31 March 2006

Prudential Trustee Company Limited
as Security Trustee

Sovereign Housing Association
as Borrower

and

National Westminster Bank PLC
as Agent

Security Trust Deed
# CONTENTS

<table>
<thead>
<tr>
<th>Clause</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interpretation And Definitions</td>
<td>1</td>
</tr>
<tr>
<td>2. Designated Debt</td>
<td>7</td>
</tr>
<tr>
<td>3. The Security</td>
<td>8</td>
</tr>
<tr>
<td>4. Security Trust</td>
<td>11</td>
</tr>
<tr>
<td>5. Modification</td>
<td>11</td>
</tr>
<tr>
<td>6. Default Procedure</td>
<td>12</td>
</tr>
<tr>
<td>7. Application Of Proceeds Etc</td>
<td>12</td>
</tr>
<tr>
<td>8. Activities Of The Security Trustee</td>
<td>13</td>
</tr>
<tr>
<td>9. Remuneration Of The Security Trustee</td>
<td>18</td>
</tr>
<tr>
<td>10. Appointment Of Additional Trustees</td>
<td>19</td>
</tr>
<tr>
<td>11. Apportionment Of Security Assets</td>
<td>20</td>
</tr>
<tr>
<td>12. Benefit Of Agreement And Resignation Of Security Trustee</td>
<td>20</td>
</tr>
<tr>
<td>13. Notices</td>
<td>21</td>
</tr>
<tr>
<td>14. Winding Up Of Trust</td>
<td>22</td>
</tr>
<tr>
<td>15. Counterparts</td>
<td>22</td>
</tr>
<tr>
<td>16. Powers Additional</td>
<td>22</td>
</tr>
<tr>
<td>17. Dissapplication</td>
<td>22</td>
</tr>
<tr>
<td>18. Merger</td>
<td>22</td>
</tr>
<tr>
<td>19. Law</td>
<td>22</td>
</tr>
<tr>
<td>Schedule 1</td>
<td>FORM OF ACCESSION MEMORANDUM</td>
</tr>
<tr>
<td>Schedule 2</td>
<td>CONDITIONS PRECEDENT DOCUMENTS</td>
</tr>
<tr>
<td>Schedule 3</td>
<td>SECURITY CERTIFICATE</td>
</tr>
<tr>
<td>Schedule 4</td>
<td>FORM OF FIXED CHARGE</td>
</tr>
<tr>
<td>Schedule 5</td>
<td>FORM OF MORTGAGE DEED</td>
</tr>
</tbody>
</table>
THIS DEED is entered into the 31 March 2006

BETWEEN:

(1) PRUDENTIAL TRUSTEE COMPANY LIMITED in its capacity as security trustee for the Beneficiaries (the "Security Trustee");

(2) SOVEREIGN HOUSING ASSOCIATION (the "Borrower"); and

(3) NATIONAL WESTMINSTER BANK PLC in its capacity as Agent (the "Agent") to the Initial Beneficiaries (as defined below).

WHEREAS:

(A) By a facility agreement ("the Agreement") dated 2 August 1994 as amended and restated on 26 March 1999 and on 19 April 2004 and made between the parties to this Restatement Agreement, the Original Lender agreed to make available to the Borrower a £75,000,000 loan facility on and subject to the terms contained in the Facility Agreement.

(B) It is a condition precedent of the Facility Agreement that the Borrower grant certain rights over the Security Assets to the Beneficiaries (both as defined below).

(C) It is recognised that the Borrower may wish to refinance all or part of the loan facility contained in the Facility Agreement and enter into other financing arrangements, the providers of which are intended to have the benefit of this Deed and the security constituted by the Security Documents.

(D) The parties hereto have therefore entered into this Deed in order to regulate the rights of priority and of enforcement in respect of the Beneficiaries' rights in relation to the Security Assets under or pursuant to the Relevant Documents.

(E) It is intended by the parties hereto that this document shall take effect as a Deed.

NOW IT IS HEREBY AGREED as follows:

1. INTERPRETATION AND DEFINITIONS

1.1 In this Deed:

"Accession Date" means the date on which an Accession Memorandum takes effect subject to and in accordance with Clause 2 (Designated Debt).

"Accession Memorandum" means each memorandum to be entered into pursuant to Clause 2.3 (Designated Debt) and which is substantially in the form set out in the Schedule hereto.

"Additional Beneficiary" means any person which becomes a Beneficiary pursuant to the provisions of Clause 2 (Designated Debt).

"Additional Liabilities" means at any time all present and future sums, liabilities and obligations whatsoever (actual or contingent) of the Borrower, whether alone or jointly
and whether acting as principal or surety, to any Additional Beneficiary under any Designated Document.

"Allocated Properties" means, in relation to each Finance Document at any time, the Security Assets allocated to the Beneficiary or the Beneficiaries which are party to that Finance Document in the current Allocated Properties Schedule at that time.

"Allocated Properties Schedule" means the schedule referred to in Clause 11 (Apportionment of Security Assets) as the same may be updated from time to time pursuant to this Deed.

"Ancillary Documents" means the valuations, reports or certificates of title held by any Beneficiary in respect of the Security Assets.

"Approved Tenancy" means a tenancy agreement, shared ownership lease or licence substantially in line with the guidelines of the Housing Corporation or in such other form as may be approved by the relevant Beneficiary (acting reasonably).

"Beneficiaries" means, save as mentioned in Clause 2.7 (Designated Debt), each of the Initial Beneficiaries, the Security Trustee and, subject to compliance with Clause 2.3 (Designated Debt), each Additional Beneficiary and their respective successors and permitted assigns and transferees from time to time.

"Certificate of Title" means a certificate of title in the form or substantially in the agreed form marked "C" addressed to the Security Trustee and the relevant Instructing Party from solicitors acting for the Borrower in respect of the Charged Property.

"Charged Property" means each property charged to the Security Trustee under each Fixed Charge, each Supplemental Fixed Charge and any other document creating, evidencing or granting security for the obligations of the Borrower under a Relevant Document (together the "Charged Properties").

"Default Rate" means a rate of interest determined by the Agent from time to time to be one per cent. per annum above:

(a) in the case of all overdue amounts (other than principal), the rate of interest which would have been payable under Clause 8 (Interest) of the Agreement if the overdue amount had, during the period of non-payment, constituted a LIBOR Loan for such successive periods of such duration as the Agent may determine; and

(b) in the case of principal, the rate of interest which would have been payable on the overdue amount under Clause 8 (Interest) of the Agreement hereof immediately before the due date save that, in relation to the principal outstanding of a Fixed Rate Loan following its Fixed Rate Expiry Date or an RPI Linked Loan following its RPI Linked Expiry Date, the rate of interest payable shall be that which would have been payable under Clause 8 (Interest) of the Agreement had such Fixed Rate Loan or RPI Linked Loan constituted a LIBOR Loan.
"Designated Debt" shall have the meaning ascribed to it in Clause 2.1 (Designated Debt).

"Designated Document" means each agreement or other instrument which evidences the Designated Debt between the Borrower and an Additional Beneficiary and which has been designated as a "Designated Document" by the Borrower and that Additional Beneficiary in the relevant Accession Memorandum.

"Enforcement Event" means, in relation to a Finance Document, any of the events, howsoever described, specified in such Finance Document as an event upon the occurrence of which any Beneficiary or any group of Beneficiaries (or any person on their behalf) becomes entitled (a) to call for early repayment of all or any of the sums owing to such Beneficiary or group of Beneficiaries under, amongst other agreements, such Finance Document and/or (b) to terminate all or any of the facilities under, or all or any of the transactions entered into pursuant to, such Finance Document prior to the scheduled maturity thereof (other than the termination of any hedging arrangement contemplated under any Finance Document where such termination occurs other than through the default of the Borrower).

"Excluded Assets" means, in relation to the Facility Liabilities and in relation to any Additional Liabilities, as they apply to Additional Beneficiaries only, any other money or assets which the Borrower and the relevant Additional Beneficiary may agree are Excluded Assets.

"Facility Liabilities" means, at any time, all present and future sums, liabilities and obligations whatsoever (actual or contingent) of the Borrower to the Initial Beneficiaries under the Facility Agreement or of the Borrower to the Initial Beneficiaries under the Security Documents.

"Finance Document" means, at any time, the Facility Agreement and each Designated Document at that time.

"Fixed Charge" means a first priority fixed charge executed or to be executed by the Borrower in favour of the Security Trustee over a Charged Property in the form or substantially in the agreed form annexed at Schedule 4 with such amendments as are required to reflect any change in law or the details of the properties to be charged or otherwise as approved by the Security Trustee following agreement with the Borrower.

"Initial Beneficiaries" means, at any time, the Facility Agent and each other Finance Party under and as defined in the Facility Agreement in its capacity as such.

"Instructing Party" means:

(a) in relation to each of the Initial Beneficiaries at any time whilst there are any Facility Liabilities outstanding, the Facility Agent; and

(b) in relation to each of the Additional Beneficiaries, at any time after the Accession Date of such Additional Beneficiaries whilst there are any Additional Liabilities outstanding under the Designated Document to which
those Additional Beneficiaries are party, the entity designated in the relevant Accession Memorandum as the Instructing Party in relation to the relevant Designated Document.

"Liabilities" means, at any time, the Facility Liabilities and the Additional Liabilities (if any) at that time.

"Mortgage Deed" means a mortgage deed in, or substantially in, the form annexed at Schedule 4.

"Potential Enforcement Event" means an event which, with the giving of notice, passage of time, determination of materiality or the fulfillment of any other applicable condition (or any combination of the foregoing) would reasonably be expected to constitute an Enforcement Event.

"Proceeds" means the aggregate of all receipts or recoveries by the Security Trustee pursuant to, or upon enforcement of, any of the Rights after deducting (to the extent not already deducted or retained prior to such receipt or recovery by the Security Trustee) all sums which the Security Trustee is required by the terms of the Relevant Documents or by applicable law to pay to any other person before distributing any such receipts or recoveries to any of the Beneficiaries.

"Relevant Documents" means the Finance Documents, the Security Documents and the Ancillary Documents.

"Relevant Trustee Costs" means in respect of any Allocated Properties, all Trustee Costs which relate exclusively to those Allocated Properties and to other Allocated Properties of the relevant Beneficiary or, in relation to the Unallocated Pool, all Trustee Costs which relate exclusively to the Unallocated Pool.

"Rights" means all rights vested in the Security Trustee by virtue of, or pursuant to, its holding the interests conferred on it by the Security Documents or under the Ancillary Documents and all rights to make demands, bring proceedings or take any other action in respect thereof.

"Secured Obligations" means the aggregate of:

(a) the Designated Debt;

(b) all indemnification and reimbursement obligations of the Borrower under any of the Relevant Documents; and

(c) all other amounts payable by the Borrower to the Security Trustee, any nominee, delegate or agent thereof or any receiver under or in connection with any of the Relevant Documents.

"Security Assets" means all assets, rights and property of the Borrower mortgaged or charged or assigned pursuant to any Security Document and the Rights.

"Security Documents" means:

(a) each Fixed Charge;

(b) each Supplemental Fixed Charge;

(c) this Deed; and

(d) any other document designated as such by the Security Trustee and the Borrower.

"Supplemental Fixed Charge" means each first priority supplemental fixed charge executed or to be executed by the Borrower in favour of the Security Trustee over a Charged Property in the form or substantially in the agreed form marked "B" with such amendments as are required to reflect any change in law or the details of the properties to be charged or otherwise as approved by the Security Trustee following agreement with the Borrower.

"this Deed" means this deed and includes any deed or other document executed in accordance with the provisions hereof (as from time to time modified in accordance herewith) and expressed to be supplemental hereto.

"Trust Property" means the Security Assets, the Rights and the Proceeds as it applies to each of the trusts of the Beneficiaries.

"Trustee Costs" means all remuneration, costs, expenses, indemnities and liabilities referred to in clause 9 and all remuneration, costs, expenses, indemnities and liabilities (including any incurred by the Security Trustee or by any receiver or any other person appointed by it or to whom any trust, power, authority or discretion is delegated by it) for which the Borrower is liable under any Security Document.

"Unallocated Pool" means, at any time, that part of the Security Assets which is not Allocated Properties at such time.

1.2 In this Deed (save to the extent that the context otherwise requires) references to any agreement, contract, deed or document (including any Relevant Document) shall be construed as including any amendment, restatement, novation or supplement thereof.

1.3 References herein to the "Security Trustee" or any "Beneficiary" shall be construed so as to include its and any subsequent successors, transferees and assigns.

1.4 Any provisions herein relating to Additional Beneficiaries, Additional Liabilities or Designated Documents shall only be applicable after the first Accession Date of an Additional Beneficiary and the parties hereto may, until such Accession Date, exercise their rights and perform their obligations as if this Deed made no reference to Additional Beneficiaries, Additional Liabilities and Designated Documents.
1.5 References herein to a "person" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the foregoing.

1.6 For the purposes of this Deed:

1.6.1 in relation to each separate pool of Allocated Properties allocated to a Finance Document, the Security Trustee shall act in accordance with the requests and instructions of the Instructing Party in relation to that Finance Document in respect of that pool of Allocated Properties. For the avoidance of doubt, the Instructing Party in relation to a Finance Document shall only issue instructions and make requests of the Security Trustee in relation to the Allocated Properties allocated to that Finance Document;

1.6.2 in relation to the Unallocated Pool save for so long as an Enforcement Event is outstanding, the Security Trustee shall act in accordance with the requests and instructions of the Borrower, who shall issue instructions to and make requests of the Security Trustee only in relation to the Unallocated Pool. If an Enforcement Event is outstanding, the Security Trustee may retain in place Fixed Charges over such of the Unallocated Pool as has a value representing reasonable provision for the Trustee Costs referred to in clauses 7.1.2(a) and (b). As regards the remaining Unallocated Pool, the Security Trustee shall act in accordance with the requests and instructions of the Borrower;

1.6.3 notwithstanding sub-clauses 1.6.1 and 1.6.2 of this Clause but subject to the Security Trustee having received express written notice to the contrary, the Security Trustee shall not concern itself whether an Instructing Party is entitled (under the terms of the relevant Finance Document) to give such requests or instructions;

1.6.4 if any Instructing Party, in issuing any requests or instructions, breaches any rights or restrictions set out in the relevant Finance Document applicable to it, this shall not invalidate the requests or instructions unless the relevant Instructing Party informs the Security Trustee in relation to a request or instruction made or given by it before the Security Trustee commences to act on such request or instruction that such requests or instructions were invalid and should not be acted on. If the Security Trustee is so informed after it has commenced to act on a request or instruction the validity of any action taken shall not be affected but the Security Trustee shall take no further action in accordance with such request or instruction, except to the extent that it has become legally obliged to do so; and

1.6.5 only the relevant Instructing Party shall, in accordance with the terms of the relevant Finance Document and this Deed, be entitled to make requests or give instructions to the Security Trustee and no other person shall have any rights to request the Security Trustee to take any action or proceedings under or in relation to any Security Document.
1.7 If the Security Trustee considers that an amount paid to the Security Trustee or any Beneficiary for application in or towards repayment of the Secured Obligations is capable of being avoided or otherwise set aside on the liquidation or administration of the Borrower or otherwise, then such amount shall not be considered to have been irrevocably paid for the purposes of the Security Documents.

