

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF CLASS A2b NOTEHOLDERS. IF CLASS A2b NOTEHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR OWN INDEPENDENT PROFESSIONAL ADVISERS AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 IMMEDIATELY.

NOTICE OF MEETING OF CLASS A2b NOTEHOLDERS

**€219,700,000 Class A2b mortgage backed floating rate notes due 2041
(Common Code: 024690288; ISIN: XS0246902885)**

issued by Paragon Mortgages (No.11) PLC

Paragon Mortgages (No.11) PLC (the "**Issuer**") hereby gives notice of a meeting of the holders of the €219,700,000 Class A2b mortgage backed floating rate notes due 2041 issued by the Issuer to be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ on Friday, 14 December 2012 at 9.40 a.m. (London time) and 10.40 a.m. (CET) (the "**Meeting**").

The Meeting is to be held pursuant to Condition 13 of the Notes and the provisions of Schedule 3 of the trust deed dated 23 March 2006 (the "**Trust Deed**") relating to the Notes and made between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**") as trustee for the Noteholders, for the purposes of considering and, if thought fit, passing the resolution set out below, which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed.

Separate notices will be sent to the Class A1 Noteholders, the Class A2a Noteholders, the Class B1a Noteholders, the Class B1b and the Class C1b Noteholders. The proposed amendments in relation to which the proposed resolutions are to be passed require Extraordinary Resolutions to be passed at separate meetings of the holders of each class of Notes because they relate to Basic Terms Modifications and accordingly no such Extraordinary Resolutions shall take effect until all such Extraordinary Resolutions are passed.

Capitalised terms not otherwise defined in this Notice shall bear the meaning given to them in the Trust Deed.

EXTRAORDINARY RESOLUTION

The following is the text of the Extraordinary Resolution to be proposed at the Meeting:

"THAT this Meeting of the holders the €219,700,000 Class A2b mortgage backed floating rate notes due 2041 issued by Paragon Mortgages (No.11) PLC (the "**Issuer**", and the holders of such notes being the "**Class A2b Noteholders**") constituted by the trust deed dated 23 March 2006, as varied or supplemented from time to time, and made between the Issuer and Citicorp Trustee Company Limited as trustee (the "**Trustee**") assent to:

1. the modification and supplementing of the Deed of Sub-Charge and Assignment between, *inter alios*, the Issuer and the Trustee, in the manner set out in the first supplemental deed of charge to be entered into between, *inter alios*, the Issuer and the

Trustee in or substantially in the form that was available from the Principal Paying Agent for inspection by the Class A2b Noteholders prior to this Meeting (the "**First Supplemental Deed of Charge**");

2. the modification of the Terms and Conditions of the Notes in the manner set out in the first supplemental trust deed to be entered into between the Issuer and the Trustee in or substantially in the form that was available from the Principal Paying Agent for inspection by the Class A2b Noteholders prior to this Meeting (the "**First Supplemental Trust Deed**");
3. the modification of the Administration Agreement in the manner set out in the deed of amendment and restatement in respect of the Administration Agreement to be entered into between, *inter alios*, the Issuer, the Administrators and the Trustee in or substantially in the form that was available from the Principal Paying Agent for inspection by the Class A2b Noteholders prior to this Meeting (the "**Deed of Amendment and Restatement (Administration Agreement)**");
4. the appointment of Structured Finance Management Limited as substitute administrator facilitator on the terms set out in the substitute administrator facilitator agreement to be entered into between the Issuer, the Trustee and Structured Finance Management Limited as substitute administrator facilitator in or substantially in the form that was available from the Principal Paying Agent for inspection by the Class A2b Noteholders prior to this Meeting (the "**Substitute Administrator Facilitator Agreement**"); and
5. the modification of the Substitute Administrator Agreement in the manner set out in the deed of amendment and restatement in respect of the Substitute Administrator Agreement to be entered into between, *inter alios*, the Issuer, the Trustee and the Substitute Administrator in or substantially in the form that was available from the Principal Paying Agent for inspection by the Class A2b Noteholders prior to this Meeting (the "**Deed of Amendment and Restatement (Substitute Administrator Agreement)**").

