;
  - (ii) all registration, recording, transfer, filing and other fees, stamp duty and other charges payable in respect of the purchase by the Issuer of the Mortgages from the Seller;
  - (iii) all necessary filing and other fees in compliance with regulatory requirements;
  - (iv) all legal and audit fees and other professional advisory fees;
  - (v) all communication expenses including postage, telephone and telex charges;
  - (vi) fees payable to The London Stock Exchange plc and/or the UK Listing Authority; and
  - (vii) all premiums payable by the Issuer in respect of the Insurance Contracts;
- (g) subject to the provisions of this Agreement (including, but without limitation, Clause 6.3) take all reasonable steps to recover all sums due to the Issuer;
- (h) determine the Principal Liability Outstanding, Principal Amount Outstanding and the Pool Factor for each Note for each Interest Period and determine the Available Redemption Funds on each Principal Determination Date (and no later than one Business Day from the Interest Determination Date) and the principal payment in respect of each Note to be made on the Interest Payment Date to which such Principal Determination Date relates;



- (i) determine the Residual Payments and the Residual Payment Amounts for each Residual Certificate for each Interest Payment Date;
- (j) take all such actions and do all things which it would be reasonable to expect a reasonably prudent mortgage administrator to do in administering its mortgages and charges;
- (k) provide services in relation to Hedge Collateral held by or on behalf of the Issuer from time to time (including, without limitation, in connection with the transfer, receipt, administration and/or holding of Hedge Collateral, the making of calculations, determinations, communications or valuations, the opening and maintenance of the Hedge Collateral Accounts and the Hedge Collateral Ledger; and the entering into of Hedge Collateral Ancillary Documents);
- (l) provide services in relation to Hedge Replacement Premium and Hedge Provider Termination Amounts (including, without limitation, in connection with the transfer, receipt, administration and/or holding of such amounts and the making of calculations, determinations, communications or valuations);
- (m) to the extent applicable:
  - (i) act as agent of the Issuer in respect of the rights, obligations, functions and powers of the Issuer under the Hedge Agreement;
  - (ii) perform, on behalf of the Issuer, such other functions specified in the Hedge Agreement to be performed by the Issuer; and
  - (iii) perform, on behalf of the Issuer, all of its obligations under article 9 of EMIR in respect of the reporting of any transactions entered into under any Hedge Agreement, and all of its obligations under article 11 of EMIR in respect of risk-mitigation techniques for "OTC derivative contracts" (as such term is defined in EMIR); and
- (n) on behalf of the Issuer, monitor whether the Issuer is a NFC- (as such term is defined in the Hedge Agreement) and whether the Issuer is subject to a clearing obligation pursuant to EMIR in respect of any transaction and make any notifications that are required to be made if the Issuer is no longer a NFC- (as such term is defined in the Hedge Agreement) or becomes subject to a clearing obligation under EMIR and, to the extent that the Issuer has delegated any of its obligations under EMIR to a third party, provide assistance and information to such third party as it may reasonably request in order to satisfy the Issuer's obligations under EMIR.

### 3. **Estimation**

- (a) In the event that an Administrator Report is not prepared with respect to a Collection Period (the "**Determination Period**"), the Administrators shall calculate the amounts available to the Issuer to make payments for such Determination Period based on the Administrator Report in respect of the three preceding Collection Periods (or where there are not at least three previous Administrator Reports, all previous Administrator Reports) in accordance with

Schedule 6 (*Determinations and Reconciliation*), for the purposes of complying with its obligations hereunder. The Administrators shall make such estimations on the basis of information available to it at such time and shall not be liable (in the absence of negligence, bad faith and wilful default) for the accuracy of such estimations.