1.8 A certificate of the Security Trustee setting forth the amount of any Secured Obligation due from the Borrower shall be *prima facie* evidence of such amount against the Borrower in the absence of manifest error.

1.9 Clauses 8 (*Application of Proceeds*) and Clause 9 (*Activities of the Security Trustee*) of this Deed are deemed to form part of each Security Document as if expressly incorporated into it and as if all references in such Clauses to this Deed were a reference to such Security Document.

1.10 A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of this Deed.

2. DESIGNATED DEBT

2.1 Designated Debt shall, for the purposes of this Deed, mean:

2.1.1 the Facility Liabilities; and

2.1.2 subject to Clauses 2.3 and 2.5, any Additional Liabilities.

2.2 If the Borrower wishes any person to become an Additional Beneficiary under this Deed the Borrower shall notify the Security Trustee provided always that the Additional Beneficiary shall not be a Beneficiary in respect of any existing Allocated Properties without the consent of the relevant Instructing Party in respect of those existing Allocated Properties.

2.3 On the relevant Accession Date the Borrower and the Instructing Party in respect of each proposed Additional Beneficiary shall deliver to the Security Trustee:

2.3.1 an Accession Memorandum executed by the Borrower and the Instructing Party in respect of each proposed Additional Beneficiary;

2.3.2 a copy of the relevant Designated Document evidencing or regulating the relevant Additional Liabilities executed by the Borrower and the Instructing Party in respect of each proposed Additional Beneficiary; and

2.3.3 legal evidence satisfactory to the Security Trustee that the Instructing Party is authorised to act on behalf of each Additional Beneficiary in respect of which it acts as Instructing Party and to bind such Beneficiary to this Deed; and

2.3.4 a revised Allocated Properties Schedule, incorporating details of the properties allocated to the relevant Finance Document to which the proposed Additional Beneficiary (or its Instructing Party) is a party.
2.4 For the avoidance of doubt, no change shall be made to any Allocated Properties in respect of any Finance Documents without the prior written consent of the relevant Instructing Party or Instructing Parties in respect of that Finance Document.

2.5 Upon receipt by the Security Trustee of a duly completed and executed Accession Memorandum the Security Trustee shall distribute promptly copies of that Accession Memorandum and revised Allocated Properties Schedule to the Instructing Party of each existing Beneficiary.

2.6 It is hereby agreed by the parties hereto that any such Accession Memorandum (duly executed by all parties thereto) delivered pursuant to Clauses 2.3 and 2.5 shall take effect upon delivery to the Security Trustee.

2.7 If the Borrower ceases to be under any actual or contingent liabilities to any Beneficiary in respect of Designated Debt, the relevant Instructing Party and the Borrower shall notify the Security Trustee to that effect (who in turn shall promptly notify the Instructing Parties of the remainder of the Beneficiaries) and such Beneficiary shall thereafter cease to be a Beneficiary under this Deed.

2.8 At the same time as notification to the Security Trustee in accordance with Clause 2.7, the Borrower shall deliver a revised Allocated Properties Schedule (amended in accordance with Clause 11) to the Security Trustee, who in turn shall promptly circulate this to the Instructing Parties of the remainder of the Beneficiaries.

2.9 No Beneficiary shall have any liability for the obligations of any other Beneficiary, the obligations of the Beneficiaries under this Deed shall be and shall be deemed to be several and independent and not joint and no Beneficiary shall be bound by any amendments or other changes to terms of this Deed unless it has agreed to be bound by them.

3. THE SECURITY

3.1 The Original Security

It is understood and agreed that the security initially to be held by, or to the order of, the Security Trustee upon the trusts contained in this Deed and as detailed in each other Security Document creating, evidencing or granting security for the obligations of the Borrower under a Relevant Document) shall comprise the benefit of the encumbrances, rights and obligations arising in favour of the Security Trustee under each Security Document and the Ancillary Documents and all notices of assignment or charge given pursuant to any of the Security Documents and all acknowledgements given in respect of such notices.

3.2 Additional Security

The Security Trustee may from time to time accept as security for the Secured Obligations the benefit of any security, rights or obligations as may from time to time be offered to it as security for the Secured Obligations or as part of the Unallocated Pool provided that
3.2.1 such security is granted in the form of a Fixed Charge or a Supplemental Fixed Charge; and

3.2.2 the Borrower has satisfied in respect of such security the conditions precedent specified in Schedule 2 (save to the extent that the Security Trustee has waived compliance with any of the same, where applicable at the direction of the relevant Instructing Party); and

3.2.3 where a Charged Property is allocated to a Beneficiary more than 12 months after the delivery to the Security Trustee of the Certificate of Title relating to such Charged Property, the Borrower has confirmed in writing to the Security Trustee that so far as it is aware and save as disclosed in writing, no event has occurred which adversely affects the title to that Charged Property.

3.3 Allocation of security

Before the Security Trustee accepts any security pursuant to clause 3.2 and prior to the allocation of any Property to any Beneficiary as Allocated Property under clause 11:

3.3.1 the Security Trustee shall deliver a Security Certificate in respect of any relevant property to the intended relevant Instructing Party;

3.3.2 the Instructing Party on behalf of the relevant Beneficiaries shall have confirmed to the Security Trustee and the Borrower that it will accept such security and that, without limiting the generality of the foregoing, it is satisfied with the conditions precedent delivered by the Borrower under the relevant Finance Documents and this Deed.

3.4 Inspection

Subject to Clause 3.3.2, each Beneficiary will be deemed to have inspected each Security Certificate delivered to its Instructing Party in respect of its Allocated Property and each document which is referred to in such Security Certificate and has been made available for inspection, whether or not it does inspect the same.

3.5 Release and Reallocation of Security

3.5.1 Upon receiving instructions in writing from any Instructing Party (a copy of such instructions to be sent to the Borrower by the Instructing Party), the Security Trustee shall agree to cause the Allocated Properties not to be allocated to the relevant Finance Document in relation to which that Instructing Party has been appointed, whereupon such properties shall become part of the Unallocated Pool (unless the Borrower and the relevant Instructing Party agree otherwise in which case the properties shall be allocated to the relevant Finance Document in relation to which that Instructing Party has been appointed) and the Allocated Properties Schedule will be amended accordingly.
3.5.2 At any time prior to the occurrence of an Enforcement Event, upon receiving instructions from the Borrower, the Security Trustee shall release the benefit of any encumbrance, rights or obligations held by it over Security Assets forming part of the Unallocated Pool.

3.5.3 If, pursuant to sub-clause 3.5.2 the Security Trustee is instructed or bound to release the benefit of any encumbrance, right or obligation held by it, then the Security Trustee shall, without any recourse or warranty, release the benefit of such encumbrance, right or obligation and, in the case of any encumbrance created by assignment, reassign to the Borrower any property thereby assigned and still held by the Security Trustee.

3.5.4 The Security Trustee shall be entitled to (and it is the intention that it shall) rely on any representation, warranty and approval given by the relevant Instructing Party in any instruction delivered to it or agreement made with it pursuant to sub-clause 3.5.1 without further enquiry and when releasing the benefit of any encumbrance or obligations under clause 3.5.2 and/or, as the case may be, reallocating any property pursuant to Clause 3.5.1 the Security Trustee shall not be required to (and it is the intention that the Security Trustee shall not) consider whether any rights of or obligations owed to any Beneficiary will be or are likely to be prejudiced by such release or, as the case may be, reallocation.

3.6 Information

Each Instructing Party shall provide on request to the Security Trustee an accurate and up-to-date certificate as to each element of the Secured Obligations owing (actually or contingently) to each Beneficiary so as to enable the Security Trustee to perform its functions under this Deed, such certificate to be in a form required by the Security Trustee and the Security Trustee shall be entitled to rely on any such certificates and shall have no duty to enquire as to the accuracy thereof.

3.7 Protection of Allocated Property

In relation to any Allocated Property the Security Trustee will not without the written consent of the relevant Instructing Party on behalf of the relevant Beneficiaries:

3.7.1 release that Allocated Property from any security interest created by any Security Document (save as may be required by law) or reallocate any of that Allocated Property; or

3.7.2 save as permitted by the Relevant Documents in respect of the relevant Beneficiary or save as may be required by law, enter into any deed or document which would purport to impose any obligation on the relevant Beneficiary or would create any Encumbrances affecting such Allocated Property.
3.8 **Security Register**

The Borrower will at all times maintain a register of all security interests created in respect of the Security Assets (the "Security Register"). A separate register for the Allocated Properties in respect of each Instructing Party and any of the properties comprised in the Unallocated Pool will be maintained. The Borrower will promptly make an entry in the Security Register in respect of:

3.8.1 each asset charged by the Borrower in favour of the Security Trustee so as to form part of the Security Assets;

3.8.2 each release of Security Assets from any Security Document;

3.8.3 any disposition or dealing affecting any Security Asset including (without limitation) any disposition by operation of law but excluding any letting on an Approved Tenancy;

3.8.4 each reallocation of Allocated Property as part of the Unallocated Pool in accordance with clause 3.5.1 or reallocation of the same in favour of another Instructing Party in accordance with clause 3.5.1.

3.9 **Reconciliation**

No later than 31 March, 30 June, 30 September and 31 December in every calendar year commencing 30 September 2005 (the "Reporting Date") the Borrower shall notify the Security Trustee of any changes to the Security Register since the last Reporting Date so as to enable the Security Trustee to reconcile its records.

4. **SECURITY TRUST**

4.1 The Security Trustee shall hold the Trust Property, in relation to each pool of Allocated Properties, on trust for the relevant Beneficiary or Beneficiaries which are party to the relevant Finance Document to which that pool of Allocated Properties has been allocated.

4.2 The Security Trustee shall not be deemed to have knowledge of any amendment to any Relevant Document to which it is not a party until such time as it has actual notice of any such amendment in writing from the relevant Instructing Party.

5. **MODIFICATION**

5.1 The Security Trustee may from time to time with the prior written consent of the Instructing Party of each Beneficiary and the Borrower make any modification to any term of this Deed and/or any Security Document (other than this Deed) provided that amendments (other than to this Deed) which do not, in the opinion of the Security Trustee, materially prejudice the interests of an Instructing Party (on behalf of its Beneficiaries) do not require the consent of that Instructing Party or of any of the relevant Beneficiaries.
5.2 Any provision of additional security pursuant to sub-Clause 3.2 (Additional Security) to, or any release of security pursuant to sub-Clause 3.5 (Release of Security) from, the Unallocated Pool shall require the Security Trustee and the Borrower (in the case of clause 3.2) and the Security Trustee, the relevant Instructing Party and the Borrower (in the case of clause 3.5) to agree such amendments to the Allocated Property Schedule as are necessary to reflect such addition or release of security.

5.3 The Security Trustee shall be entitled to rely on the latest Allocated Properties Schedule agreed by it pursuant to Clause 5 and shall have no duty to enquire as to the accuracy thereof.

6. DEFAULT PROCEDURE

6.1 If any Instructing Party serves notice of an Enforcement Event which is continuing on the Borrower under a Finance Document and decides to enforce the security in respect thereof, it shall promptly notify the Security Trustee of the same and the Security Trustee shall forthwith notify the Instructing Parties of the remainder of the Beneficiaries of receipt of such notice.

6.2 Following notification pursuant to clause 6.1:

6.2.1 each Instructing Party shall within three Business Days provide the Security Trustee with the information required pursuant to Clause 3.6 (Information); and

6.2.2 in relation to the Allocated Properties allocated in respect of the Finance Document in relation to which an Instructing Party has been appointed, the Security Trustee shall, if so instructed by that Instructing Party, enforce the relevant Rights in accordance with the instructions of that Instructing Party provided that the Security Trustee shall be entitled to decline to take any action to enforce any security unless indemnified and/or secured to its satisfaction against all costs, claims and expenses (including any costs award which may be made against it as a result of any such action or proceedings not being successful).

Each of the parties hereto agrees that an Enforcement Event under a Relevant Document shall constitute an Enforcement Event under each other Relevant Document.

7. APPLICATION OF PROCEEDS ETC

7.1 Upon the enforcement of any of the security constituted by or pursuant to any of the Security Documents, and after satisfying claims which at law rank in priority to sums owing under or in respect of any of the Relevant Documents, whilst there are any Secured Obligations outstanding, the Security Trustee shall apply all Proceeds

7.1.1 from each pool of Allocated Properties and all money derived therefrom in the following order:

(a) first, in or towards payment of all Relevant Trustee Costs relating to that pool of Allocated Properties and to the extent the Security Trustee has
received payment from an Instructing Party pursuant to its indemnity, the Security Trustee will pay such Proceeds to that Instructing Party;

(b) secondly, in relation to the obligations owed by the Borrowers under the relevant Finance Document to which, at the relevant time, that pool of Allocated Properties has been designated towards payment of the Designated Debt attributable to the Beneficiary or Beneficiaries which are party to that Finance Document; and

(c) thirdly in payment of the surplus (if any), to the Borrower.

7.1.2 from the Unallocated Pool and all money derived from it in the following order:

(a) first, in or towards payment of all Relevant Trustee Costs relating to the Unallocated Pool;

(b) secondly, any surplus to the Borrower.

7.2 Clause 7.1 will override any appropriation made by the Borrower.

7.3 The Excluded Assets shall be excluded from the Proceeds for the purposes of the applications referred to in Clause 7.1 of Clause 7 (Application of Proceeds) and any such money shall be applied by the Initial Beneficiaries in accordance with the provisions of the Facility Agreement or (as the case may be) by the Additional Beneficiaries in accordance with the relevant Designated Document.

7.4 Subject to clause 14, in the event that the Security Trustee enforces any of the Security comprised in the Unallocated Pool it will release its Fixed Charges over any part of the Unallocated Pool which is not required for the purpose of satisfying the costs referred to in Clauses 7.1.2(a) and 9.