That the Class A2b Noteholders hereby:

- (a) sanction every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders pertaining to the Notes against the Issuer or any other person involved in or resulting from the modifications referred to in this Extraordinary Resolution;
- (b) direct and authorise the entry into, execution and delivery of the First Supplemental Deed of Charge, the First Supplemental Trust Deed, the Deed of Amendment and Restatement (Administration Agreement), the Substitute Administrator Facilitator Agreement and the Deed of Amendment and Restatement (Substitute Administrator Agreement) (all together the "**Amendment Documents**");
- (c) direct, authorise and instruct the Trustee to authorise the Issuer to make the modifications if the Rating Agencies have been notified of the proposed modifications to be effected pursuant to the Amendment Documents (for which purpose the Trustee may rely on confirmation in writing by or on behalf

of the Issuer that the Rating Agencies have been so notified) notwithstanding that explicit approval of the amendments and/or confirmation that this will not adversely affect the rating of the Notes may not have been received from the Rating Agencies;

- (d) authorise, direct and instruct the Trustee to concur in taking all steps considered by it in its sole discretion to be necessary, desirable or expedient to carry out and give effect to this Extraordinary Resolution (including, without limitation, agreeing to such amendments or modifications to the form of the Amendment Documents as the Trustee may in its sole and absolute discretion approve) and acknowledge that any such steps will not subsequently be called into question by us;
- (e) direct, authorise and instruct the Trustee to concur in the modifications referred to in this Extraordinary Resolution and agree that the Trustee shall not be responsible for any liability in relation thereto including any consequences to any person resulting therefrom;
- (f) direct, authorise and instruct the Trustee not to require any legal opinions in relation to the Amendment Documents to give effect to this Extraordinary Resolution; and
- (g) discharge and exonerate the Trustee from any liability in respect of any act or omission for which the Trustee may be or may become responsible by reason of its acting in accordance with this Extraordinary Resolution or making any determination or exercising (or, as the case may be, not exercising) any other power or right conferred pursuant to, or arising out of, this Extraordinary Resolution.

Capitalised terms not otherwise defined in this Extraordinary Resolution shall have the meaning given to them in the trust deed dated 23 March 2006."

Background and Reasons for Meeting

The proposed changes are intended to (i) enhance the structural features of the transaction to deal with any risk of performance disruption in respect of mortgage administration and cash management, and (ii) make allowance for the Issuer to make payments as part of the pre-enforcement priority of payments, by way of settlement, to any unsecured claimants up to the "prescribed part" as stipulated in the Insolvency Act 1986 (Prescribed Part) Order 2003 (as amended, varied or supplemented from time to time).

Structural Enhancements

Moody's has identified a number of structural enhancements to be made to the Transaction to minimise the risk to Noteholders where there is performance disruption in respect of the mortgage administration and cash management services provided by the Administrators. These enhancements can be summarised as follows:

1. The appointment of Structured Finance Management Limited as substitute administrator facilitator, to assist the Issuer in:

- (a) identifying and appointing a successor Administrator to perform the Cash Bond Management Services in the event that the Administrator defaults in its provision of the Administrator Report and the Substitute Administrator fails to assume performance of the Cash Bond Management Services within 5 Business Days of such default;
- (b) identifying a successor Substitute Administrator in the event that the appointment of the Administrators is terminated for any other reason. Such successor Substitute Administrator shall be appointed Administrator if the current Substitute Administrator fails to assume the duties and obligations of the Administrators in accordance with the Substitute Administrator Agreement;
- (c) after being notified in writing by the Substitute Administrator of its resignation, and in any event no later 6 months from the date of such notice, identify and appoint a successor Substitute Administrator; and
- (d) after being notified in writing by the Substitute Administrator, the Issuer or the Trustee that the Issuer, Substitute Administrator or the Trustee has terminated, or intends to terminate, the appointment of the Substitute Administrator (or any successor thereto) as Substitute Administrator or that such appointment has terminated by virtue of the provisions of the Substitute Administrator Agreement, identify and appoint a successor Substitute Administrator (and in relation to appointment of a successor Substitute Administrator to assume performance of the Cash Bond Management Services only, such identification and appointment to be made within 7 Business Days).

