

SUBSTITUTE ADMINISTRATOR AGREEMENT

made on

27 October 2004

between

PARAGON FINANCE PLC
as an Administrator

MORTGAGE TRUST SERVICES PLC
as an Administrator

CITICORP TRUSTEE COMPANY LIMITED
as the Trustee

GHL MORTGAGE SERVICES LIMITED
as the Substitute Administrator

and

PARAGON MORTGAGES (NO.8) PLC
as the Issuer

SIDLEY AUSTIN BROWN & WOOD

WOOLGATE EXCHANGE, 25 BASINGHALL STREET
LONDON EC2V 5HA
TELEPHONE 020 7360 3600
FACSIMILE 020 7626 7937

REF: 25868-30030/NJB/JCW

THIS SUBSTITUTE ADMINISTRATOR AGREEMENT is made as a Deed on 27 October 2004

BETWEEN

- (1) **PARAGON FINANCE PLC** (registered number 1917566) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (**"PFPLC"**), being an Administrator;
- (2) **MORTGAGE TRUST SERVICES PLC**, (registered number 3940202) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (**"MTS"**), being an Administrator;
- (3) **CITICORP TRUSTEE COMPANY LIMITED** (registered number 235914) whose registered office is at Citigroup Centre, 14th Floor, 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 between the Issuer and the Trustee, of even date herewith (the **"Trust Deed"**));
- (4) **GHL MORTGAGE SERVICES LIMITED** (registered number 2478152) whose registered office is at Riverbridge House, Anchor Boulevard, Crossways Business Park, Dartford, Kent, DA2 6DS (**"GHL"**) in its capacity as substitute administrator; and
- (5) **PARAGON MORTGAGES (NO.8) PLC** (registered number 4513172) whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE (the **"Issuer"**).

IT IS HEREBY AGREED AS FOLLOWS:

Terms and expressions defined in the Relevant Documents (as defined in an administration agreement between, among others, the Trustee, the Issuer and the Administrator dated the date hereof (the **"Administration Agreement"**)) shall have the same meaning where used in this Agreement.

In this Agreement, **"Administrator"** shall have the meaning and be construed in the manner indicated in the Administration Agreement.

1. Subject as provided herein, GHL hereby agrees to act as substitute administrator for the Issuer hereunder and (after receipt of the notification referred to below in this Clause 1) to assume the duties and obligations of the Administrator for the Issuer on the same terms, *mutatis mutandis*, as those set out in the Administration Agreement which shall accordingly be incorporated herein, but as if there were deleted from clause 13.1(B) of the Administration Agreement the words, "for so long as PFPLC and/or MTS are the Administrators," and as if there were substituted in that clause of the Administration Agreement the words "0.10 per cent. per annum", in place of the words "not more than 0.10 per cent. per annum" and the words "0.20 per cent. per annum" in place of the words "not more than 0.20 per cent. per annum" and the words "(in each case exclusive of any amounts in respect of VAT)" in place of the words "(in each case inclusive of any amounts in respect of VAT)", as soon as reasonably practicable after it is notified in writing by the Trustee that the Trustee is unable to appoint a substitute administrator pursuant to clause 22 of the Administration Agreement. For the avoidance of any doubt, GHL shall only be entitled to payment of the administration fee payable under clause 13.1 of the Administration Agreement to the extent that such administration fee accrues in accordance with the provisions of such clause 13 from the date on which GHL assumes the duties and obligations of the Administrator as described in this Agreement and for so long as GHL is acting as Administrator in accordance with the provisions of this Agreement and the Administration Agreement.