8. ACTIVITIES OF THE SECURITY TRUSTEE

8.1 Each of the Beneficiaries irrevocably appoints the Security Trustee to act as its trustee under and in connection with the Relevant Documents to which it is party, and irrevocably authorises the Security Trustee on its behalf to perform the duties and to exercise the rights, powers and discretions that are specifically delegated to it under or in connection with such Relevant Documents, together with any other incidental rights, powers and discretions. The Security Trustee has those duties which are expressly specified in such Relevant Documents, and those duties are solely of a mechanical and administrative nature. Unless otherwise expressly provided or otherwise agreed by all the Instructing Parties, the Security Trustee shall perform such duties and exercise all such rights, powers and discretions in accordance with the instructions of the relevant Instructing Party in respect of the relevant Liabilities or Relevant Documents.

8.2 The Security Trustee shall only be required to take any action to enforce or protect the security created by any Relevant Document and any document referred to therein if instructed to do so by the Instructing Party in relation to the relevant Finance Document and may refrain from exercising any right, power or discretion vested in it
by this Deed or any Relevant Document unless and until instructed by that Instructing Party as to whether or not any such right, power or discretion is to be exercised and as to the manner in which it should be exercised and subject always to the provisions of this Deed. The Security Trustee shall be entitled to seek instructions from the relevant Instructing Party as to the manner in which it should carry out any course of action and may act in accordance with any such instructions given by that Instructing Party or those Instructing Parties. The Security Trustee shall be entitled to seek clarification from the relevant Instructing Party with regard to any such instructions (including any conflicting instructions received by it from such Instructing Party) and may in its discretion elect not to act pending receipt of such clarification to its reasonable satisfaction from each such Instructing Party.

8.3 Discretions and Duties

The Security Trustee shall:

8.3.1 promptly send to each relevant Instructing Party details of each communication received by it from the Borrower under this Deed or any of the Relevant Documents; and

8.3.2 save as otherwise expressly provided in this Deed or any of the Relevant Documents or the Ancillary Documents, in granting any consent or waiver or exercising any power, trust, authority or discretion hereby vested in it, act as it in its absolute discretion shall think fit, in which case it shall be in no way responsible for any loss, costs, damages or expenses which may result from the exercise or non-exercise thereof save in the case of its own fraud, gross negligence or wilful default.

8.4 Protections

By way of supplement to the Trustee Act 1925 and the Trustee Act 2000, it is expressly declared as follows:

8.4.1 the Security Trustee may in relation to any of the provisions of this Deed, each Accession Memorandum or any of the Relevant Documents, obtain, pay for and act on the opinion or advice of or any information obtained from any lawyer, valuers, surveyor, broker, auctioneer, accountant or other expert whether obtained by the Borrower, any Beneficiary, any Instructing Party or by the Security Trustee or otherwise and shall not be responsible for any loss occasioned by so acting;

8.4.2 any opinion, advice or information obtained pursuant to the foregoing sub-clause 8.4.1 may be sent or obtained by letter, facsimile transmission, telephone or other means and the Security Trustee shall not be liable for acting on any opinion, advice or information purporting to be so conveyed or any other document purporting to be conveyed from any Beneficiary, any Instructing Party or the Borrower although, in any such case, the same shall contain some error or shall not be authentic;
8.4.3 the Security Trustee may call for and shall be at liberty to accept as sufficient evidence a certificate signed by any two members of the Board of Directors (or equivalent) of the Borrower (or any sub-committee authorised thereby) to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Security Trustee may require to be satisfied. The Security Trustee shall be in no way bound to call for further evidence or be responsible for any loss that may be occasioned by acting on any such certificate although the same shall contain some error or shall not be authentic;

8.4.4 the Security Trustee may refrain from doing anything which would or might in its opinion be contrary to any law of any jurisdiction or any directive of any agency of any state or which would or might in its opinion otherwise render it liable to any person and may do anything which is in its opinion necessary to comply with any such law or directive;

8.4.5 the Security Trustee shall not be liable for any failure, omission, or defect in perfecting the security constituted by any of the Relevant Documents including without prejudice to the generality of the foregoing (a) failure to obtain any licence, consent or other authority for the execution of any Relevant Document, (b) failure to register the same in accordance with the provisions of any of the documents of title of the Borrower to any of the property charged pursuant to any Security Document;

8.4.6 the Security Trustee shall accept without enquiry, requisition, objection or investigation such title as the Borrower may have to the Security Assets or any part thereof;

8.4.7 the Security Trustee shall be at liberty to place any of the Security Documents and any other instruments, documents or deeds delivered to it pursuant to or in connection with any of the Security Documents for the time being in its possession in any safe deposit, safe or receptacle selected by it or without being bound to enquire as to the existence or adequacy of any insurances with any bank or building society within the United Kingdom, or any reputable firm of lawyers, or any company whose business includes the safe custody of documents, or, in respect of any insurance policies, to place the policy documents with any reputable insurance broker, and shall not be responsible for any loss thereby incurred and, without prejudice to the foregoing, the Borrower's lawyers or those of the Borrower may retain any such instruments, documents or deeds delivered to the Security Trustee pursuant to or in connection with the Security Documents provided that such lawyers undertake to hold such instruments, deeds or documents to the order of the Security Trustee;

8.4.8 save as otherwise provided in this Deed or any Security Document, all moneys which under the trusts herein contained are received by the Security Trustee may be invested in the name of or under the control of the Security Trustee in
any investment for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments, whether similar to the aforesaid or not, which may be selected by the Security Trustee or by placing the same on deposit in the name of or under the control of the Security Trustee at such bank or institution (including the Security Trustee) as the Security Trustee may think fit, or in such currency as the Security Trustee thinks fit and the Security Trustee may at any time vary or transfer any such investments for or into other such investments or convert any moneys so deposited into any other currency and shall not be responsible for any loss occasioned thereby whether by depreciation in value, fluctuation in exchange rates or otherwise;

8.4.9 the Security Trustee may in the conduct of the trusts hereof instead of acting personally employ and pay an agent whether being a solicitor or other appropriately qualified person to transact or concur in transacting any business and to do or concur in doing any acts required to be done by the Security Trustee including the receipt and payment of money and any agent being a solicitor, broker or other person engaged in any profession or business shall be entitled to be paid all usual professional and other charges for business transacted and acts done by him or any partner or employee of his in connection with the trusts hereof;

8.4.10 the Security Trustee shall have only those duties, obligations and responsibilities expressly specified in this Deed and any Relevant Document and shall not have any implied duties, obligations and responsibilities;

8.4.11 the Security Trustee shall not be under any obligation to insure any of the Trust Property or any deeds or documents of title or other evidence in respect thereof and shall not be responsible for any loss, expense or liability which may be suffered as a result of the lack of or inadequacy of any such insurance;

8.4.12 no provision of this Deed, any Relevant Document or any document referred to therein shall require the Security Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity and/or security against such risk or liability is not assured to it;

8.4.13 the Security Trustee shall not be responsible for the legality, validity, effectiveness, suitability, adequacy or enforceability of any Relevant Document or other documents entered into in connection therewith or any other document or any obligation or rights created or purported to be created thereby or pursuant thereto or any security or the priority thereof constituted or purported to be constituted thereby or pursuant thereto, nor shall it be responsible or liable to any person because of any invalidity of any provision of such documents or the unenforceability thereof, whether arising from statute, law or decision of any court;
8.4.14 neither the Security Trustee nor any of its directors or officers shall by reason of the fiduciary position of the Security Trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Borrower or any person or body corporate directly or indirectly associated with any of them, or from accepting the trusteeship of any other debenture stock, debentures or security of the Borrower or any person or body corporate directly or indirectly associated with any of them, and neither the Security Trustee nor any such director or officer shall be accountable to any Beneficiary for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Security Trustee and any such director or officer shall also be at liberty to retain the same for its or his own benefit;

8.4.15 except as herein expressly provided, the Security Trustee is hereby authorised and it shall be entitled to assume without enquiry (in the absence of knowledge by or an express notice to it to the contrary) that no Enforcement Event, Event of Default, Potential Enforcement Event or Potential Event of Default has occurred and the Borrower is duly performing and observing all the covenants, conditions, provisions and obligations contained in any Relevant Document and/or in respect of the Secured Obligations and on its part to be performed and observed;

8.4.16 the Security Trustee will not be liable for any failure, omission or defect in perfecting the security constituted by any Relevant Document, including failure to (a) register the same in accordance with the provisions of any of the documents of title of the Borrower to any of the property thereby charged or (b) effect or procure registration of or otherwise protect any Relevant Document or any security created by a Security Document under the Land Registration Acts 1925-1988 or any other registration laws in any jurisdiction;

8.4.17 unless otherwise specifically stated in any discharge of this Deed, the provisions of Clause 8 shall continue in full force and effect notwithstanding such discharge; and

8.4.18 subject to Section 192 of the Companies Act 1985 (if applicable) and notwithstanding anything to the contrary in the Security Documents or the other Relevant Documents, the Security Trustee shall not be liable to any person for any matter or thing done or omitted in any way in connection with or in relation to the Security Documents or other Relevant Documents save in relation to its own gross negligence, wilful default or fraud.

8.5 Indemnities

Without prejudice to the obligations of the Borrower to indemnify the Security Trustee under this Deed

8.5.1 each of the Beneficiaries (other than the Security Trustee) in respect of a Finance Document hereby undertakes severally to indemnify and hold
harmless the Security Trustee against all Relevant Trustee Costs in respect of that Beneficiary, save to the extent such amounts have been met by the Borrower under clause 9.1.4. Provided that the Relevant Trustee Costs which are due and payable in respect of a pool of Allocated Properties have been met, the Security Trustee shall not refuse to act in relation to any such pool;

8.5.2 no Beneficiary will be obliged to indemnify the Security Trustee under clause 8.5.1 in respect of any documents relating to, or any properties, cash or Rights comprised in, any Unallocated Pool or any pool of Allocated Properties other than those Allocated Properties relating to the Finance Document in respect of which the Beneficiaries are interested;

8.5.3 the Borrower will indemnify each Beneficiary from and against any liability paid by it under clause 8.5.1 and 8.5.2

8.5.4 for the avoidance of doubt, the Borrower alone will be solely responsible for meeting all Relevant Trustee Costs which relate to the Unallocated Pool and the Beneficiaries and Instructing Parties will have no liability in respect of the same.

9. REMUNERATION OF THE SECURITY TRUSTEE

9.1.1 The Borrower undertakes that it will (subject as hereinafter provided) pay to the Security Trustee commencing in the date hereof until the trusts hereof shall be finally wound-up an annual fee calculated at such rate or in such amount as may be agreed from time to time between the Borrower and the Security Trustee and shall be payable on such date or dates in each year as may from time to time be agreed between the Borrower and the Security Trustee.

9.1.2 If the Security Trustee (a) determines or is required to enforce any of the Security Documents or (b) considers it expedient or necessary, or is required, to undertake duties which are of an exceptional nature or otherwise outside the scope of the normal duties of the Security Trustee under this Deed and the Relevant Documents, the Borrower shall pay to the Security Trustee such additional remuneration as may be agreed between them. If the Security Trustee and the Borrower fail to agree upon whether such duties are of an exceptional nature or otherwise outside the scope of the normal duties of the Security Trustee under this Deed and the Relevant Documents, or fail to agree upon such additional remuneration, such matters shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Security Trustee and approved by the Borrower (such approval shall not to be unreasonably withheld or delayed) or, failing such approval, nominated (on the application of the Security Trustee) by the President for the time being of The Law Society of England and Wales. The decision of any such investment bank shall be final and binding on the Borrower and the Security Trustee and the expenses involved in such nomination and the fees of such investment bank shall be paid by the Borrower.
9.1.3 In addition to remuneration hereunder the Borrower shall, on written request, pay all costs, charges and expenses including but not limited to legal and travelling expenses (and any stamp, registration, documentary and other taxes or duties) which the Security Trustee may properly incur in relation to the preparation and execution of this Deed or any Relevant Document and the exercise of powers or the performance of its duties under, and in any other manner in relation to or under, this Deed, any Accession Memorandum or any Relevant Document.

9.1.4 Without prejudice to any indemnity contained in any Relevant Document, the Borrower undertakes that it will indemnify the Security Trustee (a) in respect of all liabilities and all costs, losses, claims, damages and expenses (including any claims the Borrower may have against the Security Trustee as a result of the Security Trustee appointing a receiver or taking any action to enforce any security) and other sums (or actions in respect thereof) incurred by or by any person (including, without limitation, a receiver) appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution or purported execution of the trusts, powers, authorities or discretions vested in it by this Deed or any Relevant Document or any document relating to any Unallocated Pool or Excluded Assets and (b) against all liabilities, actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted by the Security Trustee or by any person in any way in relation to this Deed or any of the Relevant Documents or any document relating to any Unallocated Pool or Excluded Assets save where the same has arisen from the Security Trustee’s fraud, gross negligence or wilful default.

9.1.5 All sums payable under sub-clauses 9.1.3 and 9.1.4 of this Clause shall be payable within seven days of written demand thereof. All sums payable by the Borrower under this Clause shall carry interest at the Default Rate from the date thirty days after the date on which the same become due or (where a demand by the Security Trustee specifies that payment by the Security Trustee has been or will be made on an earlier date) from such earlier date.

9.1.6 The Borrower shall in addition pay to the Security Trustee (if so required) an amount equal to the amount of any value added tax or similar tax charged in respect of its remuneration hereunder.

10. **APPOINTMENT OF ADDITIONAL TRUSTERS**

After prior consultation with the Borrower and all Instructing Parties where prior consultation is reasonably possible or practicable in the circumstances prevailing at the relevant time, the Security Trustee may at any time appoint any person (whether or not a trust corporation) to act either as a separate trustee or as a co-trustee jointly with it (a) if it considers such appointment to be in the interests of the Beneficiaries or (b) for the purposes of conforming to any legal requirements, restrictions or conditions which the Security Trustee deems relevant for the purposes hereof, and the Security Trustee shall give notice to the Borrower and the Instructing Parties of the Beneficiaries of any
such appointment. Any person so appointed shall have such powers, authorities and
discretions and such duties and obligations as shall be conferred or imposed on such
person by the instrument of appointment and shall have the same benefits under
Clause 8 (Activities of the Security Trustee) as the Security Trustee. The Security
Trustee shall have power in like manner to remove any person so appointed. The
Security Trustee may pay to any person so appointed any remuneration which has been
previously approved by the Instructing Parties (acting reasonably) and any such
remuneration, costs, charges and expenses incurred by such person in performing its
functions pursuant to such appointment, shall for the purposes hereof be treated as
costs, charges and expenses incurred by the Security Trustee in performing its function
as trustee hereunder.

