

DATED 11 NOVEMBER 2020

BETWEEN

PARAGON FINANCE PLC
AS PFPLC

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

PARAGON BANK PLC
AS AN ADMINISTRATOR AND A SELLER

PARAGON MORTGAGES (NO.28) PLC
AS THE ISSUER

CITICORP TRUSTEE COMPANY LIMITED
AS THE TRUSTEE

AND

HOMELoAN MANAGEMENT LIMITED
AS HML

SUBSTITUTE ADMINISTRATOR AGREEMENT

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THIS AGREEMENT is made on 11 November 2020 and made

BETWEEN:

- (1) **PARAGON FINANCE PLC**, a public limited company incorporated under the laws of England and Wales (company registration number 1917566) and having its registered office at 51 Homer Road, Solihull, West Midlands, B91 3QJ ("**PFPLC**");
- (2) **PARAGON MORTGAGES (2010) LIMITED**, a private limited company incorporated under the laws of England and Wales (company registration number 6595834) and having its registered office at 51 Homer Road, Solihull, West Midlands, B91 3QJ ("**PML**", the "**Seller**" and the "**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 (a "**Seller**" and together with PML, the "**Sellers**") and in its capacity as Administrator (an "**Administrator**" and together with PML, the "**Administrators**");
- (4) **PARAGON MORTGAGES (NO.28) PLC**, a public limited company incorporated under the laws of England and Wales (company registration number 12898419) and having its registered office at 51 Homer Road, Solihull, West Midlands, B91 3QJ (the "**Issuer**");
- (5) **CITICORP TRUSTEE COMPANY LIMITED**, a private limited company incorporated under the laws of England and Wales (company registration number 00235914) and having its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB in its capacity as trustee (the "**Trustee**", which expression includes any other person or persons from time to time acting as trustee under the Trust Deed constituting the Notes); and
- (6) **HOMELoAN MANAGEMENT LIMITED**, a private limited company incorporated under the laws of England and Wales (company registration number 2214839) and having its registered office at The Pavilions, Bridgwater Road, Bristol BS13 8AE ("**HML**").

IT IS HEREBY AGREED as follows:

1. DEFINITIONS

1.1 Except so far as the context otherwise requires and subject to any contrary indication, words and expressions defined or construed in the administration agreement between, *inter alios*, the Issuer, PML, Paragon Bank and the Trustee dated on or about the date hereof (the "**Administration Agreement**") shall have the same meanings and construction in this Agreement.

1.2 In this Agreement:

"**Administrator Powers of Attorney**" means the powers of attorney to be granted to HML to enable it to perform the Services as Administrator on behalf of the legal and/or beneficial owner of the relevant Mortgage pursuant to Clause 24 (*Further Assurance*).

"Commitment Fee Determination Date" means the date of this Agreement and each anniversary of this Agreement.

"Commitment Fee Period" means the period from (and including) a Commitment Fee Determination Date to (but excluding) the immediately following Commitment Fee Determination Date or, if earlier, the date on which HML is appointed as Administrator in accordance with Clause 2.3 or this Agreement is terminated in accordance with Clause 13 (*Termination by HML*), Clause 14 (*Termination by Issuer*) or Clause 15 (*Termination by Notice*).

"Force Majeure Event" has the meaning given to it Clause 16.1.

"Insolvency Event" means:

- (a) an order is made or an effective resolution passed for winding up of HML;
- (b) HML 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 HML 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
- (c) proceedings are initiated against HML under any applicable liquidation, administration, insolvency, composition, reorganisation (other than a reorganisation the terms of which have been approved by the Trustee and where HML is solvent) or other similar laws, save where such proceedings are being contested in good faith by HML, or an administrative or other receiver, administrator or other similar official is appointed in relation to HML or in relation to the whole or any substantial part of the undertaking or assets of HML or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of HML, 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 HML and in any of the foregoing cases it shall not be discharged within 15 days; or if HML 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.

"Interest Charging Balance" means, in relation to a Commitment Fee Period, the amount certified by the relevant Administrator (and confirmed, if HML requests, by the accountants of the Issuer) in the Mortgage Portfolio to be the aggregate of the average of the interest charging balances of the Mortgages on each day during such Commitment Fee Period.

"Paragon Software" means:

- (a) the Paragon Account Administration System (Target);
- (b) the Computer Assisted Collection Account System (CACs);

- (c) Aries;
- (d) COMPASS;
- (e) Print Solution;
- (f) SPV system; and
- (g) PTTS,

and any upgrades as may be made to such software packages from time to time.

"Standby Period" means the period from the date of this Agreement until HML is appointed as Administrator in accordance with Clause 2.3 or until the termination of this Agreement in accordance with Clause 13 (*Termination by HML*), Clause 14 (*Termination by Issuer*) or Clause 15 (*Termination by Notice*).

"Substitute Administrator Facilitator" means Maples Fiduciary Services (UK) Limited in its capacity as substitute administrator facilitator and any successor thereto and any replacement thereto in such capacity.