- (b) Upon subsequent receipt of the Administrator Report in relation to the Determination Period, the Administrators will apply the reconciliation calculations set out in Schedule 6 (*Determinations and Reconciliation*).
- (c) Any:
  - (i) calculations properly done on the basis of such previous Administrator Reports;
  - (ii) payments made under any of the Notes, Residual Certificates and Relevant Documents in accordance with such calculations;
  - (iii) reconciliation calculations; and
  - (iv) reconciliation payments made as a result of such reconciliation calculations,

each in accordance with paragraphs 1, 2 and 3 of Schedule 6 (*Determinations and Reconciliation*) to this Agreement, shall be deemed to be done in accordance with the provisions of the Relevant Documents and no default by the Administrators in the performance of their obligations under this Agreement (or an Event of Default in respect of the Issuer) shall occur solely as a result of calculating and applying amounts in accordance with this paragraph (c) and Schedule 6 (*Determinations and Reconciliation*) and no liability will attach to the Administrators in connection with the exercise by it of its powers, duties and discretion for such purposes.

**SCHEDULE 2  
INSURANCES**

**PART A  
BUILDINGS POLICIES**

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

AXA Insurance UK plc: [REDACTED]

2. **Other Buildings Policies**

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

**PART B  
OTHER INSURANCE CONTRACTS**

1. The Fidelity Insurance Policy.

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

**SCHEDULE 3**  
**FORM OF POWER OF ATTORNEY OF THE ISSUER**

**THIS DEED OF POWER OF ATTORNEY** is made and given on [•] 2020 whereby **PARAGON MORTGAGES (NO. 28) PLC** (registered number 12898419) whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ (the "**Issuer**") **HEREBY APPOINTS** each Attorney severally and separately to be the true and lawful attorney of the Issuer for the purposes and on the terms hereinafter set forth. In this Deed, "**Attorney**" means each of **PARAGON MORTGAGES (2010) LIMITED** whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ and **PARAGON BANK PLC** whose registered office is at 51 Homer Road, Solihull, West Midlands B91 3QJ.

**NOW THIS DEED WITNESSETH**

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

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

- (ii) to make further advances to Borrowers in circumstances where a Borrower is entitled to receive a further advance under the Mortgage Conditions;
- (iii) to demand, sue for and receive all moneys due or payable under the Charge or any such collateral security or related rights (including rights under the Insurance Contracts); and
- (iv) upon payment of such moneys or of any part thereof to give good receipts and discharges for the same and to execute such receipts releases re-assignments surrenders instruments and deeds as may be requisite or advisable.

2. The Issuer DECLARES THAT:

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

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

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

This Power of Attorney and any non-contractual obligations arising out of or in connection with it is governed by, and shall be construed in accordance with, English law.

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

**EXECUTED** as a **DEED** and delivered by     )  
**PARAGON MORTGAGES (NO. 28)**     )  
**PLC**  
acting by two Directors being                     )

MaplesFS UK Corporate Director No.1 .....  
Limited; and

MaplesFS UK Corporate Director No.2 .....  
Limited

**SCHEDULE 4**  
**FORM OF TRUSTEE'S POWER OF ATTORNEY**

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

- (a) By a mortgage sale agreement (the "**Mortgage Sale Agreement**") dated the same date as this Power of Attorney and made between, among others, Paragon Mortgages (2010) Limited, Paragon Bank plc, Paragon Mortgages (No. 28) PLC (the "**Issuer**") and the Trustee the Issuer agreed to purchase certain Mortgages beneficially owned by the Sellers in accordance with the terms of the Mortgage Sale Agreement.
- (b) By an administration agreement (the "**Administration Agreement**") dated the same date as this Power of Attorney and made between each Attorney, the Issuer, the Seller and the Trustee, the Sellers, the Trustee and the Issuer each agreed (according to their respective estates and interests) to appoint the Attorney as its lawful agent in its name and on its behalf to provide administration services to the Issuer in relation to the Mortgages and, where relevant, collateral security therefor, and to exercise the rights, powers and discretions and to perform the duties and obligations of the Issuer in respect of the Mortgages and, where relevant, the collateral security.
- (c) Pursuant to the Mortgage Sale Agreement and for the better performance of its obligations under the Administration Agreement, the Trust Deed and the Deed of Charge (each as defined in the Administration Agreement) and at the request of each Attorney the Trustee has agreed to enter into these presents for the purposes hereinafter appearing.