11. APPORTIONMENT OF SECURITY ASSETS

At each Accession Date (in accordance with Clause 2.3) and as and when so required
by clause 5, the Security Trustee (if applicable) and each relevant Instructing Party
shall schedule and agree with the Borrower the allocation of properties which comprise
its Allocated Property (the "Allocated Properties Schedule"). All properties which
are not Allocated Properties shall form the Unallocated Pool.

12. BENEFIT OF AGREEMENT AND RESIGNATION OF SECURITY TRUSTEE

12.1 This Deed shall be binding on and enure to the benefit of each party hereto and its
successors in title and to any transferees or assigns of any Beneficiary made in
accordance with the terms of any relevant Document.

12.2 The Security Trustee may resign by giving not less than three months' prior written
notice to the Instructing Parties and the Borrower, without giving any reason and
without being responsible for any costs occasioned by such retirement in which case
the Instructing Parties, after consultation with the Borrower and considering its views,
shall appoint a successor Security Trustee who has demonstrable expertise in acting as
Security Trustee.

12.3 If the Instructing Parties have not appointed a successor Security Trustee in accordance
with Clause 12.2 within 30 days after notice of resignation was given, the Security
Trustee (after consultation with the Borrower and the Instructing Parties) shall appoint
any bank, financial institution or appropriately qualified person as a successor Security
Trustee (acting through an office in the United Kingdom).

12.4 Save as provided in Clause 12.3 the retiring Security Trustee shall, at the cost of the
Borrower, make available to the successor Security Trustee such documents and
records and provide such assistance as the successor Security Trustee may reasonably
request for the purposes of performing its functions as Security Trustee under the
Security Documents.

12.5 The Security Trustee's resignation notice shall only take effect once a successor
Security Trustee has been appointed and has become bound by the provisions of the
Security Documents whereupon the Security Trustee retiring or being removed shall
thereby forthwith be discharged from such provisions.
12.6 After consultation with the Borrower and considering its views, the Instructing Parties may, by not less than one month's notice to the Security Trustee, remove the Security Trustee. In this event, the Instructing Parties (or the Security Trustee) shall appoint a successor in accordance with Clause 12.2 or Clause 12.3 (as the case may be).

12.7 Subject to Clause 12.8 below the Borrower may, with the prior written consent of the Instructing Parties, by not less than three months' notice to the Security Trustee, remove the Security Trustee. In this event, the Instructing Parties (or the Security Trustee) shall appoint a successor in accordance with Clause 12.2 or Clause 12.3 (as the case may be).

12.8 Any costs incurred by the Security Trustee in connection with its removal (and the consequent appointment of a successor Security Trustee) will be for the account of the Borrower unless such removal and appointment have been instigated by the Beneficiary or their Instructing Parties without the consent of the Borrower or of the Security Trustee, in which event the Instructing Parties will bear and will indemnify the Borrower and the outgoing and new Security Trustee against all costs and expenses relating to the removal of the Security Trustee and appointment of a successor.

13. NOTICES

13.1 Each communication to be made hereunder shall be made in writing but, unless otherwise stated, may be made by facsimile or letter.

13.2 Any communication or document (unless made by facsimile) to be made or delivered by one party to another pursuant to this Deed shall (unless that other party has by fifteen days' written notice to the Security Trustee specified another address) be made or delivered to that other party at the address identified with its signature below (or in any Accession Memorandum) and shall be deemed to have been made or delivered when despatched or (in the case of any communication made by letter) when left at that address or (as the case may be) five days after being deposited in the post postage prepaid in an envelope addressed to it at that address provided that any communication or document to be made or delivered to the Security Trustee shall be effective only when received by the Security Trustee and then only if the same is expressly marked for the attention of the department or officer as the Security Trustee shall from time to time specify for this purpose.

13.3 Any facsimile communication made by one party to another shall be made to that other party at the relevant facsimile number specified by it from time to time for the purpose and shall be deemed to have been received when transmission of such facsimile communication has been completed. Each such facsimile communication, if made to the Security Trustee by the Borrower, shall be signed by the party or parties authorised by the Borrower in the certificate delivered to the Security Trustee in connection with this deed and shall be expressed to be for the attention of the account officer whose name has been notified for the time being for that purpose by the Security Trustee to the Borrower.
14. WINDING UP OF TRUST

14.1 If the Security Trustee considers that an amount paid to the Security Trustee or any Beneficiary for application in or towards repayment of the Secured Obligations is capable of being avoided or otherwise set aside on the liquidation or administration of the Borrower or otherwise, then such amount shall not be considered to have been irrevocably paid for the purposes of the Security Documents.

14.2 If the Security Trustee shall determine that all of the obligations under the Relevant Documents have been discharged, the trusts herein created shall be wound up.

15. COUNTERPARTS
This Deed may be executed in counterparts, all of which when taken together shall constitute a single deed.

16. POWERS ADDITIONAL
The powers conferred on the Security Trustee, any Facility Document or any other Relevant Documents shall be in addition to any powers which may from time to time be vested in it by general law.

17. DISAPPLYICATION
Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Trustee in relation to the trusts arising under this Deed. Where there are any inconsistencies between the Trustee Act 2000 and the provisions of this Deed, any Facility Document, any Security Document or any Ancillary Document, the provisions of such documents shall, to the extent allowed by law, prevail and, in the case of inconsistency with the Trustee Act 2000, the provisions of such documents shall constitute a restriction or exclusion for the purposes of the Trustee Act 2000.

18. MERGER
Any corporation into which the Security Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Security Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this clause, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

19. LAW
This Deed shall be governed by, and construed in accordance with, the laws of England.

IN WITNESS whereof this Deed was executed by the parties hereto as a deed the day and year first above written.
SCHEDULE 1
FORM OF ACCESSION MEMORANDUM

THIS DEED dated [•], is supplemental to the security trust deed (the "Security Trust Deed") dated [•] and made between Prudential Trustee Company Limited as security trustee, [•] as Borrower and the Initial Beneficiaries (as the same may from time to time be amended, restated, novated or supplemented).

Words and expressions defined in the Security Trust Deed have the same meaning when used in this Deed.

[•] (the "Instructing Party") of [address] hereby agrees with each other person who is or who becomes a party to the Security Trust Deed that with effect from the date on which the provisions of Clauses 2.2, 2.3 and 2.4 of the Security Trust Deed have been complied with, the Instructing Party and the Additional Beneficiary will become a party to and be bound by and benefit from the Security Trust Deed as an Instructing Party and an Additional Beneficiary respectively in respect of the following Designated Document(s):

[•]

A revised Allocated Properties Schedule, incorporating details of the properties allocated to each Designated Document, is attached hereto.

The address for notices to the Instructing Party for the purposes of Clause 13 (Notices) of the Security Trust Deed is:

[•]
This Deed shall be governed by and construed in accordance with English law.

IN WITNESS WHEREOF this Deed has been executed by the parties hereto as a deed on the day and year first above written.

The Common Seal of
SOVEREIGN HOUSING ASSOCIATION LIMITED
was hereunto affixed in the presence of:

...........................................
Authorised Signatory

...........................................
Authorised Signatory/Secretary

Address: 17-24 Bartholomew Street
          Newbury
          Berkshire
          RG14 5LL

Fax: +44 (0) 1635 37690

Attention: Group Finance Director

Instructing Party

Executed as a deed by

[*]

By:
Address:
Fax:
Attention:
SCHEDULE 2
CONDITIONS PRECEDENT DOCUMENTS

1. A copy of the consent of the Housing Corporation for each Fixed Charge pursuant to Section 9 of the Housing Act;

2. Where applicable, a copy of the consent of the Secretary of State under Section 133 of the Housing Act 1988 for the Security Trustee to sell the whole or any part of the Property;

3. Where applicable, a copy of the consent of the Secretary of State under Section 32 to 34 and 43 of the Housing Act 1985 and Section 25 of the Local Government Act 1988;

4. Where applicable, a copy of the Consent of the Secretary of State under Section 171(D)(2) and (3) of the Housing Act 1985;

5. Only in relation to Property intended to be Allocated Properties, a report on title or certificate of title addressed to the Security Trustee and, if the Security Trustee requires, the other Beneficiaries (and, in any event, in a form which may be relied on by any Beneficiaries from time to time) from solicitors acceptable to the Security Trustee, on the Property to be charged;

6. Land Registry searches affording priority to the Security Trustee for a period of not less than ten Business Days following the date of completion of the Fixed Charge where the title to the Property to be charged is registered or in respect of which an application for registration has been lodged at H.M. Land Registry;

7. A certified copy of a resolution of the Board of Management (or equivalent) of the Borrower:

7.1 Approving the terms of and the entry into the Fixed Charge and resolving that it executes such Fixed Charge;

7.2 Authorising a specified person or persons to execute such Fixed Charge on its behalf if it is to be executed by a specified person or persons; or

7.3 Authorising its seal to be affixed to such Fixed Charge if it is to be executed by the Borrower under seal;

8. Copies of policies, certificates or cover notes relating to each contract or policy of insurance taken out by or on behalf of the Borrower or in which the Borrower has an interest and which relate to the Property to be charged and evidence satisfactory to the Security Trustee that a note of the Security Trustee's interest has been endorsed on each such contract or policy of insurance in accordance with the terms of the Fixed Charge or that the policy includes a provision for the automatic noting of mortgagees' interest;

9. Where applicable, a certified copy of any planning permission in respect of the Property to be charged;
10. Fixed Charge in respect of the Property to be charged;

11. Where applicable, a copy of the form of Approved Tenancy Agreement (as defined in the Fixed Charge); and

12. Such other documents, reports or opinions (including, without limitation, structural surveys and environmental reports) certificates, consents or assurances as the Security Trustee may reasonably request.
SCHEDULE 3
SECURITY CERTIFICATE

TO: Instructing Party

Prudential Trustee Company Limited in its capacity as Security Trustee pursuant to a Security Trust Deed dated the [●] day of [●] 2004 between it and [●] as the Borrower and [●] as the [Bank] hereby confirms the following:

1. The Borrower has executed and entered into a [Supplemental] Fixed Charge dated [●] in favour of the Security Trustee over the Property listed in the schedule to this Security Certificate (the "Charged Property").

2. A Certificate of Title in respect of the Charged Property addressed to the Security Trustee and to the Beneficiaries for whom the Charged Property is from time to time Allocated Property, together with the documents delivered as conditions precedent in respect of the Charged Property under clause 3.3 of the Security Trust Deed, are available for inspection at the offices of [Devonshire Solicitors][the Borrower].

3. Copies of correspondence between us and the Borrower, and information received by us from the Borrower, in each case relating to the Charged Property since execution of the relevant Fixed Charge are available for inspection at our office at Laurence Pountney Hill, London EC4R 0HH.

Terms defined in the Security Trust Deed bear the same meaning in this certificate.

PRUDENTIAL TRUSTEE COMPANY LIMITED

Authorised Signatory
SCHEDULE 4
FORM OF FIXED CHARGE

CLIFFORD CHANCE

LIMITED LIABILITY PARTNERSHIP

DATED [*] 2006

SOVEREIGN HOUSING ASSOCIATION

AND

PRUDENTIAL TRUSTEE COMPANY LIMITED

FORM OF FIXED CHARGE
# CONTENTS

<table>
<thead>
<tr>
<th>Clause</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interpretation</td>
<td>32</td>
</tr>
<tr>
<td>2. Covenant To Pay</td>
<td>38</td>
</tr>
<tr>
<td>3. Fixed Charges</td>
<td>38</td>
</tr>
<tr>
<td>4. Continuing Security, Etc.</td>
<td>40</td>
</tr>
<tr>
<td>5. Representations And Warranties</td>
<td>40</td>
</tr>
<tr>
<td>6. Undertakings</td>
<td>42</td>
</tr>
<tr>
<td>7. Power To Remedy</td>
<td>47</td>
</tr>
<tr>
<td>8. When Security Becomes Enforceable</td>
<td>47</td>
</tr>
<tr>
<td>9. Enforcement Of Security</td>
<td>47</td>
</tr>
<tr>
<td>10. Receiver</td>
<td>47</td>
</tr>
<tr>
<td>11. Application Of Proceeds</td>
<td>50</td>
</tr>
<tr>
<td>12. No Liability As Mortgagee In Possession</td>
<td>51</td>
</tr>
<tr>
<td>14. Protection Of Third Parties</td>
<td>52</td>
</tr>
<tr>
<td>15. Expenses</td>
<td>52</td>
</tr>
<tr>
<td>16. Indemnity</td>
<td>52</td>
</tr>
<tr>
<td>17. Delegation By Security Trustee</td>
<td>52</td>
</tr>
<tr>
<td>18. Further Assurances</td>
<td>53</td>
</tr>
<tr>
<td>19. Redemption Of Prior Mortgages</td>
<td>53</td>
</tr>
<tr>
<td>20. Power Of Attorney</td>
<td>54</td>
</tr>
<tr>
<td>21. New Accounts</td>
<td>54</td>
</tr>
<tr>
<td>22. Stamp Duties</td>
<td>54</td>
</tr>
<tr>
<td>23. Waivers, Remedies Cumulative</td>
<td>55</td>
</tr>
<tr>
<td>24. Set-Off</td>
<td>55</td>
</tr>
<tr>
<td>25. Time Deposits</td>
<td>55</td>
</tr>
<tr>
<td>26. Severability</td>
<td>56</td>
</tr>
<tr>
<td>27. Counterparts</td>
<td>56</td>
</tr>
<tr>
<td>28. Notices</td>
<td>56</td>
</tr>
<tr>
<td>29. The Land Registry</td>
<td>57</td>
</tr>
<tr>
<td>30. Release</td>
<td>57</td>
</tr>
</tbody>
</table>
THIS CHARGE is dated [ ] and is made BETWEEN:

(1) SOVEREIGN HOUSING ASSOCIATION LIMITED a charitable housing association registered under the Industrial and Provident Societies Act 1965 with registered number 26480R ("the Borrower"); and

(2) PRUDENTIAL TRUSTEE COMPANY LIMITED as trustee of the security constituted under this deed for the Beneficiaries (the "Security Trustee"), which expression shall include each company and all other persons or companies acting as security trustee under this deed).

WHEREAS:

(A) By a facility agreement (the "Facility Agreement") dated 2 August 1994 as amended and restated on 26 March 1999 and on 19 April 2004 and made between the parties to this Agreement, the Original Lender agreed to make available to the Borrower a £75,000,000 loan facility on and subject to the terms contained in the Facility Agreement.