In each case, the successor Administrator or Substitute Administrator (as the case may be) must (a) have experience of administering mortgage loans secured on residential properties in England and Wales; (b) enter into an agreement with, amongst others, the Issuer and the Trustee substantially on the terms of (in the case of a successor Administrator) the Administration Agreement or (in the case of a successor Substitute Administrator) the Substitute Administrator Agreement, and at fees which are consistent with those payable generally at the relevant time for acting as a substitute mortgage administrator; and (c) to the extent reasonably practicable, satisfy the then applicable criteria of the Rating Agencies.

In cases where the appointment of the current Administrators is terminated in respect of the Cash Bond Management Services only, they may nevertheless continue to perform the remainder of the Services until their appointment is otherwise terminated in accordance with the terms of the Administration Agreement.

2. In situations where the relevant Administrator has not provided all the calculation data in relation to a Collection Period necessary to determine the payments to be made by the Issuer on the immediately following Interest Payment Date, allowing for estimation of such payments based on previous data.

Claims of Unsecured Claimants

As the Issuer is part of the Paragon Group (and not an orphan vehicle), Moody's is concerned that there is an increased risk that there may be an incremental category of unsecured claimants (relative to the position where the issuing vehicle is a orphan) who may claim

against the Issuer and if those claims are not satisfied they may petition for the insolvency of the Issuer. Since claims of unsecured claimants are generally limited to £600,000, being the "prescribed part" as stipulated in the Insolvency Act 1986 (Prescribed Part) Order 2003, the Issuer has negotiated with Moody's that such settlement amounts will be allowed to be paid as part of the pre-enforcement priority of payments. If such an allowance is incorporated into the transaction, unsecured claimants may be disincentivised from petitioning for the insolvency of the Issuer because they would, upon insolvency, most likely be entitled to no more than the "prescribed part" because the Issuer has given a full fixed and floating charge in favour of all the Secured Parties.

Failure to implement the changes described above may potentially result in (1) either immediately or in the future, the ratings ascribed to some or all classes of Notes by Moody's being downgraded or otherwise adversely affected and (2) other adverse consequences for the holders of all classes of Notes (including, without limitation, in relation to the price at which the Notes may trade).

The Issuer is proposing amendments to:

1. the Deed of Sub-Charge and Assignment (to be implemented by way of a First Supplemental Deed of Charge (the "**First Supplemental Deed of Charge**"));
2. the Trust Deed and the Conditions (to be implemented by way of a first supplemental trust deed (the "**First Supplemental Trust Deed**"));
3. the Administration Agreement (to be implemented by way of a deed of amendment and restatement in respect thereof (the "**Deed of Amendment and Restatement (Administration Agreement)**")); and
4. the Substitute Administrator Agreement (to be implemented by way of a deed of amendment and restatement in respect thereof (the "**Deed of Amendment and Restatement (Substitute Administrator Agreement)**")),

and is proposing that a substitute administrator facilitator agreement be entered into between the Trustee and Structured Finance Management Limited (the "**Substitute Administrator Facilitator Agreement**"), which together will seek to ensure that the requirements of Moody's are complied with and maintain the current rating of the Notes. It is proposed that such amendments be assented to by the Class A2b Noteholders by Extraordinary Resolution in accordance with Paragraph 18(C) of Schedule 3 to the Trust Deed.