2. APPOINTMENT OF SUBSTITUTE ADMINISTRATOR

- 2.1 Subject as provided herein, HML hereby agrees to act as substitute administrator hereunder and to assume the duties and obligations of both of the Administrators (save for those obligations set out in clause 17.1.3 of the Administration Agreement) on the same terms, *mutatis mutandis*, as those set out in the Administration Agreement which shall accordingly be incorporated herein but as amended as set out in Schedule 1 (*Amendments to Administration Agreement*). To the extent that there is direct conflict between the provisions of the Administration Agreement and this Agreement, this Agreement shall prevail over provisions in the Administration Agreement where the Substitute Administrator's rights are affected.
- 2.2 If PML as Administrator fails to deliver an Administrator Report to HML within 1 Business Day of any Interest Determination Date, HML shall assume the performance of the Cash Bond Management Services (and, for the avoidance of doubt, to the extent that the required calculation data is unavailable HML shall calculate the relevant amounts to be paid by the Issuer in accordance with Schedule 1 (*The Services*) and Schedule 6 (*Determinations and Reconciliation*) of the Administration Agreement) within 5 Business Days of such failure.
- 2.3 HML shall commence its duties and obligations referred to in Clause 2.1 above (to the extent not already commenced pursuant to Clause 2.2 above) as soon as reasonably practicable after being notified in writing by the Issuer or the Trustee that the Issuer or the Trustee has terminated the Administrators' appointment under the Administration Agreement or that such appointment has terminated by virtue of the other provisions of clause 20 (*Termination*) of the Administration Agreement **provided that** upon such notification, HML shall, without the need for further action, be entitled to all rights, benefits, exclusions from liability, powers and discretions of the Administrator under the Administration Agreement as if it had originally been named as Administrator thereunder.

- 2.4 Notwithstanding the foregoing HML shall not, for the avoidance of doubt, be required to perform or undertake (i) any of the obligations of the Administrators, under the Administration Agreement, other than the obligations of the Administrators, in their capacity as an Administrator, and shall not be required to undertake the obligations of the Administrator, under any Relevant Document other than the Administration Agreement or (ii) any of the obligations under the Relevant Documents of any of the other parties to the Relevant Documents.
- 2.5 The parties hereby acknowledge that upon its appointment as substitute administrator under this Agreement, HML may, at its discretion:
- 2.5.1 sub-contract printing and storage functions to a third party;
- 2.5.2 sub-contract (or otherwise request the assistance in relation to) the performance of any of its obligations relating to the determination of variable rates to Topaz Finance Limited; and
- 2.5.3 sub-contract or delegate the performance of the Administrator's obligations under clause 4.9 of the Administration Agreement or any other obligation requiring it to exercise its discretion in dealing with authorised investments (the performance of which obligations would require the Administrator to obtain an authorisation under the Financial Services and Markets Act 2000 ("**FSMA authorisation**")) to either (i) a Paragon Group Company which has the necessary FSMA authorisation and covenants to use reasonable endeavours to keep in force any such FSMA authorisation or (ii) a third party with the necessary FSMA authorisation **provided that** such delegation or sub-contracting to such third party would not adversely affect the then current ratings of the Notes,
- provided that** HML shall pay all fees and expenses of any sub-contractor or delegate of HML and, for the avoidance of doubt, such fees and expenses shall not be payable by the Issuer.
- 2.6 Notwithstanding any sub-contracting pursuant to Clause 2.5 above HML shall remain liable to the Issuer for the due performance of its obligations under the Administration Agreement and this Agreement and shall ensure that any sub-contractor complies with the relevant terms of this Agreement and/or the Administration Agreement including, for the avoidance of doubt, clause 15 (*Data Protection*) of the Administration Agreement.
- 2.7 The parties acknowledge and agree that upon assumption by HML of the duties and obligations of the Administrators pursuant to this Clause 2.7 HML shall not, and shall at no time be required to become, the legal owner of a Mortgage.
- 2.8 The parties further acknowledge and agree that following the assumption by HML of the duties and obligations of the Administrators that HML shall, subject to any law to the contrary, not be required to place any of the Administrators' staff upon the payroll of HML.

3. **STAND-BY SERVICES**

- 3.1 Upon its appointment as substitute administrator and until it assumes the duties and obligations of the Administrators pursuant to Clause 2.3, HML shall provide the services set out in Clause 3.2 below.
- 3.2 HML will on such basis as it deems reasonably necessary to perform its obligations under this Agreement:
- 3.2.1 undertake a review of the Administrators' computer hardware, software, processes and facilities employed in the performance of its obligations as substitute administrator under the Administration Agreement and this Agreement;
 - 3.2.2 in conjunction with the Administrators, produce and test a data mapping specification which will translate data descriptions into the format set out in HML standard data scheme (as varied or amended from time to time) (the "**Agreed Format**") and agree with the Issuer and/or the Administrators a timetable within which all stages of the process can be completed; and
 - 3.2.3 write and test the requisite programmes to read the files in the Agreed Format and load the data supplied into the computer systems of HML or at the discretion of HML effect a manual transfer of data onto the systems of HML.
- 3.3 So long as the Administrators remain appointed under the Administration Agreement, each Administrator will deliver monthly (or at such other interval as HML reasonably requires) to HML on a CD ROM (or such other medium as may be agreed between the Administrators and HML) all information relating to the Mortgages that HML may reasonably request to facilitate HML's assumption and fulfilment of its duties and obligations as substitute administrator.
- 3.4 Following the receipt by HML of the written notice under Clause 2.3 the Administrators shall assist HML to:
- 3.4.1 establish and implement a computer system for administering the Mortgages; and
 - 3.4.2 load the data held by the Administrators in relation to the Borrowers and the Mortgages on to such computer system,
- and prior to the actions in sub-clauses 3.4.1 and 3.4.2 above having taken place, the Administrators will provide all necessary access and assistance to HML to the Administrators' equipment, staff, software, systems and premises in relation to and in order to facilitate the administration of the Mortgages.
- 3.5 The Administrators hereby agree to assist HML in the performance of its obligations as substitute administrator by promptly providing it with the information described in Clauses 3.2, 3.3 and 3.4 above.