(B) It is a condition to the Lenders (as defined in the Facility Agreement) making and continuing to make the credit facilities available under the Facility Agreement that the Borrower enters into this Charge and the Mortgage Deed to provide security to the Security Trustee for the benefit of the Security Trustee and the Beneficiaries for the purposes and on the terms described below.

(C) It is intended by the parties hereto that this document shall take effect as a deed.

NOW IT IS AGREED as follows:

1. INTERPRETATION

1.1 Definitions

In this Charge and the Mortgage Deed, unless the context otherwise requires:

"Approved Tenancy Agreement" has the meaning given to it in the Security Trust Deed;

"Beneficiaries" has the meaning given to it in the Security Trust Deed;

"Enforcement Event" has the meaning given to it in the Security Trust Deed;

"Environment" means:-

(a) land including any natural or man-made structures;

(b) water including ground waters and waters in drains and sewers; and

(c) air, including air within buildings and other natural or man-made structures above or below ground;
"Environmental Contamination" means the following and the consequences thereof:

(a) any release, leakage or spillage at or from any site owned or occupied by the Borrower into any part of the Environment of any toxic, poisonous, noxious or polluting matter or hazardous, detrimental or dangerous substance or thing; and

(b) any accident, fire, explosion or sudden event which affects the Environment and is attributable to the operations management or control of any site occupied by the Borrower including (without limitation) the storage, handling, labelling or disposal of waste hazardous, toxic or dangerous substances;

"Environmental Laws" means all and any applicable laws, including common law, statute and subordinate legislation, European Community Regulations and Directives and judgments and decisions, including notices, orders or circulars, of any court or authority competent to make such judgment or decision compliance with which is mandatory for the Borrower with regard to:

(a) the pollution or protection of the Environment;

(b) harm to the health of humans, animals or plants including without limitation laws relating to public and workers' health and safety;

(c) emissions, discharges or releases into, or the presence in, the Environment of chemicals or any other pollutants or contaminants, or industrial, radioactive, dangerous, toxic or hazardous substances, or wastes (whether in solid, semi-solid, liquid or gaseous form and including noise and genetically modified organisms); or

(d) the manufacture, processing, use, treatment, storage, distribution, disposal, transport or handling of the substances or wastes described in (c) above;

"Environmental Permits" means all or any permits, licences, consents, approvals, certificates, qualifications, specifications, registrations and other authorisations including any conditions which attach to any of the above, and the filing of all notifications, reports and assessments required under Environmental Laws for the occupation or use of all or any of the Mortgaged Property;

"Finance Documents" means

(a) the Facility Agreement;

(b) each Security Document;

(e) each Novation Certificate;

(d) each document designated in writing as a Finance Document by the Borrower and the Security Trustee,
including in each case any amendment or restatement thereof or supplement thereto and any agreement extending the maturity, increasing any amount payable thereunder, changing the basis for calculation of any payment thereunder, introducing new or additional obligations thereto or refinancing or restructuring any of the indebtedness constituted thereby;

"Finance Party" means each of:

(a) each Lender;

(b) the Agent; and

(c) the Security Trustee

"Fixtures" means, in relation to any Mortgaged Property, all fixtures and fittings (including trade fixtures and fittings) and fixed plant and machinery from time to time thereon owned by the Borrower;

"Instructing Party" has the meaning given to it in the Security Trust Deed;

"Insurances" means all contracts and policies of insurance of whatever nature which are from time to time taken out by or with the authority and on behalf of the Borrower in connection with the Mortgaged Property;

"Lenders" means:

(a) each Lender (as defined in the Facility Agreement);

(b) the Agent; and

(c) the Security Trustee;

and "Lender" means any one of them;

"Letting Document" means any past, present or future lease, tenancy or licence to occupy or any past, present or future agreement for any of the same from time to time granted or entered into by the Borrower or any predecessor in title of the Borrower (as the case may be) in respect of the Mortgaged Property referred to in Clause 3.1 (including pursuant to any Approved Tenancy Agreement) and any licence, consent or approval given thereunder;

"Mortgage Deed" means the deed of mortgage entered into on or about the date hereof between the Borrower as mortgagor and the Security Trustee (as security trustee for and on behalf of the Beneficiaries);

"Mortgaged Property" means the freehold, leasehold or immovable property referred to in Schedule 1 (Details of Real Property) of the Mortgage Deed and any Fixtures from time to time situated on or forming part of such freehold or leasehold property and includes all Related Rights;
"Planning Acts" means the Town and Country Planning Acts 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990, the Planning and Compensation Act 1991 and any Act or Acts for the time being in force amending or re-enacting the same and any orders, regulations or permissions (which are legally binding upon the Borrower or its assets) made, issued or granted under or by virtue of such Acts or any of them;

"Premises" means all buildings and erections for the time being comprised within the definition of "Security Assets";

"Receiver" means a receiver and manager or (if the Security Trustee so specifies in the relevant appointment) a receiver;

"Related Rights" means, in relation to any asset charged or assigned pursuant to the Mortgage Deed and this Charge:

(a) the proceeds of sale of any part of that asset;

(b) all rights under any licence, agreement for sale or agreement for lease in respect of that asset;

(c) all rights, powers, benefits, claims, contracts, warranties, remedies, security, guarantees, indemnities or covenants for title in respect of that asset; and

(d) any moneys and proceeds paid or payable in respect of that asset;

"Secured Liabilities" means all present and future obligations and liabilities (whether actual or contingent) owed by the Borrower to the Beneficiaries or any of them under or in connection with any of the Finance Documents;

"Security Assets" means all assets, rights and property of the Borrower from time to time mortgaged or charged in favour of, or assigned (whether at law or in equity) to, the Security Trustee by or pursuant to this Charge or the Mortgage Deed;

"Security Document" means:

(a) each Fixed Charge;

(b) the Mortgage Deed;

(c) the Security Trust Deed;

(d) each other document guaranteeing or creating security for the obligations of the Borrower under any Finance Document to any Lender; and

(e) any document designated in writing as such by the Borrower and the Security Trustee,

and includes in each case any amendment or restatement thereof or supplement thereto;
"Security Interest" means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest, or any other agreement or arrangement having the effect of conferring security;

"Security Period" means the period beginning on the date hereof and ending on the date upon which the Security Trustee is satisfied that all the Secured Liabilities which have arisen or may arise have been unconditionally and irrevocably paid and discharged in full or the security hereby created has been unconditionally and irrevocably released and discharged; and

"Security Trust Deed" means the security trust deed dated [●] 2006 between Prudential Trustee Company Limited as security trustee, Sovereign Housing Association as borrower and National Westminster Bank Plc as agent.

1.2 Construction

1.2.1 In this Charge or, as applicable, the Mortgage Deed, unless the contrary intention appear, a reference to:

(a) "assets" includes properties, revenues and rights of every description;

an "authorisation" includes an authorisation, consent, approval, resolution, licence, exemption, filing and registration;

"insolvency laws" includes any liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws;

a "month" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month except that, if there is no numerically corresponding day in the month in the next calendar month, that period shall end on the last day in that calendar month;

a "receiver" includes any receiver, trustee, administrator or other similar official;

a "regulation" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but if not having the force of law, being of a kind that it is customary for the relevant person to comply with) of any governmental body, agency, department or regulatory, self-regulatory or other authority or organisation;

(b) a Clause or a sub-clause is a reference to a clause or sub-clause of this Charge or the Mortgage Deed;

(c) a law is a reference to that law as re-enacted, amended or replaced;

(d) a Finance Document or another document is a reference to that Finance Document or other document as amended, novated or supplemented; and
(e) any reference to the "Security Trustee", the "Beneficiaries" or the "Borrower" shall be construed so as to include its or their (and any subsequent) successors, permitted transferees or assigns in accordance with their respective interests.

1.2.2 Unless the contrary intention appears, a term used in any other Finance Document or in any notice given under, or in connection with, any Finance Document has the same meaning in this Charge or the Mortgage Deed as in that Finance Document or notice.

1.2.3 The index to and the headings in this Charge or the Mortgage Deed are for convenience only and are to be ignored in construing this Charge or the Mortgage Deed.

1.2.4 The terms of the documents under which the Secured Liabilities arise and of any side letters between the parties hereto in relation thereto are incorporated herein and to the Mortgage Deed to the extent required for any purported disposition of the Mortgaged Property contained herein to be a valid disposition in accordance with Section 2(1) of the Law of Property (Miscellaneous Provisions) Act 1989.

1.2.5 If the Security Trustee considers that an amount paid to the Security Trustee or any Lender for application in or towards repayment of the Secured Liabilities is capable of being avoided or otherwise set aside on the liquidation or administration of the Borrower or otherwise, then such amount shall not be considered to have been irrevocably paid for the purposes hereof.

1.2.6 A reference in this Charge to this Charge, any other Finance Document or another document is a reference to this Charge, that Finance Document or another document as amended, restated, supplemented or novated from time to time.

1.2.7 To the extent that the provisions of this Charge duplicate those of the Mortgage Deed, the provisions of the Mortgage Deed shall prevail.

1.2.8 A person who is not a party to this Fixed Charge has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Fixed Charge.

1.3 Certificates

A certificate of the Security Trustee setting forth the amount of any Secured Liability due from the Borrower shall be conclusive evidence of such amount against the Borrower in the absence of manifest error.

1.4 Mortgage Deed

It is agreed that the Mortgage Deed is supplemental to this Charge.
1.5 Defined terms in the Mortgage Deed

Unless a contrary indication appears, a term used in the Mortgage Deed or in any notice given under or in connection with any Mortgage Deed has the same meaning in that Mortgage Deed or notice as in this Charge.

1.6 Incorporation of provisions into the Mortgage Deed

Clauses 1.2 (Construction), 1.5 (Defined terms in the Mortgage Deed), 9 (Enforcement of Security), 10 (Receiver), 12 (No Liability as Mortgagee in Possession), 13 (Extension and Variation of the Law of Property Act 1925 and the Law of Property (Miscellaneous Provisions) Act 1994), 18 (Further Assurances), 20 (Power of Attorney) and 31 (Governing Law) of this Charge are incorporated into the Mortgage Deed as if expressly incorporated into that Mortgage Deed, as if references in those clauses to this Charge were references to the Mortgage Deed and as if all references in those clauses to Security Assets and Mortgaged Property were references to the assets of the Borrower from time to time charged in favour of, or assigned (whether at law or in equity) to the Security Trustee by or pursuant to the Mortgage Deed.

2. COVENANT TO PAY

2.1 Covenant

The Borrower hereby covenants with the Security Trustee for the benefit of itself and the Beneficiaries that it will pay or discharge the Secured Liabilities on the due date therefor in the manner provided in the relevant Finance Document. Any amount not paid hereunder when due shall bear interest (as well after as before judgement and payable on demand) at the Default Rate from the due date until the date such amount is unconditionally and irrevocably paid and discharged in full.

2.2 Right of appropriation

Upon and after the occurrence of an Enforcement Event which is continuing, the Security Trustee shall be entitled to appropriate moneys and/or assets to Secured Liabilities in such manner or order as it sees fit (subject to Clause 11 (Application of proceeds)) and any such appropriation shall override any appropriation by the Borrower.

3. FIXED CHARGES

3.1 The Borrower, with full title guarantee, as security for the payment of all Secured Liabilities, charges in favour of the Security Trustee for the benefit of itself and the Beneficiaries by way of first fixed charge:

3.1.1 all benefits in respect of the Insurances and all claims and returns of premiums in respect thereof;

3.1.2 the benefit of all present and future licences, consents and authorisations (statutory or otherwise) held in connection with the Security Assets and the
use of any of the Security Assets and the right to recover and receive all compensation which may at any time become payable to it in respect thereof; and

3.1.3 if and in so far as the legal mortgage set forth in the Mortgage Deed or the assignments set out in Clause 3.2 shall for any reason be ineffective as legal mortgages or assignments, the assets referred to in those clauses.

3.2 The Borrower, with full title guarantee, as security for payment of the Secured Liabilities assigns to the Security Trustee for the benefit of itself and the Beneficiaries all of its rights, title and interest in and to:

3.2.1 the personal agreements and covenants (still subsisting and capable of being enforced) by the tenants, lessees, licensees or other parties under the Letting Documents and by all guarantors and all security held by the Borrower from time to time, whether present or future, in respect of the obligations of the tenants, lessees, licences or other parties under the Letting Documents (including, without limiting the generality of the foregoing, all moneys due and owing to the Borrower or which may become due and owing to the Borrower at any time in the future in connection therewith);

3.2.2 all agreements now or from time to time entered into or to be entered into to enable the charging of the Security Assets and for the sale, let ting or other disposal or realisation of the whole or any part of the Security Assets (including, without limiting the generality of the foregoing, all moneys due and owing to the Borrower or which may become due and owing to the Borrower at any time in the future in connection therewith) and including any development agreements, contracts or warranties in relation to the Security Assets the benefit of which is or will be vested in the Borrower (so far as such are assignable),

PROVIDED ALWAYS that:

(a) until an Event of Default or Potential Event of Default has occurred and is continuing, the Borrower shall be entitled to exercise its rights under or in connection with the agreements and covenants referred to in sub-clause 3.2.1 and 3.2.2; and

(b) on payment or discharge of the Secured Liabilities, the Security Trustee will at the request and cost of the person lawfully requiring the Security Trustee so to do reassign the same and that prior to such payment or discharge upon being requested so to do by the Borrower and upon being provided with a full indemnity for its costs, the Security Trustee will either take such steps (including where appropriate the issue of proceedings) as the Borrower may require to enforce the terms of any of the agreements referred to in this sub-clause or, at the option of the Security Trustee, taking due regard of the representations made by the Borrower reassign the relevant agreement or the
rights of action accrued thereunder to the Borrower to the extent necessary to enable the Borrower to enforce the same; and

(c) the Agent shall not give any notice of assignment contained in this Clause 3.2 to any person (other than any landlord of property in respect of which the Borrower is a tenant) unless and until an Event of Default or Potential Event of Default has occurred and is continuing.

3.3 The Borrower shall execute and deliver to the Security Trustee a Mortgage Deed whereby the Borrower shall charge by way of legal mortgage the Mortgaged Property specified therein.

4. CONTINUING SECURITY, ETC.

4.1 Continuing security

The security constituted by this Charge and the Mortgage Deed shall be continuing and will extend to the ultimate balance of all sums payable by the Borrower under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

4.2 Reinstatement

4.2.1 Where any discharge (whether in respect of the obligations of the Borrower or any security for those obligations or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation or otherwise without limitation, the liability of the Borrower under this Charge and the Mortgage Deed shall continue as if the discharge or arrangement had not occurred.