The direction to the Trustee to authorise the Issuer to make amendments if the modifications have been notified to the Rating Agencies is intended to accommodate current practice and policy of the Rating Agencies relating to requests for written confirmation of approvals in these circumstances. The Issuer intends to notify Fitch and S&P regarding the amendments proposed above but may not necessarily receive their explicit approvals to the amendments in writing.

The Issuer has accordingly convened the Meeting by the above Notice to request the Class A2b Noteholders' agreement by Extraordinary Resolution to the matters contained in the Extraordinary Resolution.

Copies of the Trust Deed, the Terms and Conditions of the Notes and the Amendment Documents in substantially the same form as it is proposed they shall be executed (if the Extraordinary Resolution set out above is passed and Extraordinary Resolutions in similar terms have been passed by all other classes of Noteholders) are available on Citibank, N.A., London Branch's (the "**Principal Paying Agent**") transaction services website www.transactionservices.citi.com/offerinfo (on the website, enter Deal ID: "PM11"). Copies of those documents will also be available for inspection at the Meeting. Copies of this Notice, the Extraordinary Resolution, the Trust Deed, the Terms and Conditions of the Notes, and any related documents will not be mailed or otherwise distributed or sent in or into the United States, including to any Class A2b Noteholder with addresses in the United States. Any U.S. person receiving such documents (including, without limitation, custodians, nominees and trustees) must not distribute or send them in, into or from the United States. Moreover, a recipient of this Notice should not contact the Issuer, the Principal Paying Agent or the Trustee for a copy of the Extraordinary Resolution, the Trust Deed, the Terms and Conditions of the Notes or other information relating to the Notes if by doing so it will contravene any securities or other law or regulation to which it is subject.

The attention of the Class A2b Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 3 of "Voting and Quorum" below.

In accordance with normal practice the Trustee expresses no opinion as to the merits of the Extraordinary Resolution or the deeds and agreements referred to in it (which it was not involved in negotiating). It has, however, authorised it to be stated that, on the basis of the information set out in this Notice, it has no objection to the Extraordinary Resolution referred to above being submitted to the Class A2b Noteholders for their consideration. The Trustee has, however, not been involved in formulating the modifications referred to in the Extraordinary Resolution and makes no representation that all relevant information has been disclosed to the Class A2b Noteholders in this Notice. Accordingly, the Trustee urges Class A2b Noteholders who are in any doubt as to the impact of the implementation of the modifications and waivers referred to in the Extraordinary Resolution to seek their own independent legal and financial advice.

VOTING AND QUORUM

1. **Who is entitled to vote on the proposed Extraordinary Resolution?**

The Class A2b Notes are currently held in the form of Global Reg S Notes which are held by a custodian for, and registered in the name of, a nominee of the common depositary for the accounts of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**", and each of Euroclear and Clearstream, a "**clearing system**").

Each person who is the owner of a particular nominal amount of the Class A2b Notes, as shown in the records of Euroclear, Clearstream or their respective accountholders ("**Accountholders**"), (a "**European Global Beneficial Owner**"), should note that they will only be entitled to attend and vote at the Meeting in accordance with the procedures set out below in "*Procedures for Voting*". The only person currently able to vote at the Meeting with respect to the Class A2b Notes represented by the relevant

Global Reg S Notes will be the registered holder of such Global Reg S Notes, which is Citivic Nominees Limited, as nominee for the common depositary of Euroclear and Clearstream. However, Citibank, N.A., London Branch, on behalf of Citivic Nominees Limited, may grant proxies to the European Global Beneficial Owners to attend and vote at the Meeting. Alternatively, European Global Beneficial Owners who hold their interests through a clearing system and who do not wish to attend and vote in person may convey their voting instructions by contacting the relevant clearing system (or through the relevant Accountholder, if applicable) and arrange for votes to be cast on their behalf. See "*Procedures for Voting*" below.

2. **Procedures for Voting**

Those persons entitled to do so may vote on the proposed Extraordinary Resolution by either attending and voting at the Meeting as a proxy or delivering voting instructions through the clearing systems with respect to the relevant Class A2b Notes.