4. COVENANTS OF SUBSTITUTE ADMINISTRATOR

In substitution for the provisions of clause 17.1.3 of the Administration Agreement, HML agrees to use its reasonable endeavours to:

- 4.1.1 maintain all consents, licences, permits, concessions, approvals and authorisations required for it to lawfully carry out all the obligations of the Administrators contemplated by the Administration Agreement, including, but not limited to, any FSMA authorisations and any authorisations under the Consumer Credit Acts 1974 and 2006; and
- 4.1.2 preserve all registrations under the Data Protection Laws which are required for HML lawfully to carry out all of the obligations of the Administrators under the Administration Agreement.

5. FEES OF SUBSTITUTE ADMINISTRATOR DURING STANDBY PERIOD

5.1 In consideration of HML entering into this Agreement, the Issuer shall pay HML an upfront project fee of £6,000 on the Closing Date.

5.2 During the Standby Period, the Issuer shall pay HML an annual commitment fee in respect of each Commitment Fee Period which shall be the aggregate of:

5.2.1 £8,000 payable annually in advance on the Closing Date and thereafter on each Interest Payment Date falling in December (following the anniversary of this Agreement) of each year; and

5.2.2 to the extent that the sum referred to in sub-clause 5.2.1 above is less than 0.004 per cent. per annum of the Interest Charging Balance (calculated on the basis of a 365 day year and the number of days elapsed in the relevant Commitment Fee Period), the difference between the amount referred to in sub-clause 5.2.1 above and the amount calculated in accordance with this sub-clause 5.2.2, such amount payable annually in arrears on the Interest Payment Date which falls immediately after the end of the Commitment Fee Period in respect of which such fee accrued.

5.3 Without prejudice to the foregoing, if HML assumes its duties and obligations pursuant to Clause 2 (*Appointment of Substitute Administrator*) and in so doing incurs costs in respect of the transfer of information or the acquisition or installation of any systems or procedures necessary to properly perform its obligations hereunder, the Issuer shall reimburse HML for such additional costs properly and reasonably incurred, such amounts to be paid sixty (60) days following the receipt by the Issuer of an invoice in respect of such fees and expenses from HML.

6. EXPENSES OF SUBSTITUTE ADMINISTRATOR DURING STANDBY PERIOD

6.1 HML shall have no obligation to expend any funds or incur any cost or expense if in its reasonable opinion it is not likely to be paid or reimbursed in full on the due date for those amounts expended or incurred **provided that** the foregoing shall not apply where the Issuer has indemnified HML to HML's satisfaction in respect of any such amounts expended or costs or expenses incurred.

- 6.2 The Issuer shall reimburse HML for the reasonable fees and expenses (together with VAT (if any) thereon to the extent that such VAT is not recoverable by HML by way of repayment credit or set-off) of:
- 6.2.1 HML, incurred in respect of its obligations under Clause 3.2; and
 - 6.2.2 HML's legal advisers, properly incurred in the negotiation and execution of this Agreement.
- 6.3 Payment will be made by the Issuer on the first Interest Payment Date following the delivery to the Issuer by HML of an invoice in respect of such fees and expenses or, where such invoice is delivered less than 3 Business Days prior to the immediately following Interest Payment Date, the second Interest Payment Date following the delivery of such invoice.

7. LIABILITY OF SUBSTITUTE ADMINISTRATOR

- 7.1 HML shall have no liability in respect of:
- 7.1.1 any breach by any previous Administrator (including any agent, delegate or sub-contractor appointed by the previous Administrator) of the Administration Agreement or any other Relevant Document or any failure by any previous owner or administrator (including any agent, delegate or sub-contractor thereof) to properly or effectively administer the Mortgages;
 - 7.1.2 any losses incurred whilst the Administrators administer the Mortgages, or any losses incurred whilst the Substitute Administrator administers the Mortgages and where the cause of those losses occurred whilst the Administrators were administering the Mortgages;
 - 7.1.3 any failure to comply with the terms of the Administration Agreement which are incorporated herein (as amended to be applicable to it) or any other Relevant Document (having used its reasonable endeavours to comply) insofar as the same results from any such breach or any necessary information, documents, deeds, computer tapes or other data not being made freely available to it in good order in good time for it to assume its obligations as substitute administrator or assume and perform its obligations as substitute administrator;
 - 7.1.4 anything which this Agreement, the Administration Agreement or any other Relevant Document provides or anticipates will be done if the same cannot be done (or is delayed in its doing) as a result of non-co-operation, non-performance, non-delivery or non-observance by the Issuer, the Trustee or the Administrator or any previous administrator or any other agent, delegate, or sub-contractor of any of them, **provided that** HML shall forthwith upon experiencing such non-co-operation give written notice thereof to the Trustee;
 - 7.1.5 anything done or omitted to be done by it in accordance with any instructions given to it by the Issuer, the Sellers or the Trustee (as applicable);
 - 7.1.6 any breach of this Agreement, the Administration Agreement or any other Relevant Document which arises through any difficulties not directly