4.2.2 The Security Trustee may concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

4.3 Immediate recourse

The Borrower waives any right it may have of first requiring the Security Trustee or any Lender to proceed against or enforce any other rights or security or claim payment from any other person before enforcing the security constituted hereby.

4.4 Additional security

This Charge and the Mortgage Deed is in addition to and is not in any way prejudiced by any other security now or hereafter held by the Security Trustee or any Lender.

5. REPRESENTATIONS AND WARRANTIES

5.1 To whom made
The Borrower makes the representations and warranties set out in the balance of this Clause 5 to the Security Trustee and each Lender.

5.2 Matters represented

5.2.1 The Mortgaged Property:

Save as disclosed in the relevant certificate of title:

(a) the Borrower is the sole legal and beneficial owner of the Security Assets;

(b) planning permission has been obtained or is deemed to have been granted in accordance with statute for the purposes of the Planning Acts and has been complied with in respect to any development and the existing use of the Mortgaged Property and the Planning Acts and all relevant building regulations or previously relevant building bylaws have been complied with in respect of all developments, alterations and improvements to the Mortgaged Property and they have also been complied with in respect of the use of the Mortgaged Property;

(c) there are no covenants, agreements, stipulations, reservations, conditions, interest, rights or other matters whatsoever affecting the Mortgaged Property which affect or are likely to affect the value of the Mortgaged Property taken as a whole;

(d) nothing has arisen or has been created or is subsisting which would be an overriding interest over the Mortgaged Property which affects or is likely to affect the value of the Mortgaged Property taken as a whole;

(e) no facilities necessary for the enjoyment and use of the Mortgaged Property are enjoyed by the Mortgaged Property on terms entitling any person to terminate or curtail its or their use which affects or is likely to affect the value of the Mortgaged Property taken as a whole;

(f) the Borrower has received no notice of any adverse claims by any person in respect of the ownership of the Mortgaged Property or any interest therein, nor has any acknowledgement been given to any person in respect thereof; and

(g) the Mortgaged Property will from the date hereof be free from any tenancies or licences other than those permitted under the Facility Agreement or this Charge.

5.2.2 Security: Subject to registration at the Land Registry, this Charge and the Mortgage Deed create those Security Interests they purport to create ranking as set out above and are not liable to be avoided or otherwise set aside on the liquidation or administration of the Borrower or otherwise.
5.2.3 *Environment:* The Borrower hereby represents that:

(a) it is in compliance in all material respects with any applicable Environmental Law relating in any way to the Mortgaged Property to the extent only where such non-compliance would, in the opinion of the Majority Lenders, be reasonably likely to have a material adverse effect on the business, property or financial condition of the Borrower or the ability of the Borrower to perform its obligations under the Finance Documents;

(b) it is in compliance in all material respects with the terms of all Environmental Permits which are necessary or desirable and which relate in any way to the Mortgaged Property; and

(c) it shall forthwith on becoming aware of the same notify the Security Trustee of any Environmental Contamination which affects the Mortgaged Property and its proposals (if any) for remediying the Environmental Contamination.

5.3 **Times for making representations and warranties**

The representations and warranties set out in this Clause 5 are made on the date hereof and are deemed to be repeated on the date of each Request, at the time a Loan is made and on the first day of each Interest Period with reference to the facts and circumstances then existing.

6. **UNDERTAKINGS**

6.1 **Duration and with whom made**

The Undertakings in this Clause 6:

6.1.1 shall remain in force throughout the Security Period; and

6.1.2 are given by the Borrower to the Security Trustee and each Lender.

6.2 **Maintenance of Property**

The Borrower will:

6.2.1 **Repair:** in accordance with applicable Housing Corporation guidance, keep the Premises in good and tenantable repair and condition and adequately and properly painted and decorated and keep the Fixtures and all plant, machinery, implements and other effects for the time being owned by it and which are in or upon the Premises or elsewhere in a good state of repair and in good working order and condition (save for fair wear and tear).

6.2.2 **Insurance:** insure and keep insured and procure the insurance of the Premises, Fixtures and all its other assets of an insurable nature therein against loss or damage by fire, explosion, aircraft and other risks normally
insured against by persons carrying on the same class of business as that carried on by it at that time and such other risks as the Security Trustee shall from time to time in writing require in a sum or sums not less than the replacement value thereof (meaning the total cost of entirely rebuilding, reinstating or replacing the Premises and such other assets in the event of their being completely destroyed together with architects' and surveyors' fees, liabilities to employees and third parties and contingencies arising under any Act and common law) less such excesses as is usual for Registered Social Landlords and such other amount in respect of loss of rent as shall be acceptable to the Security Trustee and effect and maintain, to the satisfaction of the Security Trustee, insurance against such other risks as the Security Trustee shall require. All moneys which may at any time hereafter be received or receivable under any insurance in respect of the Premises or such other assets whether or not effected pursuant to the foregoing provisions shall be applied in replacing, restoring or reinstating the Premises or assets destroyed or damaged or in such manner as the Security Trustee and the Borrower may agree or, after the occurrence of an Event of Default if the Security Trustee so directs and the terms of the relevant insurances so permit, in or towards satisfaction of the Secured Liabilities;

6.2.3 Noting of Interest: procure that a note of the Security Trustee's and the Beneficiaries' interest (in a manner satisfactory to the Security Trustee) is endorsed upon all policies of insurance (except to the extent that such insurance is effected in the joint names of the Borrower and the Security Trustee and, as appropriate, any third party) which shall at any time during the subsistence of this security be effected, maintained or held by the Borrower or any person on its behalf pursuant to sub-clause 6.2.2 and procure that the policies provide that the policies of insurance will not be terminated or otherwise allowed to lapse unless 14 days' prior notice is given to the Security Trustee;

6.2.4 Maintenance of Insurances: not do or knowingly permit anything to be done in or upon or relating to the Mortgaged Property or any part thereof which may make void or voidable any Insurance in connection therewith;

6.2.5 Premiums: promptly pay all premiums and do all other things necessary to keep all of the Insurances in force and, on demand by the Security Trustee, produce to the Security Trustee the policy, certificate or cover note relating to each Insurance (as requested by the Security Trustee) and of the receipt for the payment of each such premium;

6.2.6 Compliance with leases: pay (if it is the lessee) the rents reserved by and (in any event) perform and observe all the covenants, agreements and stipulations on the part of the Borrower contained in any lease or leases comprised within the Mortgaged Property and not to do or suffer to be done any act or thing whereby the said lease or leases may become liable to forfeiture or otherwise
be determined provided that if a notice pursuant to Section 146 of the Law of Property Act 1925 is served on the Borrower the Borrower shall promptly inform the Security Trustee;

6.2.7 Taxes and outgoings: pay as and when the same shall become payable all Taxes, rates, duties, charges, assessments and outgoings whatsoever (whether parliamentary, parochial, local or of any other description) which shall be assessed, charged or imposed upon or payable in respect of the Mortgaged Property or any part thereof (but not in respect of the occupier thereof where the Borrower is not the occupier);

6.2.8 User: use the Mortgaged Property only for such purpose or purposes as may for the time being be authorised as the permitted use or user thereof under or by virtue of the Planning Acts;

6.2.9 Notices: within 7 days after the receipt by the Borrower of any application, requirement, order or notice served or given by any public or local or any other authority in relation to the Mortgaged Property or any part thereof where the cost of compliance with that application, requirement, order or notice when aggregated with others outstanding at that time is in excess of £50,000, give written notice thereof to the Security Trustee and also (within seven days after demand) produce the same or a copy thereof to the Security Trustee and inform it of the steps taken or proposed to be taken to comply with any such requirement thereby made or implicit therein;

6.2.10 Statutes: duly and punctually perform and observe all its obligations in connection with the Security Assets under any present or future statute or any regulation, order or notice made or given thereunder;

6.2.11 Leases:

(a) not without the previous consent in writing of the Security Trustee grant or agree to grant (whether in exercise or independently of any statutory power) any lease or tenancy of the Mortgaged Property or any part thereof or accept a surrender of any lease or tenancy or confer upon any person any contractual licence or right to occupy the Mortgaged Property other than in the form of the Approved Tenancy Agreement or on terms which confer no fewer rights on the Borrower as the lessor or licensor and impose no obligations on the Borrower additional to those set out in the Approved Tenancy Agreement and provided, on request by the Security Trustee, it notifies the Security Trustee of all leases, tenancies, licences or rights to occupy granted or surrendered by it and if so requested by the Security Trustee provided it sends a copy thereof to the Security Trustee forthwith upon request;

(b) not without the prior written consent of the Security Trustee accept or agree to accept the surrender or alteration of any of the Letting
Documents which affects or is likely to affect the value of the Mortgaged Property and observe and perform all the covenants, conditions, agreements and obligations on its part in all material respects;

(c) enforce and not to waive or release the covenants, conditions, agreements and obligations contained in or imposed by any of the Letting Documents or any guarantee in respect of the obligations of the tenants, lessees, licensees or other parties thereunder which affects or is likely to affect the value of the Mortgaged Property;

(d) at any time after an Event of Default has occurred which is continuing issue irrevocable instructions to the other parties to any Letting Document to pay rents and sums due under any Letting Document to the Security Trustee or into such accounts as the Security Trustee may require; and

(e) deliver to the Security Trustee within fourteen days of reasonable demand full particulars of all agreements, leases, tenancies or licences to occupy affecting the Mortgaged Property however remote or inferior;

6.2.12 The Land Registry: in respect of any freehold or leasehold property which is hereafter acquired by the Borrower and which is part of the Mortgaged Property the title to which is registered at the Land Registry or the title to which is required to be so registered, give such Registry written notice of the Mortgage Deed and procure that notice of these presents is duly noted in the Register to each such title;

6.2.13 Deposit of title deeds: subject to the Facility Agreement, deposit with the Security Trustee all deeds and documents of title relating to the Security Assets (and it is hereby agreed that the Security Trustee shall be entitled to hold the same during the Security Period) except to the extent that any such Security Assets (a) are sold pursuant to the terms of the Right to Buy or (b) are released by the Security Trustee pursuant to the terms of Clause 16.16.2 (Maintenance of Value) of the Facility Agreement.

6.2.14 Access: duly and punctually perform and observe all covenants and stipulations restrictive or otherwise affecting all or any part of the Mortgaged Property and indemnify the Security Trustee and each Lender in respect of any breach thereof and permit the Security Trustee and any person nominated by it at all times (provided that reasonable notice has been given by the Security Trustee) to enter upon the Mortgaged Property and view the state of the same at reasonable times;

6.2.15 Investigation of title: after the occurrence of an Event of Default or a Potential Event of Default which is continuing, grant the Security Trustee or its lawyers on request all such facilities within the power of the Borrower to enable such lawyers to carry out investigations of title to the Mortgaged
Property and other property which is or may be subject to this security and enquiries into matters in connection therewith as may be carried out by a prudent mortgagee. Such investigations and enquiries shall be at the expense of the Borrower;

6.2.16 Report on title: after the occurrence of an Event of Default or a Potential Event of Default which is continuing and only to the extent that no investigation of title has been conducted pursuant to sub-clause 6.2.15, forthwith on demand by the Security Trustee provide the Security Trustee with a solicitor's report in a form acceptable to the Security Trustee as to the title of the Borrower to the Mortgaged Property and other property which is or may be subject to this security and related matters concerning the items which a prudent mortgagee would properly require in a solicitor's report of this nature; and

6.2.17 Environment: the Borrower will at all times while there shall subsist any security constituted by or pursuant to this Fixed Charge:-

(a) comply in all material respects with any applicable Environmental Law relating in any way to the Mortgaged Property to the extent only where such non-compliance would, in the opinion of the Majority Lenders, be reasonably likely to have a material adverse effect on the business property or financial condition of the Borrower or the ability of the Borrower to perform its obligations under the Finance Documents;

(b) comply in all material respects with the terms of all Environmental Permits which are necessary or desirable and which relate in any way to the Mortgaged Property; and

(c) forthwith on becoming aware of the same notify the Security Trustee of any Environmental Contamination which affects the Mortgaged Property and its proposals (if any) for remediating the Environmental Contamination.

6.3 Negative Pledge and Disposals

6.3.1 The Borrower shall not create or permit to subsist any Security Interest on any of the Mortgaged Property save as permitted under sub-clause 16.7.2(b) (Negative Pledge) of the Facility Agreement.

6.3.2 The Borrower shall not sell, transfer, grant or lease or otherwise dispose of all or any part of the Security Assets other than any disposal of plant and machinery charged pursuant to sub-clause 3.2.2(a) for the purpose of improvement and replacement or as permitted under the Facility Agreement.
7. **POWER TO REMEDY**

In case of default by the Borrower in repairing or keeping in repair or insuring the Mortgaged Property or any part thereof or in observing or performing any of the covenants or stipulations affecting the same, the Borrower will permit the Security Trustee or its agents and contractors to enter on the Mortgaged Property and to comply with or object to any notice served on the Borrower in respect of the Mortgaged Property and to effect such repairs or insurance or generally do such things or pay all such costs, charges and expenses as the Security Trustee may consider necessary or desirable to prevent or remedy any breach of covenant or stipulation or to comply with or object to any notice. The Borrower will indemnify and keep the Security Trustee indemnified against all losses, costs, charges and expenses incurred in connection with the exercise of the powers contained in this Clause 7.

8. **WHEN SECURITY BECOMES ENFORCEABLE**

The security hereby conferred shall become immediately enforceable and the power of sale and other powers conferred by Section 101 of the Law of Property Act 1925 as varied or amended by this Charge shall be immediately exercisable upon and after an Enforcement Event has occurred. After the security constituted hereby has become enforceable, the Security Trustee may enforce all or any part of such security in such manner as the Lenders direct subject to the terms of the Finance Documents.

9. **ENFORCEMENT OF SECURITY**

**General**

For the purposes of all powers implied by statute the Secured Liabilities shall be deemed to have become due and payable on the date hereof and Section 103 of the Law of Property Act 1925 (restricting the power of sale) and Section 93 of the same Act (restricting the right of consolidation) shall not apply to this security. The statutory powers of leasing conferred on the Security Trustee shall be extended so as to authorise the Security Trustee to lease, make agreements for leases, accept surrenders of leases and grant options as the Security Trustee shall think fit and without the need to comply with any of the provisions of Sections 99 and 100 of the said Act.