2. In consideration of the Substitute Administrator entering into this Agreement, the Issuer agrees to pay the Substitute Administrator fees (together with any amounts of VAT (if any) thereon) of 0.0065 per cent. per annum accruing in respect of each Interest Period (beginning with the Interest Period which commences in October 2004) on the Interest Charging Balance, calculated on the Principal Determination Date immediately preceding that Interest Period (or, in respect of the first Interest Period, calculated on the Closing Date) and on the basis of a year of 365 days and for the actual number of days elapsed in that Interest Period and payable quarterly in arrear on each Interest Payment Date beginning with the Interest Payment Date falling in April 2005, provided that the fees described in this clause 2 shall cease to be payable with immediate effect from the date which is the earlier of:
 - (i) the date on which the notification from the Trustee referred to in clause 1 of this Agreement is sent to GHL;
 - (ii) the date on which this Agreement is terminated; and
 - (iii) the date on which the Secured Amounts (as such term is defined in the Deed of Charge) are repaid or paid in full.
3. Upon assumption by GHL of the duties and obligations of the Administrator as provided herein the Trustee shall permit the reimbursement hereunder from the funds of the Issuer to GHL of its reasonable expenses incurred in becoming Administrator as if such expenses fell within the terms of clause 14 of the Administration Agreement. Such costs and expenses and the time of payment shall be agreed by GHL and the Trustee but payment shall normally occur on an Interest Payment Date.
4. Upon assumption by GHL hereunder, and during the performance by GHL of its duties and obligations as Administrator, the Issuer agrees to pay or reimburse (as appropriate) to GHL on each Interest Payment Date all costs, charges and expenses paid by GHL of the kind referred to in the Administration Agreement, which shall include any costs (including reasonable costs of funds) and expenses incurred by GHL on behalf of the Issuer prior to reimbursement by the Issuer, in the performance of its duties and obligations as Administrator. GHL shall become bound by and be subject to terms identical, *mutatis mutandis*, to the terms of the Administration Agreement applicable to the Administrator and entitled hereunder to rights, benefits, powers and discretions identical to those of the Administrator under the Administration Agreement. GHL agrees to use its reasonable endeavours (a) to obtain and maintain all consents, licences, permits, concessions, approvals and authorisations (together “**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 Authorisations under the Financial Services and Markets Act 2000 (“**FSMA**”) and the Consumer Credit Act 1974, (b) without limitation to the foregoing, to the extent that the services which GHL is to perform as contemplated in this Agreement and/or the Administration Agreement or the carrying on by the Issuer of its business as contemplated by the Relevant Documents require GHL or the Issuer to obtain any Authorisations under FSMA, to obtain and maintain all such Authorisations in respect of itself and (c) to preserve all registrations under the Data Protection Acts 1984 and 1998 which are required for GHL lawfully to carry out all of the obligations of the Administrator under the Administration Agreement.
5. If the amount to which GHL is entitled pursuant to clauses 2, 3 and 4 above is not paid on the due date for payment, interest will be payable on such amounts at the rate of 2% over the base rate from time to time of Lloyds TSB Bank Plc.
6. GHL shall have no liability in respect of:

- 6.1 any breach by any previous Administrator (or any agent, delegate or sub-contractor of, and appointed by, any 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) to administer the Mortgages effectively or properly; or
- 6.2 any failure to comply with the terms of the Administration Agreement which are incorporated herein (as amended to be applicable to it) (having used its reasonable endeavours to comply with the same) insofar as the same results from any breach as described in clause 6.1 or any information, documents, deeds, computer tapes or other data not being made freely available to it within two weeks, from the time of request, to the extent that such information, documents, deeds, computer tapes or other data is necessary for it to be able to assume its obligations as substitute administrator; or
- 6.3 anything which this Agreement or the Administration Agreement provides or anticipates will be done if the same cannot be done as a result of non co-operation by the Issuer provided that GHL shall forthwith upon experiencing such non co-operation give written notice thereof to the Trustee; or
- 6.4 insofar as any breach of this Agreement or the Administration Agreement shall arise through any difficulties not attributable to GHL arising out of any change in the direct debit instructions or operations on GHL's appointment as Substitute Administrator; or
- 6.5 imbalances, errors, or inability to reconcile in respect of any accounts covered by the Administration Agreement, resulting from the activities of any previous Administrator; or
- 6.6 the preparation of any report or the taking of any action with regard to any period prior to GHL becoming the Administrator or in respect of any transactions which take place prior to that date; or
- 6.7 the production of any historical records prior to the beginning of the mortgage year in which GHL migrates the administration to any new software system; or
- 6.8 the Issuer failing to secure for the use of GHL the software or intellectual property rights used by the previous Administrator for a period of at least 3 months following the date when GHL assumes responsibility as Administrator; or
- 6.9 any failure to notify GHL in writing of any change to the computing systems utilised by the Administrator in the provision of the Services under the Administration Agreement which the Administrator reasonably believes to be material to the administration of the Mortgages or to provide GHL all updated software programmes necessary for use in connection with such services; or
- 6.10 any failure to licence or procure the licence to GHL of any intellectual property rights reasonably necessary to enable GHL to perform its duties and obligations as Administrator and, in particular, all software programmes used in connection with the Services so as to permit GHL to use such intellectual property rights only in connection with such Services free of charge upon assumption by GHL of the duties and obligations of the Administrator as provided herein; or
- 6.11 any shortfall in any guaranteed or minimum payment to the Issuer or the Trustee as a result of poor performance of the Mortgages; or
- 6.12 any breach of Clause 15 or Clause 19 other than a breach by or arising from action of GHL.