- attributable to HML arising out of any change in the direct debit instructions or operations on or following HML's appointment as substitute administrator;
- 7.1.7 any information, documents, deeds, computer tapes or other data supplied by any other parties to this Agreement, the Administrators or any previous administrator or any other agent, delegate, or sub-contractor of any of them being inaccurate or misleading;
 - 7.1.8 any failure to notify HML in writing of any change to the computing systems (including the Paragon Software) utilised by either Administrator in the provision of the Services under the Administration Agreement which such Administrator reasonably believes to be material to the administration of the Mortgages or any of them or to provide to HML all updated software programmes necessary for use in connection with such Services;
 - 7.1.9 any failure to licence or to procure the licence to HML of any intellectual property rights and, in particular, all software programmes used in connection with the Services so as to permit HML to use such intellectual property rights only in connection with such Services free of charge upon assumption by HML of the duties and obligations of the Administrator as provided herein; or
 - 7.1.10 any breach of Clause 9 (*Obligations of the Administrator*) or Clause 18 (*Variation of Agreement*) (other than a breach by or arising from any action or omission of HML).
- 7.2 HML shall not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by the Issuer, the Trustee or the Seller as a result of the proper performance of its obligations under this Agreement save where such loss, liability, claim, expense or damage is suffered or incurred as a result of any negligence, fraud or wilful misconduct of HML in carrying out its functions as the substitute servicer under this Agreement or any other Relevant Document to which it is party.
- 7.3 So long as HML exercises reasonable care and diligence in selecting any surveyor, valuer, solicitor, broker, accountant or other professional ("**Third Party Expert**") in connection with any Mortgage, HML shall not be liable for any loss to the Issuer, the Trustee and/or any other person whether direct or consequential due to any negligent or fraudulent act, error or omission of any such Third Party Expert instructed by HML on behalf of any such person in connection with any Mortgage.
- 7.4 In any event, and notwithstanding anything contained in this Agreement or any other Relevant Document HML's liability in contract, tort (including negligence or breach of statutory or regulatory duty) or otherwise howsoever, and whatever the cause thereof, arising by reason of or in connection with this Agreement, the Administration Agreement or any other Relevant Document:
- 7.4.1 prior to invocation of HML as replacement Administrator, shall be limited in any calendar year to the aggregate amount of all fees paid to HML in the 12 consecutive months immediately following the date of this Agreement (and, to the extent this Agreement is terminated prior to the date falling 12 consecutive months immediately following the date of this Agreement, the aggregate of all fees paid to HML on and prior to such date of termination) and after invocation

of HML as replacement Administrator, the aggregate amount of fees paid to the Substitute Administrator pursuant to clause 10 (*Remuneration*) of the Administration Agreement over the course of the calendar year during which such liability has arisen (the "**Liability Cap**"); and

7.4.2 shall not include any claim for:

- (a) any increased costs and expenses, loss of profit, business, contracts, revenues or anticipated savings; or
- (b) any special indirect or consequential damage whatsoever which liability is hereby excluded,

provided that this Clause 7.4 shall not exclude any liability for fraud.

7.5 No party hereto shall have any liability to any other party hereto as a result of the application of the limitation of liability described in this Clause 7.5.

7.6 Without prejudice to the rights of the parties to the Relevant Documents pursuant to the Relevant Documents, Condition 17 provides that the Noteholders will have no recourse to the Trustee for any liability whatsoever which would have been recoverable against HML (whether before or after any appointment of it as Administrator) but for the provisions of Clause 7.4 above of this Agreement.

8. **CORRESPONDING WITH BORROWERS AND THIRD PARTIES**

8.1 Notwithstanding any other provisions of this Agreement or any other Relevant Document, upon HML's assumption of the duties and obligations of each Administrator pursuant to Clause 2 (*Appointment of Substitute Administrator*), each of the parties hereto agree that HML shall only communicate with the Borrowers and/or any third party in relation to a Mortgage on behalf of the Issuer and in the name of the Sellers and/or the Issuer pursuant to the Administrator Powers of Attorney. For the avoidance of doubt, HML will in no circumstances be required to communicate in its own name with the Borrowers and/or any third party in relation to a Mortgage if HML does not have the necessary powers of attorney or other written authorisations or mandates and instruments to enable HML to perform the Services as Administrator on behalf of the legal owner, and/or beneficial owner of the relevant Mortgage.

8.2 Upon assumption by HML of the role of substitute administrator pursuant to Clause 2 (*Appointment of Substitute Administrator*), PFPLC and, where applicable, the Administrators, shall grant to HML a worldwide, non-exclusive, royalty-free licence to use PFPLC's and/or the Administrators' imagery, materials, intellectual property (together the "**Administration Materials**") and the confidential information of the Issuer used in connection with any of the Services **provided that** those rights are only used for the performance of the Services.

8.3 The Issuer warrants that the Administration Materials or other materials supplied or made available to HML in accordance with this Clause 8 do not infringe the intellectual property rights of any third party.

8.4 The Issuer shall indemnify, defend and hold harmless HML and its successors and assigns in respect of any and all losses incurred or suffered by or made against any of

them and whether, wholly or in part, resulting directly or indirectly from, or connected in any way with any claim in relation to the Administration Materials or other materials supplied or made available by the Administrators that the use or possession of such materials infringes any intellectual property of any third party whether or not such losses were foreseeable at the date of entering into this Agreement. Upon termination of this Agreement in accordance with Clause 15 (*Termination by Notice*) hereof, HML shall return to the Issuer all of the Administration Materials and any other materials supplied or made available to it by the Administrators.