10. **RECEIVER**

10.1 **Appointment of Receiver**

10.1.1 At any time after this security becomes enforceable or if the Borrower so requests the Security Trustee in writing at any time, the Security Trustee may without further notice appoint under seal or in writing under its hand any one or more qualified persons to be a Receiver of all or any part of the Security Assets in like manner in every respect as if the Security Trustee had become entitled under the Law of Property Act 1925 to exercise the power of sale thereby conferred.
10.2 Powers of Receiver

Every Receiver appointed in accordance with Clause 10.1 (Appointment of Receiver) shall have and be entitled to exercise all of the powers set out below. The powers referred to above are:

10.2.1 Take possession: to take immediate possession of, get in and collect the Security Assets or any part thereof;

10.2.2 Protection of assets: to make and effect all repairs and insurances and do all other acts which the Borrower might do in the ordinary conduct of its business as well for the protection as for the improvement of the Security Assets and to commence and/or complete any building operations on the Mortgaged Property and to apply for and maintain any planning permissions, building regulation approvals and any other permissions, consents or licences, in each case as he may in his absolute discretion think fit;

10.2.3 Borrow Money: for the purpose of exercising any of the powers, authorities and discretions conferred on him by or pursuant to this Charge and/or of defraying any costs, charges, losses or expenses (including his remuneration) which shall be incurred by him in the exercise thereof or for any other purpose, to raise and borrow money either unsecured or on the security of the Security Assets or any part thereof either in priority to the security constituted by this Charge or otherwise and generally on such terms and conditions as he may think fit and no person lending such money shall be concerned to enquire as to the propriety or purpose of the exercise of such power or to see to the application of any money so raised or borrowed;

10.2.4 Sell assets: to sell, exchange, convert into money and realise all or any part of the Security Assets by public auction or private contract and generally in such manner and on such terms as he shall think proper. Without prejudice to the generality of the foregoing he may do any of these things for a consideration consisting of cash, debentures or other obligations, shares, stock or other valuable consideration and any such consideration may be payable in a lump sum or by instalments spread over such period as he may think fit. Fixtures, other than landlords fixtures, may be severed and sold separately from the property containing them without the consent of the Borrower;

10.2.5 Leases: to let all or any part of the Security Assets for such term and at such rent (with or without a premium) as he may think proper and to accept a surrender of any lease or tenancy thereof on such terms as he may think fit (including the payment of money to a lessee or tenant on a surrender);
10.2.6 **Compromise:** to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions and demands with or by any person who is or claims to be a creditor of the Borrower or relating in any way to the Security Assets or any part thereof;

10.2.7 **Legal Actions:** to bring, prosecute, enforce, defend and abandon all such actions, suits and proceedings in relation to the Security Assets or any part thereof as may seem to him to be expedient;

10.2.8 **Receipts:** to give valid receipts for all moneys and execute all assurances and things which may be proper or desirable for realising the Security Assets;

10.2.9 **Insolvency Act 1986 and Law of Property Act 1925:** (a) all the powers (as varied and extended by the provisions hereof) conferred by the Insolvency Act 1986 on mortgagees in possession, Administrators, Receivers and Administrative Receivers (as defined therein); and (b) all such other acts and things as any Receiver may consider desirable or necessary for realising the Security Assets or any part thereof or incidental or conducive to any of the matters, powers or authorities conferred on a Receiver under or by virtue of this Charge, to exercise in relation to the Security Assets or any part thereof all such powers, authorities and things as he would be capable of exercising if he were the absolute beneficial owner of the same and to use the name of the Borrower for all or any of such purposes;

10.2.10 **Repairs:** power to undertake, effect or complete any work of repair, maintenance, modification, redecoration, improvement, fitting out and furnishing of the Mortgaged Property or any part thereof;

10.2.11 **Planning and Environment:** power to apply for and obtain any planning permissions, building regulation approvals, environmental permits and any other permissions, consents or licences in relation to the Security Assets or any part thereof;

10.2.12 **Services:** power to provide all services (including, without limitation, heating, lighting and cleansing) which may be deemed expedient in relation to the occupation or management of the Mortgaged Property;

10.2.13 **Contracts:** power to enter into, perform, repudiate, rescind, vary, modify, assign, sub-let or novate any contract or agreement, option agreement, agreement for lease, building contract or professional appointment or otherwise for or which relates in any way to the Security Assets and to appoint, hire and employ and remunerate such contractors, advisers, professionals, agents, servants, attendants, managers, officers, workmen and others upon such terms and at such salaries, fees or remuneration and generally in such manner as he shall think fit and to discharge such persons; and
10.2.14 Acquire additional property: power to acquire any interest in any real or personal property which he may consider necessary or desirable to acquire in order to maintain or enhance the value of the Security Assets or any part thereof and to grant or surrender, easements, covenants and licences and to make exchanges and to enter into any agreements for the revision of boundaries.

10.3 Removal and remuneration

The Security Trustee may from time to time by writing under its hand remove any Receiver appointed by it and may, whenever it may deem it expedient, appoint a new Receiver in the place of any Receiver whose appointment may for any reason have terminated and may from time to time fix the remuneration of any Receiver appointed by it. The Security Trustee will consider any request from the Borrower to remove any Receiver appointed by it provided the Borrower can show, to the satisfaction of the Security Trustee, that failure to remove such Receiver would be prejudicial to the proper realisation or disposal of the Borrower's assets or that the Receiver in carrying out his appointment hereunder, is prejudicing the Borrower's registration with the Housing Corporation.

10.4 Security Trustee may exercise

To the fullest extent permitted by law, all or any of the powers, authorities and discretions which are conferred by this Charge (either expressly or impliedly) upon a Receiver of the Security Assets may be exercised after the security hereby created becomes enforceable by the Security Trustee in relation to the whole of such Security Assets or any part thereof without first appointing a Receiver of such property or any part thereof or notwithstanding the appointment of a Receiver of such property or any part thereof.

11. APPLICATION OF PROCEEDS

Any moneys received by the Security Trustee or by any Receiver appointed by it pursuant to this Charge, the Mortgage Deed and/or under the powers hereby conferred shall, after the security hereby constituted shall have become enforceable but subject to the payment of any claims having priority to this security and to the Security Trustee's and such Receiver's rights under Clause 10.2 (Powers of Receiver) be applied by the Security Trustee for the following purposes and, unless otherwise determined by the Security Trustee or such Receiver, in the following order or priority (but without prejudice to the right of the Security Trustee or any Lender to recover any shortfall from the Borrower):

11.1.1 in satisfaction of or provision for all costs, charges and expenses incurred and payments made by the Security Trustee or any Receiver appointed hereunder and of all remuneration due hereunder together with interest on the foregoing (as well after as before judgment) and payable on demand at the Default Rate
from the date the same become due and payable by the Borrower until the date
the same are unconditionally and irrevocably paid and discharged in full;

11.1.2 in or towards payment of the Secured Liabilities or such part of them as is
then due and payable; and

11.1.3 in payment of the surplus (if any) to the Borrower or other person entitled
thereto.

12. NO LIABILITY AS MORTGAGEE IN POSSESSION

The Security Trustee shall not nor shall any Receiver appointed as aforesaid by reason
of it or the Receiver entering into possession of the Security Assets or any part thereof
be liable to account as mortgagee in possession or be liable for any loss on realisation
or for any default or omission for which a mortgagee in possession might be liable.
Every Receiver duly appointed by the Security Trustee under the powers in that behalf
herein contained shall be deemed to be the agent of the Borrower for all purposes and
shall as such agent for all purposes be deemed to be in the same position as a Receiver
duly appointed by a mortgagee under the Law of Property Act 1925. The Borrower
alone shall be responsible for his contracts, engagements, acts, omissions, defaults and
losses and for liabilities incurred by him and neither the Security Trustee nor any
Lender shall incur any liability therefor (either to the Borrower or to any other person
whatever) by reason of the Security Trustee’s making his appointment as such
Receiver or for any other reason whatsoever. Every such Receiver and the Security
Trustee shall be entitled to all the rights, powers, privileges and immunities by the said
Act conferred on mortgagees and receivers when such receivers have been duly
appointed under the said Act but so that Section 103 of that Act shall not apply.

13. EXTENSION AND VARIATION OF THE LAW OF PROPERTY ACT 1925 AND THE
LAW OF PROPERTY (MISCELLANEOUS PROVISIONS) ACT 1994

13.1 The statutory powers of leasing, letting, entering into agreement for leases or lettings
and accepting and agreeing to accept surrenders of leases conferred by Sections 99 and
100 of the said Act shall be exercisable by the Security Trustee at any time after the
Security Trustee shall have demanded the payment or discharge by the Borrower of all
or any of the Secured Liabilities and, whether or not the Security Trustee shall then be
in possession of the premises proposed to be leased, so as to authorise the Security
Trustee to make a lease or agreement for lease of a premium and for any length of
term and generally without any restriction on the kinds of leases and agreements for
lease that the Security Trustee may make and generally without the necessity for the
Security Trustee to comply with any restrictions imposed by or the other provisions of
the said Sections 99 and 100. The Security Trustee may delegate such powers to any
person and no such delegation shall preclude the subsequent exercise of such powers by
the Security Trustee itself or preclude the Security Trustee from making a subsequent
delegation thereof to some other person; and any such delegation may be revoked.

13.2 The restriction on the right of consolidating mortgage securities contained in Section 93
of the Law of Property Act 1925 shall not apply to this Fixed Charge.
13.3 The covenants set out in Sections 3(1), 3(2) and 6(2) of the Law of Property (Miscellaneous Provisions) Act 1994 will not extend to Clause 3 (Fixed Charges). It shall be implied in respect of clause 3 that the Borrower is disposing of the Charged Property free from all charges and incumbrances (whether monetary or not) and from all other rights exercisable by third parties (including liabilities imposed and rights conferred by or under any enactment).

14. PROTECTION OF THIRD PARTIES
No purchaser, mortgagee or other person or company dealing with the Security Trustee or the Receiver or its or his agents shall be concerned to enquire whether the Secured Liabilities have become payable or whether any power which the Receiver is purporting to exercise has become exercisable or whether any money remains due under the Finance Documents or to see to the application of any money paid to the Security Trustee or to such Receiver.

15. EXPENSES
All costs, charges and expenses incurred and all payments made by the Security Trustee or any Receiver appointed hereunder in the lawful exercise of the powers hereby conferred whether or not occasioned by any act, neglect or default of the Borrower shall carry interest (before as well as after judgment) at the Default Rate from the date of the same becoming payable by the Borrower until the date the same are unconditionally and irrevocably paid and discharged in full. The amount of all such costs, charges, expenses and payments and all such interest thereon and all remuneration payable hereunder shall be payable by the Borrower on demand. All such costs, charges, expenses and payments shall be paid and charged as between the Security Trustee and the Borrower on the basis of a full indemnity and not on the basis of party and party or any other kind of taxation.

16. INDEMNITY
The Security Trustee and the Beneficiaries and every Receiver, attorney, manager, agent or other person appointed by the Security Trustee hereunder shall be entitled to be indemnified out of the Security Assets in respect of all liabilities and expenses properly incurred by them in the execution or purported execution of any of the powers, authorities or discretions vested in them pursuant hereto and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to the Security Assets and the Security Trustee, the Beneficiaries and any Receiver may retain and pay all sums in respect of the same out of any moneys received under the powers hereby conferred.

17. DELEGATION BY SECURITY TRUSTEE
The Security Trustee may at any time and from time to time delegate by power of attorney or in any other manner to any person or persons all or any of the powers, authorities and discretions which are for the time being exercisable by the Security Trustee under this Charge or the Mortgage Deed in relation to the Security Assets or
any part thereof. Any such delegation may be made upon such terms and subject to such regulations as the Security Trustee may think fit. The Security Trustee shall not be in any way liable or responsible to the Borrower for any loss or damage arising from any act, default, omission or misconduct on the part of any such delegate or sub-delegate.

18. **FURTHER ASSURANCES**

18.1 The covenant set out in Section 2(1)(b) of the Law of Property (Miscellaneous Provisions) Act 1994 shall extend to include the obligations set out in Clause 18.2 below.

18.2 The Borrower shall at its own expense execute and do all such assurances, acts and things as the Security Trustee may require for perfecting or protecting the security intended to be created hereby over the Security Assets or any part thereof or for facilitating the realisation of the Security Assets or any part thereof and in the exercise of all powers, authorities and discretions vested in the Security Trustee or any Receiver of the Security Assets or any part thereof or in any such delegate or sub-delegate as aforesaid. To that intent, the Borrower shall in particular execute all transfers, conveyances, assignments (whether legal or equitable) and assurances of such property whether to the Security Trustee or to its nominees and give all notices, orders and directions and make all registrations which the Security Trustee may think expedient and obtain all necessary consents to procure the registration of this Legal Charge at the Land Registry.

18.3 **Legal Charge**

Without prejudice to the generality of Clause 18.2, the Borrower will forthwith at the request of the Security Trustee execute a legal mortgage, charge or assignment over all or any of the Security Assets subject to or intended to be subject to any fixed security hereby created in favour of the Security Trustee (as agent and trustee as aforesaid) in such form as the Security Trustee may require.

19. **REDEMPTION OF PRIOR MORTGAGES**

The Security Trustee may, at any time after the security hereby constituted has become enforceable, redeem any prior Security Interest against the Security Assets or any part thereof or procure the transfer thereof to themselves and may settle and pass the accounts of the prior mortgagee, chargee or encumbrancer. Any accounts so settled and passed shall be conclusive and binding on the Borrower save for manifest error. All principal moneys, interest, costs, charges and expenses of and incidental to such redemption and transfer shall be paid by the Borrower to the Security Trustee on demand.
20. **POWER OF ATTORNEY**

20.1 **Appointment**

The Borrower hereby by way of security and in order more fully to secure the performance of its obligations hereunder irrevocably appoints the Security Trustee and every Receiver of the Security Assets or any part thereof appointed hereunder and every such delegate or sub-delegate as aforesaid to be its attorney acting severally, and on its behalf and in its name or otherwise to execute and do all such assurances, acts and things which the Borrower ought to do under the covenants and provisions contained in this Charge (including, without limitation, to make any demand upon or to give any notice or receipt to any person owing moneys to the Borrower and to execute and deliver any charges, legal mortgages, assignments or other security and any transfers of securities) and generally in its name and on its behalf to exercise all or any of the powers, authorities and discretions conferred by or pursuant to this Charge or by statute on the Security Trustee or any such Receiver, delegate or sub-delegate and (without prejudice to the generality of the foregoing) to seal and deliver and otherwise perfect any deed, assurance, agreement, instrument or act which it or he may deem proper in or for the purpose of exercising any of such powers, authorities and discretions.

20.2 **Ratification**

The Borrower hereby ratifies and confirms and agrees to ratify and confirm whatever any such attorney as is mentioned in Clause 20.1 (Appointment) shall do or purport to do in good faith in the exercise or purported exercise of all or any of the powers, authorities and discretions referred to in such.