Attending and Voting at the Meeting:

Those European Global Beneficial Owners who hold their interests in the Class A2b Notes through the clearing systems and who wish to attend and vote at the Meeting should contact the relevant clearing system (through the relevant Accountholder, if applicable) to make arrangements to be appointed as proxy in respect of those Class A2b Notes in which they have an interest for the purpose of attending and voting at the Meeting in person. Such European Global Beneficial Owners must have made arrangements to vote with the relevant clearing system (through the relevant Accountholder, if applicable), in accordance with the regulations of the relevant clearing system, in time for the relevant clearing system to arrange for them to be appointed as a proxy no later than 48 hours before the time fixed for the Meeting.

Delivering instructions to vote:

Those European Global Beneficial Owners who hold their interests in the Class A2b Notes through a clearing system and who wish to vote at but who do not wish to attend the Meeting should contact the relevant clearing system (through the relevant Accountholder, if applicable) to arrange for another person nominated by them to be appointed as a proxy in respect of such Class A2b Notes in which they have an interest to attend and vote at the Meeting on their behalf or to make arrangements for the votes relating to such Class A2b Notes in which they have an interest to be cast on their behalf by or on behalf of the Principal Paying Agent acting as a proxy. A European Global Beneficial Owner must have made arrangements to vote with the relevant clearing system (through the relevant Accountholder, if applicable), in accordance with the regulations of the relevant clearing system, in time for the relevant clearing system to arrange for the European Global Beneficial Owner's nominee, or a representative of the Principal Paying Agent to be appointed as a proxy not later than 48 hours before the time fixed for the Meeting.

3. **Quorum**

The quorum required at the Meeting is two or more persons present in person holding Class A2b Notes or being proxies and holding or representing greater than 75 per

cent. of the aggregate GBP Equivalent Initial Principal Amount of the Class A2b Notes for the time being outstanding.

4. **Adjourned Meeting**

If within 15 minutes from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, being not less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting and approved by the Trustee. The quorum required at such adjourned Meeting is two or more persons holding or representing greater than 25 per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Notes then outstanding held by the Relevant Noteholders.

5. **Procedures at the Meeting**

- (a) Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Issuer or by two or more persons present being holders of Class A2b Notes or being proxies and holding or representing not less than 2 per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Class A2b Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Class A2b Note or is a proxy shall have one vote and on a poll every person so present shall have one vote in respect of each £1 in principal amount of the GBP Equivalent Initial Principal Amount of the Class A2b Notes then outstanding. If a poll is duly demanded, it shall be taken in such manner as the Chairman of the Meeting directs.
- (b) In case of equality of votes, the Chairman of the Meeting shall, both on a show of hands and on a poll, have a casting vote in addition to the vote or votes (if any) which he may have as a Class A2b Noteholder or as a proxy.
- (c) To be passed, the Extraordinary Resolution requires not less than 75 per cent. of the votes cast.
- (d) **If passed, the Extraordinary Resolution will be binding on all the Class A2b Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Class A2b Notes.**

This Notice is given by Paragon Mortgages (No.11) PLC

21 November 2012

Any questions in connection with the Amendment Documents and reasons for the amendments should be addressed to the following:

Paragon Mortgages (No.11) PLC
St Catherine's Court
Herbert Road
Solihull
West Midlands
B91 3QE

Telephone Numbers: Stephen Bowcott: +44 (0) 20 7786 8470

John Harvey: +44 (0) 121 712 3894

Jimmy Giles: +44 (0) 121 712 2315

Emails: Stephen.Bowcott@paragon-group.co.uk

Jimmy.Giles@paragon-group.co.uk

John.Harvey@paragon-group.co.uk

Any questions in connection with the mechanics of the Meeting and voting should be addressed to the following:

The Principal Paying Agent
Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

Telephone Number: +44 (0) 20 7508 3775

Email: Exchange.gats@citi.com