9. OBLIGATIONS OF THE ADMINISTRATOR

For so long as HML remains the substitute administrator in accordance with the provisions of this Agreement, the Administrators shall (and the Substitute Administrator shall request that the Administrators send, provide and/or notify, as applicable, to the extent that the Administrators have not sent, provided and/or notified, as applicable, the same to the Substitute Administrator):

- 9.1.1 send to HML a copy of the Administrator Report within 1 Business Day of the relevant Interest Determination Date pursuant to clause 17.3 of the Administration Agreement;
- 9.1.2 send to HML a copy of the annual audited accounts of the Issuer within a reasonable time after their publication;
- 9.1.3 as soon as reasonably practicable thereafter use its reasonable endeavours to notify HML in writing of any change to the computing systems utilised by the Administrators in the provision of the Services under the Administration Agreement or any other change to the Administration Agreement which either Administrator reasonably believes to be material to the administration of the Mortgages (including, without limitation, change in asset type or size) or any of them and to provide to HML all updated software programmes necessary for use in connection with such Services;
- 9.1.4 use all reasonable endeavours to licence or to procure the licence to HML of any intellectual property rights and, in particular, all software programmes used in connection with the Services including the Paragon Software so as to permit HML to use such intellectual property rights only in connection with such Services free of charge upon assumption by HML of the duties and obligations of the Administrators as provided herein;
- 9.1.5 make available to or procure for the use of HML office space, facilities, equipment, systems, software, the Paragon Software and staff then in use by the Administrators in order to facilitate the assumption and performance by HML under this Agreement; and
- 9.1.6 co-operate to ensure that the administration and transfer of the Services following termination of the Administration Agreement shall be as expeditious, orderly and efficient as practicable and, in particular, the Issuer shall use its reasonable endeavours to procure that the Administrators comply with their obligations in this regard under the Administration Agreement,

provided always that HML shall treat as strictly confidential all information received or obtained by it pursuant to this Agreement and shall not use any such information for any purpose other than in the fulfilment of its role as substitute administrator.

10. ENFORCEMENT OF SECURITY AND DEALINGS WITH TRUSTEE

10.1 HML agrees with the Issuer and the Trustee that only the Trustee is entitled to enforce the security created in favour of the Trustee by or pursuant to the Deed of Charge in accordance with the provisions of the Deed of Charge and that whilst any of the security created by or pursuant to the Deed of Charge subsists or is enforceable:

10.1.1 HML shall not have any right to take any steps whatsoever to enforce the security created by or pursuant to the Deed of Charge or to direct the Trustee to do so;

10.1.2 HML shall not have any right to take any steps for the purpose of obtaining payment of any moneys due and payable to it pursuant to this Agreement; and

10.1.3 HML shall not take any steps to recover any other debts whatsoever owing to it by the Issuer or procure the appointment of an administrative receiver or administrator in respect of or the making of an administration order against or the winding up or liquidation of the Issuer in respect of any of its liabilities whatsoever,

provided that, notwithstanding the foregoing, if the security created by or pursuant to the Deed of Charge having become enforceable, the Trustee has become bound to enforce the same but has failed to do so within a reasonable time and such failure is continuing, HML shall be entitled to take such steps as it shall deem necessary to enforce its rights hereunder to payment of any sum following the due date for payment of such sum.

10.2 HML acknowledges that the Trustee shall not be bound to take any steps or institute any proceedings after the security created by or pursuant to the Deed of Charge has become enforceable or take any other action to enforce the security constituted by the Deed of Charge unless the Trustee shall have been indemnified and/or secured and/or prefunded to the Trustee's satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.

10.3 Subject to the provisions of this Agreement, HML agrees with the Issuer and the Trustee to be bound by the terms of the Deed of Charge.

10.4 HML may agree with the Trustee, subject to the then ratings of the Notes being unaffected:

10.4.1 alternative arrangements in relation to the Transaction Account and/or the Collection Accounts (including arrangements for moving the Transaction Account and/or the Collection Accounts to HML or another bank) and all other accounts of the Issuer in accordance with the terms of clause 6.5 (*Rating and the Transaction Account and the Collection Accounts*) of the Administration Agreement as it considers necessary; and

10.4.2 to remove all or any of the Borrowers under the Mortgages from the Direct Debiting Scheme and to reinstate the Direct Debiting Scheme in respect of all or any of them on such amended or other basis as it thinks fit.

11. SOFTWARE

11.1 Subject to Clause 11.2 below, PFPLC, as the sole and exclusive owner of the Paragon Software, hereby grants to HML, free of charge and until such time as this Agreement is terminated, a non-exclusive, non-transferable licence to use the Paragon Software solely for the purpose of administering the Mortgages in accordance with this Agreement in the event that HML is appointed as Administrator pursuant to Clause 2 (*Appointment of Substitute Administrator*).

11.2 To the extent permitted by applicable law, PFPLC shall not be liable to HML for any loss or damage whatsoever or howsoever arising directly or indirectly in connection with the licence granted pursuant to Clause 11.1 above, the Paragon Software and its use or otherwise and without prejudice to the generality of this Clause 11.2 it is agreed that PFPLC shall not be liable to HML for any indirect, special, incidental or consequential loss or damage which may arise in respect of the Paragon Software or its use or for loss of profit, revenue, anticipated savings or goodwill.

12. USE OF MORTGAGE PORTFOLIO DATA

12.1 The parties acknowledge and agree that upon its appointment as Administrator, HML and/or its subsidiary Baseline Capital Limited may use data from the portfolio of Mortgages administered by HML as Administrator (the "**Mortgage Portfolio Data**") as HML and/or Baseline Capital Limited may reasonably require to undertake pooled analysis of such data and other pooled data services for HML's or Baseline Capital Limited's other clients.

12.2 HML undertakes that any use of the Mortgage Portfolio Data in connection with the production of models and other reports by it or Baseline Capital Limited shall be on an anonymised basis and any such use shall be discontinued upon the written request of the Issuer, any Seller or the Trustee.

13. TERMINATION BY HML

13.1 Without prejudice to Clause 14 (*Termination by Issuer*) or Clause 15 (*Termination by Notice*), HML may at any time prior to assuming the duties and obligations of the Administrator pursuant to Clause 2 (*Appointment of Substitute Administrator*) by serving notice in writing to the Issuer (with a copy to the Substitute Administrator Facilitator and the Trustee), terminate this Agreement (and HML shall be released from all obligations under this Agreement) if:

13.1.1 the Issuer fails to make any payment due to HML hereunder on the due date for payment thereof or within 20 Business Days thereafter;

13.1.2 any amendment, addition or modification is made without HML's consent (such consent not to be unreasonably withheld or delayed) to the Relevant Documents which, in the reasonable opinion of HML, is materially prejudicial to HML without an appropriate increase in its fees being agreed by HML;

13.1.3 **provided that** it has fully complied with its obligations under Clause 4 (*Covenants of Substitute Administrator*), HML no longer holds the authorisations required for it lawfully to carry out all the obligations of the Administrator contemplated by the Administration Agreement and/or this Agreement, including any FSMA authorisations and any authorisations under the Consumer Credit Act, and for the avoidance of doubt HML shall not be obliged to continue in its role as substitute, if it has been appointed pursuant to Clause 2 (*Appointment of Substitute Administrator*), if it no longer holds such authorisations; or

13.1.4 the Administrators fail to provide:

- (a) any information set out in Clauses 3.2, 3.3 and 9 (*Obligations of the Administrator*) and such failure is not remedied within 15 Business Days of the date on which such information is required to be delivered or requested under this Agreement;
- (b) any access required as set out in Clause 9 (*Obligations of the Administrator*); and
- (c) any co-operation required as set out in Clauses 3.2, 3.3, 3.4, 8.1 and 9 (*Obligations of the Administrator*).

13.2 This Agreement will also terminate with immediate effect, and without any requirement that notice be given, on any date on which the Secured Amounts are repaid or paid in full.

13.3 Termination of this Agreement shall be without prejudice to HML's existing rights.

14. **TERMINATION BY ISSUER**

Without prejudice to Clause 13 (*Termination by HML*) or Clause 15 (*Termination by Notice*), the Issuer may at any time terminate this agreement prior to HML assuming the duties and obligations of the Administrators pursuant to Clause 2 (*Appointment of Substitute Administrator*) by serving notice in writing to HML (with a copy to the Substitute Administrator Facilitator), and HML shall be released from all obligations under this Agreement if:

14.1.1 default is made by HML in the performance or observance of any of its covenants and obligations under this Agreement where, in the opinion of the Trustee, such default or breach is materially prejudicial to the interests of the Most Senior Class of Notes and such default is not remedied for a period of 30 days after the earlier of HML becoming aware of such default and receipt by HML of written notice from the Issuer or, following delivery of an Enforcement Notice, the Trustee requiring the same to be remedied;

14.1.2 HML fails to assume the performance of the calculation of all amounts payable by the Issuer under the Relevant Documents and Conditions and the issuance of the relevant payment instructions on behalf of the Issuer within 5 Business Days of being notified of the occurrence of an Administrator Termination Event;

- 14.1.3 it is or will become unlawful for HML to perform or comply with any of its obligations under this Agreement;
- 14.1.4 an Insolvency Event occurs in relation to HML; or
- 14.1.5 a Force Majeure Event prevails for a period of more than fifteen (15) consecutive Business Days, and it is such that it prevents HML from performing a substantial or a material part of the stand-by services set out in Clause 3 (*Stand-by Services*) (or from being able to perform such services in accordance with applicable law), **provided however that**, in the case of this sub-clause 14.1.5 only, (a) the Issuer shall give HML (with a copy to the Trustee) not less than thirty (30) days' written notice of the intention to terminate HML's appointment, (b) such termination would be on a no-fault basis without liability to HML arising out of or related to such termination, and (c) should the relevant Force Majeure Event cease to exist during the 30 days' notice period, HML shall promptly notify the Issuer and the Trustee and the related termination notice shall become null and void.

15. TERMINATION BY NOTICE

- 15.1 This Agreement may be terminated by HML or the Issuer on the date falling 6 months after the date of receipt by the other parties to this Agreement and the Substitute Administrator Facilitator of written notice from HML or the Issuer (each with a copy to the Substitute Administrator Facilitator), as the case may be, of an intention to terminate this Agreement, **provided that** if upon such date, a replacement Substitute Administrator which satisfies the applicable criteria of the Rating Agencies necessary to maintain the then current ratings of the Most Senior Class of Note has not been appointed by the Issuer this Agreement shall instead terminate on the earlier of:
 - 15.1.1 the date falling 12 months after the date of receipt by the other parties to this Agreement and the Substitute Administrator Facilitator of written notice from HML or the Issuer (each with a copy to the Substitute Administrator Facilitator and the Trustee), as the case may be, of an intention to terminate this Agreement; and
 - 15.1.2 the date of appointment of a replacement Substitute Administrator which satisfies the applicable criteria of the Rating Agencies necessary to maintain the then current ratings of the Most Senior Class of Notes.
- 15.2 If HML issues a written notice to terminate its appointment pursuant to Clause 15.1 above, the Issuer will use its best endeavours (with the assistance of the Substitute Administrator Facilitator) to identify and appoint on or prior to the date falling 6 months after the date of receipt by the Issuer of such written notice (or such further period as may be necessary) a replacement Substitute Administrator which satisfies the applicable criteria of the Rating Agencies necessary to maintain the then current ratings of the Most Senior Class of Note.