21. **NEW ACCOUNTS**

If the Security Trustee or any Lender receives or is deemed to be affected by notice whether actual or constructive of any subsequent charge or other interest affecting any part of the Security Assets and/or the proceeds of sale thereof, the Security Trustee or such Lender may open an interest bearing new account or accounts with the Borrower. If the Security Trustee or such Lender (as the case may be) does not open an interest bearing new account it shall nevertheless be treated as if it had done so at the time when it received or was deemed to have received notice and as from that time all payments made to the Security Trustee or such Lender shall be credited or be treated as having been credited to the new account and shall not operate to reduce the amount for which this Charge or the Mortgage Deed is security.

22. **STAMP DUTIES**

The Borrower shall pay and, forthwith on demand, indemnify the Security Trustee and each Lender against any liability it incurs in respect of any stamp, registration and similar Tax which is or becomes payable in connection with the entry into, performance or enforcement of this Charge or the Mortgage Deed.
23. **WAIVERS, REMEDIES CUMULATIVE**

23.1.1 The rights of the Security Trustee and each Lender under this Charge or the Mortgage Deed:

(a) may be exercised as often as necessary;

(b) are cumulative and not exclusive of its rights under general law; and

(c) may be waived only in writing and specifically.

Delay in exercising or non-exercise of any such right is not a waiver of that right.

23.1.2 The Security Trustee may waive any breach by the Borrower of any of the Borrower's obligations under the Finance Documents if so instructed by the Majority Lenders provided that any exceptions referred to in the Facility Agreement shall require the consent of each Finance Party.

24. **SET-OFF**

**General**

Following the occurrence of an Enforcement Event the Security Trustee and each Lender may (to the extent that the same is beneficially owned by it) set-off any obligation due and payable (but unpaid) by the Borrower under the Finance Documents against any obligation (whether or not matured) owed by the Security Trustee or such Lender (as the case may be) to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Security Trustee or such lender (as the case may be) may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. The Security Trustee or such lender exercising its right of set-off hereunder shall notify the Borrower and the Agent promptly of the exercise of such right.

25. **TIME DEPOSITS**

Without prejudice to Clause 24 (Set-Off), if any time deposit matures on any account the Borrower has with the Security Trustee or any Lender at a time within the Security Period when:

25.1.1 this security has become enforceable; and

25.1.2 no amount of the Secured Liabilities is due and payable,

such time deposit shall automatically be renewed for such further maturity as the Security Trustee or such lender in its absolute discretion considers appropriate unless the Security Trustee or such Lender (as the case may be) otherwise agrees in writing.
26. **SEVERABILITY**

If a provision of this Charge or the Mortgage Deed is or becomes illegal, invalid or unenforceable, that shall not affect the validity or enforceability of any other provision of this Charge or the Mortgage Deed.

27. **COUNTERPARTS**

This Charge may be executed in any number of counterparts and this will have the same effect as if the signatures on the counterparts were on a single copy of this Charge.

28. **NOTICES**

28.1 **Giving of Notices**

All notices under, or in connection with, this Charge and the Mortgage Deed shall be given in writing or by fax. Any such notice is deemed to be given as follows:

28.1.1 if in writing when delivered (delivery shall be deemed to be immediate if by hand or two days after posting if sent by first class post); or

28.1.2 if by fax when received (provided that all of it is legible).

However, a notice given in accordance with the above but received on a non Business Day or after business hours in the place of receipt is deemed to be given on the next Business Day in that place.

28.2 **Addresses for notices**

The address and facsimile number of the Borrower and the Security Trustee for all notices under, or in connection with, this Charge and the Mortgage Deed are:

28.2.1 in the case of the Borrower:

**SOVEREIGN HOUSING ASSOCIATION**

Address: 17-24 Bartholomew Street
Newbury
Berkshire
RG14 5LL

Facsimile: 01635 37690
Attention: Group Finance Director
28.2.2 in the case of the Security Trustee:

PRUDENTIAL TRUSTEE COMPANY LIMITED

Address: Laurence Pountney Hill
          London
          EC4R 0HH

Facsimile: +44 207 548 3883
Attention: Corporate Trust Manager

or, in each case, such other details as one may notify the other in writing.

29. **THE LAND REGISTRY**

In respect of the Security Assets the title to which is or is to be registered at the Land Registry and in respect of any other registered title(s) against which the Mortgage Deed may be noted:

29.1.1 the Borrower hereby consents to an application being made to the Land Registry to enter the following restriction in the Proprietorship Register of any registered land forming part of the Charged Property:

"No disposition (in particular no transfer, charge, mortgage or lease) of the registered estate by the proprietor of the registered estate by the proprietor of any future registered charge is to be completed by registration without a written consent signed by the proprietor for the time being of the charge dated [ ] in favour of Prudential Trustee Company Limited in its capacity as trustee for the Beneficiaries referred to in the Charges Register";

29.1.2 in the event that the Lenders (as defined in the Charge) make any further advance to the Borrower such advance will be deemed to be incorporated in this Fixed Charge as if set out herein;

29.1.3 The Borrower hereby consents to an application being made to the Land Registry to enter the obligation to make any further advances on the Charges Register of any registered land forming part of the Charged Property and to lodge the relevant Land Registration forms;

29.1.4 the land charged is held by or in trust for a charity by the proprietor and the charity is not an exempt charity but the charge is one falling within Paragraph (a) of Section 36(9) of the Charities Act 1993.

30. **RELEASE**

Upon the expiry of the Security Period, or otherwise as provided in the Facility Agreement, the Security Trustee shall, at the request and cost of the Borrower, take whatever action is necessary to release and to reassign to the Borrower the Security Assets from the security constituted by this Charge and the Mortgage Deed.
31. GOVERNING LAW

This Charge shall be governed by and construed in accordance with English law.

IN WITNESS whereof this Charge has been duly executed as a deed on the date first above written.
SIGNATORIES TO CHARGE

THE COMMON SEAL OF
SOVEREIGN HOUSING ASSOCIATION LIMITED

Was hereunto affixed in the presence of

........................................
Authorised Signatory

........................................
Authorised Signatory/Secretary

Address: 17-24 Bartholomew Street
          Newbury
          Berkshire
          RG14 5LL

Fax: 01635 37690
Attention: Group Finance Director

The common seal of
PRUDENTIAL TRUSTEE COMPANY LIMITED
was affixed in the presence of:

........................................
Sealing Officer

Address: Laurence Pountney Hill
          London EC4R 0HH

Fax: +44 (0) 207 548 3883
Attention: Corporate Trust Manager
SCHEDULE 5
FORM OF MORTGAGE DEED

DATED [*] 2006

SOVEREIGN HOUSING ASSOCIATION
AND
PRUDENTIAL TRUSTEE COMPANY LIMITED
AS SECURITY TRUSTEE

____________________________________

FORM OF MORTGAGE DEED
<table>
<thead>
<tr>
<th>CLAUSE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Definitions</td>
<td>62</td>
</tr>
<tr>
<td>2. Fixed Security</td>
<td>62</td>
</tr>
<tr>
<td>3. Implied Covenants For Title</td>
<td>63</td>
</tr>
<tr>
<td>4. Application To The Land Registry</td>
<td>63</td>
</tr>
<tr>
<td>5. Further Advances</td>
<td>63</td>
</tr>
<tr>
<td>6. Release Of Security</td>
<td>63</td>
</tr>
<tr>
<td>7. Charity</td>
<td>64</td>
</tr>
<tr>
<td>8. Third Party Rights</td>
<td>64</td>
</tr>
<tr>
<td>9. Governing Law</td>
<td>64</td>
</tr>
<tr>
<td>10. Counterparts</td>
<td>64</td>
</tr>
<tr>
<td>Schedule 1 Details of Mortgaged Property</td>
<td>65</td>
</tr>
</tbody>
</table>
THIS MORTGAGE DEED is made on [*] 2006.

BY:

(1) SOVEREIGN HOUSING ASSOCIATION LIMITED a charitable housing association registered under the Industrial and Provident Societies Act 1965 with the registered number 26480R (the "Borrower"); and

(2) PRUDENTIAL TRUSTEE COMPANY LIMITED as trustee of the security constituted under this deed for the Beneficiaries (the "Security Trustee").

BACKGROUND:

It is intended by the parties hereto that this document shall take effect as a deed notwithstanding the fact that one of the parties hereto may only execute this document under hand.

IT IS AGREED as follows:

1. DEFINITIONS

In this Mortgage Deed, unless the context otherwise requires:

"Mortgaged Property" means:

(a) the freehold, leasehold or immovable property referred to in Schedule 1 (Details of Mortgaged Property); and

(b) any Fixtures from time to time situated on or forming part of such freehold or leasehold property.

and includes all Related Rights.

"Related Rights" means, in relation to the Mortgaged Property:

(a) the proceeds of sale of any part of the Mortgaged Property;

(b) all rights under any licence, agreement for sale or agreement for lease in respect of the Mortgaged Property or part thereof;

(c) all rights, powers, benefits, claims, contracts, warranties, remedies, security, guarantees, indemnities or covenants for title in respect of the Mortgaged Property or part thereof; and

(d) any moneys and proceeds paid or payable in respect of the Mortgaged Property or part thereof.

2. FIXED SECURITY

The Borrower hereby charges with full title guarantee in favour of the Security Trustee as trustee for the Beneficiaries for the payment and discharge of the Secured
Liabilities, by way of first legal mortgage all the Borrower's right, title and interest from time to time in the Mortgaged Property.

3. **IMPLIED COVENANTS FOR TITLE**

3.1.1 The covenants set out in Sections 3(1), 3(2) and 6(2) of the Law of Property (Miscellaneous Provisions) Act 1994 will not extend to Clause 2 (Fixed Security).

3.1.2 It shall be implied in respect of Clause 2 (Fixed Security) that the Borrower is disposing of the Mortgaged Property free from all charges and incumbrances (whether monetary or not) and from all other rights exercisable by third parties (including liabilities imposed and rights conferred by or under any enactment).

4. **APPLICATION TO THE LAND REGISTRY**

The Borrower hereby consents to an application being made to the Land Registry to enter the following restriction in the Proprietorship Register of any property which is, or is required to be, registered forming part of the Mortgaged Property:

"No disposition (in particular no transfer, charge, mortgage or lease) of the registered estate by the proprietor of the registered estate or by the proprietor of any future registered charge is to be completed by registration without a written consent signed by the proprietor for the time being of the charge dated [*] 2006 in favour of Prudential Trustee Company Limited in its capacity as trustee for the Beneficiaries, referred to in the Charges Register".

5. **FURTHER ADVANCES**

5.1.1 Each Lender is under an obligation to make further advances to the Borrower and that obligation will be deemed to be incorporated into this Mortgage Deed as if set out in this Mortgage Deed.

5.1.2 The Borrower hereby consents to an application being made to the Land Registry to enter the obligation to make further advances on the Charges Register of any registered land forming part of the Mortgaged Property.

6. **RELEASE OF SECURITY**

6.1 **Redemption of Security**

Upon the Secured Liabilities being discharged in full and none of the Finance Parties being under any further actual or contingent obligation to make advances or provide other financial accommodation to the Borrower or any other person under any agreement between the Security Trustee and the Borrower, the Security Trustee shall, at the request (confirmed to the Security Trustee by each Instructing Party) and cost of the Borrower, release and cancel the security constituted by this Mortgage Deed subject to Clause 6.2 (Avoidance of Payments) and without recourse to, or any representation or warranty by, the Security Trustee or any of its nominees.
6.2 Avoidance of Payments
If the Security Trustee considers that any amount paid or credited to the Security Trustee is capable of being avoided or reduced by virtue of any bankruptcy, insolvency, liquidation or similar laws, the liability of the Borrower under this Mortgage Deed and the security constituted hereby shall continue and such amount shall not be considered to have been irrevocably paid.

7. CHARITY
The land charged under this Mortgage Deed is held by or in trust for a charity by the proprietor and the charity is not an exempt charity but the charge is one falling within Paragraph (a) of Section 36(9) of the Charities Act 1993.

8. THIRD PARTY RIGHTS
A person who is not a party to this Mortgage Deed has no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Mortgage Deed.

9. GOVERNING LAW
This Mortgage Deed is governed by and shall be construed in accordance with the laws of England and Wales.

10. COUNTERPARTS
This Mortgage Deed may be executed in any number of counterparts, each of which shall be deemed an original and this has the same effect as if the signatures on the counterparts were on a single copy of this Mortgage Deed. Any party may enter into this Mortgage Deed by signing any such counterpart.

THIS MORTGAGE DEED has been entered into as a deed on the date stated at the beginning of this Mortgage Deed.
SCHEDULE 1
DETAILS OF MORTGAGED PROPERTY
SIGNATURES

The Security Trustee

The Common Seal of  )
PRUDENTIAL TRUSTEE COMPANY LIMITED  )
was hereunto affixed in the presence of:  )

Sealing Officer:

Address:  Laurence Pountney Hill
          London
          EC4R 0HH

Fax:  +44 207 548 3883

Attention:  Corporate Trust Manager

The Borrower

The Common Seal of
SOVEREIGN HOUSING ASSOCIATION LIMITED
was hereunto affixed in the presence of:

-----------------------------------------------------------------

Authorised Signatory

-----------------------------------------------------------------

Authorised Signatory/Secretary

Address:  17-24 Bartholomew Street
          Newbury
          Berkshire
          RG14 5LL

Fax:  +44 (0) 1635 37690

Attention:  Group Finance Director
SIGNATORIES TO SECURITY TRUST DEED

The Security Trustee

The Common Seal of
PRUDENTIAL TRUSTEE COMPANY LIMITED
was hereunto affixed in the presence of:

Sealing Officer:
Address: Laurence Pountney Hill
London
EC4R 0HH
Fax: +44 207 548 3883
Attention: Corporate Trust Manager

The Borrower

The Common Seal of
SOVEREIGN HOUSING ASSOCIATION LIMITED
was hereunto affixed in the presence of:

MARTIN HUCKERBY
Authorised Signatory

KERRY TROMANHAUSER
Authorised Signatory/Secretary

Address: 17-24 Bartholomew Street
Newbury
Berkshire
RG14 5LL
Fax: +44 (0) 1635 37690
Attention: Group Finance Director
The Facility Agent

Executed as a deed by

THE ROYAL BANK OF SCOTLAND PLC
acting as agent for and on behalf of
NATIONAL WESTMINSTER BANK PLC,
acting as Agent and Lender

A.C. GOYMOUR

Authorised Signatory

Address: 135 Bishopsgate
          London EC2M 3UR

Fax: 020 7085 3974

Attention: Dean Holleyman