- 7.
- 7.1 GHL shall have no obligation to expend any funds or incur any cost or expense in connection with its duties if in its reasonable opinion the same shall not be assured to it from the Charged Property.
- 7.2 The Issuer shall reimburse GHL for the reasonable fees and expenses of GHL's legal advisers properly incurred in the negotiation and execution of this Agreement, together with any amounts in respect of VAT charged or chargeable in respect thereof, provided that the Issuer shall only be obliged to reimburse GHL in respect of VAT incurred on fees, expenses or other amounts to the extent that any such amount in respect of VAT is not recoverable by GHL by way of repayment, credit or set-off.
8. Without prejudice to Clause 24, GHL may, by serving notice in writing to the Issuer, terminate this Agreement (and GHL shall be released from all obligations under this Agreement) if the Issuer fails to make any payment due to GHL hereunder on the due date for payment thereof or within 30 business days thereafter (for which purpose “**business day**” shall mean a day (other than a Saturday or Sunday) on which banks are open for business in London). This Agreement will also terminate with immediate effect, and without any requirement that notice be given, on any date on which the Secured Amounts (as such term is defined in the Deed of Charge) are repaid or paid in full. Termination of this Agreement shall be without prejudice to GHL's existing rights.
- 9.
- 9.1 GHL agrees with the Issuer and the Trustee that subject to clause 9.2:
- 9.1.1 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;
- 9.1.2 GHL 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;
- 9.1.3 GHL shall not have any right to take any steps for the purpose of obtaining payment of any monies due and payable to it pursuant to this Agreement; and
- 9.1.4 GHL 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 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.
- 9.2 Notwithstanding clause 9.1 above, if:
- 9.2.1 the Trustee has become bound both to serve an Enforcement Notice (as defined in the Deed of Charge) and to enforce the security created by or pursuant to the Deed of Charge but has failed to do so within a reasonable time and such failure is continuing; or
- 9.2.2 any administration fee (which does not include the commitment fee mentioned in clause 2 above) payable to GHL or any other sum payable to GHL under this Agreement in its capacity as Administrator is not paid when due and such failure continues for 60 days,

GHL shall be entitled to take such steps as it shall deem necessary to enforce its rights hereunder to payment of any sum on the expiry of a period of 60 days immediately following the due date for payment of such sum.

10. GHL agrees that the Trustee shall discharge all its duties, obligations and responsibilities as Trustee in relation to the Charged Property by performing and observing its duties, obligations and responsibilities as Trustee in accordance with the provisions of the Trust Deed. Without prejudice to the generality of the foregoing, the Trustee shall be under no obligation to GHL to take any steps to call in or to enforce the Mortgages or all collateral security therefor and shall not be liable to GHL for any loss arising from any omission on its part to take any such steps.
11. GHL acknowledges that the Trustee shall not be bound to take any steps or institute any proceedings after the service of an Enforcement Notice or take any other action to enforce the security constituted by or pursuant to the Deed of Charge unless the Trustee shall have been indemnified by GHL to its satisfaction against all actions proceedings, claims and demands to which it may thereby render itself liable and all costs, charges, damages and expenses which it may incur by so doing.
12. Subject to the provisions of this Agreement, GHL agrees with the Issuer and the Trustee to be bound by the terms of the Deed of Charge.
13. GHL may agree with the Trustee subject to the then ratings of each class of the Notes being unaffected:
 - 13.1 alternative arrangements in relation to the Transaction Account (including arrangements for moving the Transaction Account to another bank in England nominated by GHL and approved by the Trustee) and all other accounts of the Issuer as the case may be in accordance with the terms of clause 7.6 of the Administration Agreement as it considers necessary;
 - 13.2 to remove all or any of the Borrowers from the Direct Debiting Scheme in accordance with clause 7.3.2 of the Administration Agreement 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.
14. GHL shall have no liability for the obligations of the Issuer howsoever arising and nothing herein shall constitute a guarantee, or similar obligation by GHL of the Issuer.
15. No variation of this Deed shall be effective unless it is in writing and signed by each of the parties to this Deed. The Issuer and the Trustee agree that they will not make any amendment, addition to or modification to the Administration Agreement and to the Deed of Charge so as adversely to affect GHL's position without GHL's prior written consent (such consent not to be unreasonably withheld).
16. Nothing in this Agreement shall prevent GHL 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 Issuer. For the avoidance of doubt nothing in this Agreement shall oblige GHL 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 or of which it is the mortgagee.
17. GHL may not assign or transfer any of its rights under this Agreement without the prior written consent of the Issuer and the Trustee.