16. FORCE MAJEURE

16.1 HML not liable for obligations

If HML 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 HML's control, or any other circumstances beyond its control (each "**Force Majeure Events**"), HML 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 16.1 shall not apply if any such event arose as a result of the fraud, gross negligence or wilful default of HML.

16.2 Mitigation

HML shall, notwithstanding that it is relieved from its obligations pursuant to Clause 16.1 (*HML not liable for obligations*), take all reasonable steps available to it to procure that any event described in Clause 16.1 above ceases to exist and take all practical steps to minimise any liabilities arising from any such event.

16.3 Administrator notice of failure to carry out obligations

If HML is prevented from carrying out any of its obligations under this Agreement as a result of any event referred to in Clause 16.1 above, HML shall give notice to the Issuer and the Trustee as soon as reasonably practicable after being so prevented, detailing the particulars of such event.

16.4 HML disentitled to fees

During any period in which HML is prevented from performing any of its obligations under this Agreement as a result of any event referred to in Clause 16.1 above, HML shall not be entitled to be paid its fees pursuant to Clause 5 (*Fees of Substitute Administrator During Standby Period*) but shall remain entitled to reimbursement of any liabilities pursuant to Clause 6 (*Expenses of Substitute Administrator During Standby Period*).

17. VAT

17.1 All sums referred to in this Agreement are expressed exclusive of any amounts in respect of VAT, subject to the receipt of a valid VAT invoice, which shall be payable in addition wheresoever appropriate.

17.2 The provisions of Clause 17.1 above shall only take effect in respect of sums payable to HML in its capacity as Administrator under the Administration Agreement from the date on which HML assumes the duties and obligations of the Administrators as described in this Agreement and for so long as HML is acting as Administrator in accordance with the provisions of this Agreement.

18. VARIATION OF AGREEMENT

- 18.1 No variation of this Agreement shall be effective unless it is in writing and signed by each of the parties to this Agreement.
- 18.2 Without prejudice to sub-clause 13.1.2 the Issuer agrees that it will not make any amendment, addition to or modification to the Administration Agreement or to the Deed of Charge so as adversely to affect HML's position without HML's prior written consent (such consent not to be unreasonably withheld or delayed).

19. SERVICES TO THIRD PARTIES

Nothing in this Agreement shall prevent HML from rendering services similar to those provided for in this Agreement to other persons, firms or companies carrying on business similar to or in competition with the business. For the avoidance of doubt, nothing in this Agreement shall oblige HML at any time to charge the same rate of interest in respect of the Mortgages as it does in respect of other mortgages administered by it.

20. DEFAULT INTEREST

If the amount to which HML is entitled pursuant to Clause 5 (*Fees of Substitute Administrator During Standby Period*) and Clause 6 (*Expenses of Substitute Administrator During Standby Period*) is not paid on the due date for payment, interest will be payable on such amounts at the rate of 2 per cent per annum above the base rate from time to time of National Westminster Bank PLC from that date until the date of payment.

21. NO GUARANTEE

HML shall have no liability for the obligations of the Issuer or any of the other parties to the Relevant Documents howsoever arising and nothing herein shall constitute a guarantee, or similar obligation, by HML of the Issuer.

22. NO ASSIGNMENT

HML may not assign or transfer any of its rights and obligations under this Agreement without the prior written consent of the Issuer and the Trustee.

23. NO OBLIGATION TO ACT

- 23.1 HML shall not be obliged to perform any of the duties and obligations under this Agreement or the Administration Agreement to the extent that it is prevented or restricted from doing so as a result of any events or circumstances beyond its reasonable control (including, without limitation, any present or future law or regulation or any act of any governmental authority) but only for so long as it is prevented from so performing such duties and obligations.
- 23.2 For the avoidance of doubt, if HML has invoked its "Business Continuity Plan" for any reason, HML shall provide the relevant Services as soon as reasonably practicable and in any event within 60 days of restoration of normal business services.

24. FURTHER ASSURANCE

- 24.1 The parties 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 be 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.
- 24.2 Without prejudice to the generality of Clause 24.1 above, each of the Sellers, the Issuer and the Trustee shall upon request by HML forthwith give to HML such powers of attorney or other written authorisations or mandates and instruments as are necessary to enable HML to perform the Services upon and following HML assuming the duties and obligations of the Administrators pursuant to this Agreement.