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

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

any other hedging arrangement in which it has an interest or in respect of any rights related to any of the aforesaid (including rights under the Insurance Contracts).

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

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

**and provided further that** this Power of Attorney shall not authorise any Attorney or any Substitute Attorney to commence or conduct legal proceedings of any nature in the name of the Trustee without the prior written consent of the Trustee

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

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

This Power of Attorney and any non-contractual obligations arising out of or in connection with it is governed by, and shall be construed in accordance with, English law.



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

**Executed by:**  
**CITICORP TRUSTEE COMPANY**  
**LIMITED** as a deed  
Signed for and on its behalf by one of its duly  
authorised attorneys

Signature: .....

Name: .....  
Title: Attorney

Witness:  
.....  
.....

Name: .....

Occupation: .....

Address: .....  
.....  
.....

**SCHEDULE 5**  
**CONTENTS OF INVESTOR REPORTS**

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

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

1. Loan to value ratios (including maximum and minimum);
2. Product summary by rate fixing method;
3. Product summary by repayment type;
4. Loan size;
5. Property tenure;
6. Seasoning;
7. Maturity of mortgages;
8. Loan purpose;
9. Geographical dispersion;
10. Number of months in arrears (excluding any COVID Missed Payments, as such term is defined in the Trust Deed) for receiver of rent cases and non receiver of rent cases;
11. Occupancy; and
12. Letting occupancy.

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

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

7. Enforcement Procedures in progress as at the end of the Collection Period.
8. Enforcement Procedures completed as at the end of the Collection Period.
9. Mortgages repurchased by the Seller pursuant to clauses 6.6 or 6.7 of the Mortgage Sale Agreement.
10. Balance of the Principal Deficiency Ledger.
11. Balance of the General Reserve Fund.
12. Balance of the Class A and Class B Liquidity Reserve Fund.
13. Quarterly redemption rate for the Collection Period and the lifetime redemption rate.
14. Expenses paid in the Interest Period.
15. Number and aggregate or principal amount of all Mortgages respectively 30, 60 and 90 days in arrears (excluding any COVID Missed Payments, as such term is defined in the Trust Deed) at the end of each Collection Period.
16. Gross and new losses incurred in respect of Mortgages in respect of which Enforcement Procedures have been completed during such preceding Collection Period.
17. The balance of the Mortgage Margin Reserve Fund Ledger.
18. The balance of the Conversion Margin Reserve Fund Ledger.
19. The balance of the Mortgage MRF Discretionary Fund Ledger.
20. The balance of the Conversion MRF Discretionary Fund Ledger.
21. The retained interest of Paragon Bank in the form of not less than 5 % of the nominal value of each of the tranches sold or transferred to investors required to satisfy the retention requirement under Article 6 of the Securitisation Regulation.

**SCHEDULE 6**  
**DETERMINATIONS AND RECONCILIATION**

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

In this Schedule 6:

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

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

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

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

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

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

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

**SCHEDULE 7**  
**FORM OF TRANSACTION ACCOUNT TRANSFER CERTIFICATE**

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

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

[•] 20[•]

**Paragon Mortgages (No. 28) PLC - Transfer of Transaction Account**

We refer to the administration agreement dated on or about [•] 2020 between, amongst others, ourselves and yourselves (the "**Administration Agreement**"). Capitalised terms used in this letter that are not otherwise defined shall have the meaning given to them in this Administration Agreement.

Pursuant to Clause 6.5.3 of the Administration Agreement, we write to give you notice that on or around [•] the Transaction Account was transferred to [HSBC Bank plc ("**HSBC**")/Barclays Bank plc ("**Barclays**")]. We certify that [HSBC/Barclays] meets the ratings requirements of Clause 6.5.3 of this Administration Agreement and we confirm that conditions [(i) to (iv) of Clause 6.5.4] of this Administration Agreement have been met.

We further certify that pursuant to Clause 6.5.6 of this Administration Agreement, the Rating Agencies have been notified of the transfer of the Transaction Account from Citibank N.A., London Branch to [HSBC/Barclays].

Yours faithfully

By:

By:

Name:

Name:

Title:

Title:

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