18. GHL shall not be obliged to perform any of the duties and obligations of the Administrator to the extent that, but only for as long as, it is prevented from doing so by any circumstances beyond its reasonable control (including, without limitation, any present or future law or regulation or any act of any governmental authority).
19. For so long as GHL acts as substitute administrator hereunder the Issuer shall procure that the Administrator shall:
 - 19.1 make available to GHL in respect of each Collection Period (as defined in the Administration Agreement) a copy of the Principal Amount Outstanding and the Pool Factor for each Note of a particular class supplied pursuant to clause 15.10.3 of the Administration Agreement to the parties mentioned therein;
 - 19.2 send to GHL a copy of the annual audited accounts of the Issuer within a reasonable time after their publication; and
 - 19.3 send or make available to GHL such other information as GHL may reasonably request.
20. The Issuer, and the Trustee warrant with GHL:
 - 20.1 that the servicing and collection practices with respect to each Mortgage have been conducted in all respects in accordance with the terms of the Mortgage and in compliance with all applicable laws and regulations and in accordance with the proper and customary practices in the mortgage origination and servicing business; and
 - 20.2 the administration of the Mortgages shall be kept up-to-date at all times and GHL shall not be responsible if it becomes the Administrator for remedying any breach or defect in the administration of the Mortgages relating to the period prior to GHL becoming the Administrator save on such terms as GHL may agree with the Issuer and the Trustee.
21. This Agreement is governed by, and shall be construed in accordance with, English law.
22. Any notices required to be served hereunder shall be in writing and sent by prepaid mail or facsimile or email and shall be deemed effective upon receipt:
 - 22.1 In the case of the Issuer, to the address appearing at the beginning of this Agreement (facsimile number 0121 712 2072 for the attention of the The Company Secretary or email to Company_Secretary@Paragon-group.co.uk for the attention of the The Company Secretary) or such other address as may hereafter be furnished to the other parties in writing.
 - 22.2 In the case of the Trustee, to the address appearing at the beginning of this Agreement (facsimile number 020 7500 5248, for the attention of Agency & Trust) or such other address as may hereafter be furnished to the other parties in writing.
 - 22.3 In the case of PFPLC, to the address appearing at the beginning of this Agreement (facsimile number 0121 712 2072, for the attention of the The Company Secretary or email to Company_Secretary@Paragon-group.co.uk for the attention of the The Company Secretary) or such other address as may hereafter be furnished to the other parties in writing.
 - 22.4 In the case of GHL, Riverbridge House, Anchor Boulevard, Crossways Business Park, Dartford, Kent, DA2 6DS, for the attention of the Chief Executive telephone number

01322 426169 facsimile number 01322 425030 or such other address as may, hereafter be furnished to the other parties in writing.

22.5 In the case of MTS, to the address appearing at the beginning of this Agreement (facsimile number 0121 712 2072, for the attention of The Company Secretary or email to Company_Secretary@Paragon-group.co.uk for the attention of The Company Secretary) or such other address as may hereafter be furnished to the other parties in writing.

23.

23.1 When it is appointed as substitute administrator (as in clause 22.12 of the Administration Agreement) GHIL will be supplied with all items necessary to undertake the role in accordance with clause 22.4 of the Administration Agreement within 5 Business Days.

23.2 Software licences referred to in clause 19.2 of the Administration Agreement will be made available to GHIL for the six month period referred to in clause 19.3.2 of the Administration Agreement, free of cost to GHIL.

Failure to meet either of the above conditions will give GHIL the right to terminate the contract forthwith by notice in writing.

24. This Agreement can be terminated at not less than 6 months' notice of termination by either GHIL or the Trustee by notice in writing to all other parties to this Agreement.