25. NOTICES

Any notices to be given pursuant to this Agreement to any of the parties hereto shall be sufficiently served if delivered by hand or sent by prepaid post or facsimile 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 address Company.Secretary@Paragonbank.co.uk and securitisations@paragonbank.co.uk) for the attention of The Company Secretary, with a copy to: (facsimile number +44 20 7466 1700, email address london_structured@maples.com) for the attention of The Directors, Paragon Mortgages (No.28);
- 25.1.2 in the case of PFPLC, 51 Homer Road, Solihull, West Midlands B91 3QJ (email address Company.Secretary@paragonbank.co.uk and securitisations@paragonbank.co.uk) for the attention of the Finance Director;
- 25.1.3 in the case of Paragon Bank, to 51 Homer Road, Solihull, West Midlands B91 3QJ (email address Company.Secretary@Paragonbank.co.uk and securitisations@paragonbank.co.uk) for the attention of The Company Secretary;
- 25.1.4 in the case of the Trustee, to Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (facsimile number +44 (0)20 7500 2931, email address sf.issuer@citi.com) for the attention of Agency & Trust;
- 25.1.5 in the case of HML, to Head of Legal, Aire Valley House, Croft Road, Crossflatts, West Yorkshire, BD16 2UA, (email address SecuritisationsServices@HML.co.uk) for the attention of Head of Legal;
- 25.1.6 in the case of PML, to 51 Homer Road, Solihull, West Midlands B91 3QJ (email address Company.Secretary@Paragonbank.co.uk and securitisations@paragonbank.co.uk) for the attention of The Company Secretary; and

25.1.7 in the case of the Substitute Administrator Facilitator, to 11th Floor, 200 Aldersgate Street, London EC1A 4HD (facsimile number +44 20 7466 1700) for the attention of Substitute Administrator Facilitator.

26. COUNTERPARTS

This Agreement may be signed in any number of counterparts, each of which may be signed by the parties hereto as separate counterparts and each of which when so executed and delivered shall be an original, but all the counterparts shall together constitute one and the same instrument.

27. GOVERNING LAW

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

28. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person who is not a party to this Agreement shall have any rights under the Contract (Rights of Third Parties) Act 1999 in relation to this Agreement.

IN WITNESS WHEREOF the parties to this Agreement have signed this Agreement on the day and year first before written.

SCHEDULE 1
AMENDMENTS TO ADMINISTRATION AGREEMENT

1. The full stop at the end of sub-clause 4.3.2(c) shall be deleted and replaced with the word "; or" and the following new sub-clause is to be inserted immediately after sub-clause 4.3.2(c):

"(d) any sub-contract or delegation of the performance of services in respect of the obligations of the Issuer referred to in paragraph 2(m) of Schedule 1 to this Agreement, which HML in its reasonable opinion deems is necessary in order to perform such obligations on behalf of the Issuer."
2. The following words are to be inserted immediately after the words "The Services shall include procuring (so far as the Administrator having used its reasonable endeavours is able so to do) compliance by the Issuer with all applicable legal requirements and with the terms of the Relevant Documents to which the Issuer is a party" in clause 4.7 (*Compliance with Agreements, etc.*):

"(and, of which the Administrator could be reasonably be expected to be aware)"
3. The following words are to be deleted in Clause 10.1.2:

"for so long as PML and/or Paragon Bank are Administrators".
4. Clause 10.1.2 shall apply to HML such that HML may not charge an Administration Fee which is greater than 0.20 per cent. per annum of the weighted average of the Interest Charging Balances of the Mortgages administered by it.
5. The following sub-clause is to be inserted at the end of clause 12 (*Information*):

"Nothing in this clause shall require the Administrator to prepare and deliver to the Issuer such information and/or reports where, in the opinion of the Administrator, the provision of such information and/or reports would be unreasonable."
6. The following words are to be deleted in clause 17.1.1:

"which it administers on behalf of, and/or are beneficially owned by a Paragon Banking Group Company"

and replaced with the following words:

"in respect of which it administers"
7. Clause 17.1.4 shall be deleted in its entirety.
8. The following new clause is to be inserted immediately after clause 27.2:

"Notwithstanding clause 27.2 it is expressly agreed that HML has sub-contracted performance of its deed storage and print fulfilment operations (to which the Issuer and the Trustee agrees) but HML acknowledges that it remains liable to the Issuer for the due performance of its obligations under this Agreement notwithstanding any permitted sub-contracting arrangement."

9. Clauses 4.10.2, 6.12 and 6.13 shall be deleted in their entirety.

EXECUTION PAGES

SIGNED)
by a duly authorised representative for and on behalf of)
PARAGON FINANCE PLC)

Name: Jimmy Giles
Title: Attorney



SIGNED)
by a duly authorised representative for and on behalf of)
PARAGON MORTGAGES (2010) LIMITED)



Name: Jimmy Giles
Title: Attorney

SIGNED

by a duly authorised representative for and on behalf of
PARAGON BANK PLC

)
)
)

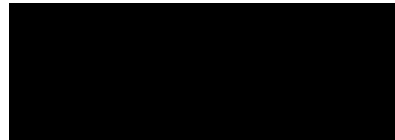


Name: Jimmy Giles
Title: Attorney

SIGNED

by a duly authorised representative for and on behalf of
PARAGON MORTGAGES (NO.28) PLC

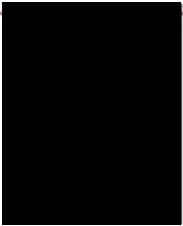
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By: **MAPLESFS UK CORPORATE DIRECTOR**
NO.1 LIMITED, as Director

Jennifer Jones

SIGNED by an attorney)
for and on behalf)
CITICORP TRUSTEE COMPANY LIMITED)
(in its capacity as Trustee)



Viola Japaul
Attorney

SIGNED

by a duly authorised representative for and on behalf of
HOMELoAN MANAGEMENT LIMITED

)
)
)



Name: James Parker
Title: Chief Client Officer