25. Subject to the proviso to clause 7.2, all sums referred to in this Agreement are expressed exclusive of any amounts in respect of VAT which shall be payable in addition wheresoever appropriate.

25.1 If H.M. Customs & Excise demands payment of any amount from the Issuer in respect of any amounts payable to H.M. Customs & Excise in respect of any PFPLC Group VAT, the Issuer or, if so requested by the Issuer, the substitute administrator on its behalf, shall notify PFPLC and the Trustee in writing of the amount so demanded (the "**Demanded Amount**") and shall at the same time provide evidence satisfactory to the Trustee (with a copy to PFPLC) that such demand has been made.

25.2 PFPLC agrees that if it is unable to pay, or procure payment of, the Demanded Amount, it will send to the substitute administrator and the Trustee a copy of its written notification to the Issuer stating that it does not have sufficient funds to pay all or part of the Demanded Amount and has been unable to procure any other appropriate member of the PFPLC VAT Group or any other person to pay the same, in whole or in part. Such notification shall state, where the Demanded Amount has been partially paid, the amount of the Demanded Amount which remains unpaid.

25.3 In the event that after receiving any notification pursuant to clause 25.2 above the Trustee serves notice on the substitute administrator requiring it to procure that an application is made to Customs & Excise for the Issuer to cease to be a member of the PFPLC VAT Group, the Substitute Administrator agrees to make forthwith the necessary application to H.M. Customs & Excise.

25.4 The provisions of clauses 25.1 to 25.3 above shall only take effect from the date on which GHIL assumes the duties and obligations of the Administrator as described in this Agreement and for so long as GHIL is acting as Administrator in accordance with the provisions of this Agreement.

25.5 For the purposes of this clause 25:

“PFPLC Group VAT” means all amounts from time to time payable to H.M. Customs & Excise in respect of the VAT liability of the PFPLC VAT Group; and

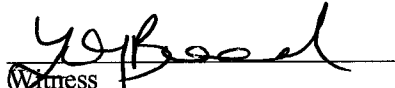
“PFPLC VAT Group” means the group of companies presently consisting of PFPLC and the other companies which are members of the VAT group of which PFPLC is the representative member, as the same may vary at any time and from time to time.

26. 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.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as a deed the day and year first before written.

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

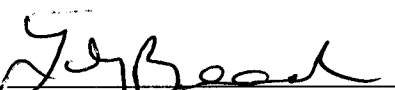
Paragon Finance PLC


Signature 
Witness
Name **ZOE BEACH**
Occupation Trainee Solicitor
Address c/o Sidley Austin Brown & Wood
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

By 
Attorney
Name Adem Mehmet

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

Mortgage Trust Services plc

Signature 
Witness
Name **ZOE BEACH**
Occupation Trainee Solicitor
Address c/o Sidley Austin Brown & Wood
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

By 
Attorney
Name Adem Mehmet

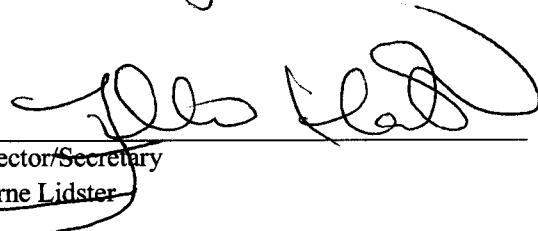
Executed by:
in its capacity as Trustee
as its deed as follows:

Signed for and on its behalf by one of its directors and by another of its directors/its secretary

Citicorp Trustee Company Limited

By 

Director
Name David Mares


By 

Director/Secretary
Name Marne Lidster


Executed by:
as its deed as follows:

Signed for and on its behalf by one of its directors and by another of its directors/its secretary

GHL Mortgage Services Limited

By 

Secretary
Name John Tupman

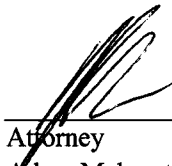
By 

Director
Name Simon Hinshelwood

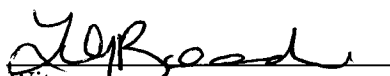
Executed by:
as its deed as follows:

Signed for and on its behalf by one of its duly authorised attorneys

Paragon Mortgages (No.8) PLC

By 

Attorney
Name Adem Mehmet

Signature 

Witness
Name **ZOE BEACH**
Occupation Trainee Solicitor
Address c/o Sidley Austin Brown & Wood
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA