

# M

CHFP025

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in black type, or  
bold block lettering

\* insert full name  
of Company

COMPANIES FORM No. 395 *NW £10 02099S*  
**Particulars of a mortgage or charge**

# 395

A fee of £10 is payable to Companies House in respect  
of each register entry for a mortgage or charge.

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies  
(Address overleaf - Note 6)

For official use... Company number



3696179

Name of company

\* Paragon Mortgages (No.1) PLC (the "Chargor")

Date of creation of the charge

11 June 1999

Description of the instrument (if any) creating or evidencing the charge (note 2)

Deed of Sub-Charge and Assignment (the "Deed")

Amount secured by the mortgage or charge

Please see attached Continuation Sheet

Names and addresses of the mortgagees or persons entitled to the charge

Citicorp Trustee Company Limited  
11 Old Jewry, London EC2R 8DU (the "Trustee")

Postcode

Presentor's name address and  
reference (if any):

Clifford Chance  
200 Aldersgate Street  
London EC1A 4JJ

Ref: GFO/P3006/16/AJF

Paragon.lfd

Time critical reference

For official Use  
Mortgage Section

Post room



Short particulars of all the property mortgaged or charged

Please see attached Continuation Sheet

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legibly, preferably  
in black type, or  
bold block  
lettering**

Particulars as to commission allowance or discount (note 3)

None

Signed

*Clifford Chance*

Date

*23 June 1994*

On behalf of [company] [~~mortgagee/chargee~~] †

**A fee of £10 is  
payable to  
Companies House  
in respect of each  
register entry for a  
mortgage or  
charge.  
(See Note 5)**

† delete as  
appropriate

## Notes

- 1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.
- 2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage" or "Legal charge", etc, as the case may be, should be given.
- 3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;
  - (a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or
  - (b) procuring or agreeing to procure subscriptions, whether absolute or conditional,for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.
- 4 If any of the spaces in this form provide insufficient space the particulars must be entered on the prescribed continuation sheet.
- 5 Cheques and Postal Orders are to be made payable to **Companies House**.
- 6 The address of the Registrar of Companies is:-  
Companies House, Crown Way, Cardiff CF4 3UZ

**1. AMOUNT SECURED BY THE MORTGAGE OR CHARGE**

By Clause 2 of the Deed,

- 1.1 The Chargor has covenanted with and undertaken to the Trustee that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing or payable by the Chargor:-
- (a) to or to the order of the Trustee and/or any Receiver under the Deed, the Trust Deed and the Conditions at the times and in the manner provided therein;
  - (b) under or in respect of the Notes; and
  - (c) to the Trustee on any account whatsoever, whether as principal or surety and whether or not jointly with another.
- 1.2 The Chargor has covenanted with and undertaken to the Administrator that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing or payable by the Chargor to the Administrator (in its capacity as such) under the Administration Agreement or any other similar agreement or the Substitute Administrator Agreement or the Deed or any agreement with the Administrator referred to in Clause 6.1.2(m) of the Deed on any account whatsoever, whether as principal or surety and whether or not jointly with another. Monies due, owing or payable by the Chargor to the Administrator or any other person in its capacity as the Administrator which have accrued in respect of the period prior to the termination of PFPLC's or such other person's appointment as Administrator under the Administration Agreement or any other similar agreement or the Substitute Administrator Agreement shall continue to be due, owing or payable to it in that capacity notwithstanding such termination.
- 1.3 The Chargor has covenanted with and undertaken to PFPLC that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing or payable by the Chargor to PFPLC (other than any such monies or liabilities from time to time due, owing or payable to it in its capacity as Administrator or in its capacity as a Noteholder) under the UK Mortgage Sale Agreement (including, without limitation, pursuant to Clause 7.6(ii) thereof), the PFPLC Subordinated Loan Agreement, the Fee Letter, any agreement with PFPLC referred to in Clause 6.1.2(m) of the Deed or the Deed on any account whatsoever, whether as principal or surety and whether or not jointly with another.
- 1.4 The Chargor has covenanted with and undertaken to PML that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Chargor to PML (other than any such monies or liabilities from time to time due, owing or payable to it in its capacity as a

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**PARAGON MORTGAGES (NO. 1) PLC**

Noteholder) under the UK Mortgage Sale Agreement, the Administration Agreement, the Fee Letter or the Deed.

- 1.5 The Chargor has covenanted with and undertaken to the Swap Provider that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Chargor to the Swap Provider (in its capacity as Swap Provider only) under the Swap Agreement or the Deed.
- 1.6 The Chargor has covenanted with and undertaken to GMS that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Chargor to GMS (in its capacity as administrator of last resort only and not, for the avoidance of doubt, in its capacity as Administrator) under the Substitute Administrator Agreement or the Deed.
- 1.7 The Chargor has covenanted with and undertaken to PSA2 that it will duly and punctually pay or discharge all monies and liabilities whatsoever which from time to time become due, owing and payable by the Chargor to PSA2 under the Luxembourg Loan Agreement.

**2. SHORT PARTICULARS OF THE PROPERTY MORTGAGED OR CHARGED**

**2.1 The English PM1 Mortgages and the Insurance Contracts**

By Clause 3.1 of the Deed, the Chargor has, with full title guarantee, sub-charged, conveyed, transferred and assigned to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts:-

- (a) subject to the subsisting rights of redemption of Borrowers, all right, title, interest and benefit of the Chargor existing now or in the future in and under the English PM1 Mortgages to which the Chargor is at present beneficially entitled or to which it becomes beneficially entitled in the future, including for the avoidance of doubt:-
  - (i) all sums of principal, interest or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal monies payable or to become payable under the English PM1 Mortgages or the unpaid part thereof and the interest due or to become due thereon and the other sums due under the English PM1 Mortgages but excluding any Current Mortgage Accruals in respect of any English PM1 Mortgage which is a Current Mortgage (provided that the principal monies payable under any PM1 Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for redemption of the relevant PM1 Mortgage has passed);
  - (ii) the benefit of all securities for such principal monies and interest and other sums, the benefit of all consents to mortgage signed by occupiers of the Properties relating to the English PM1 Mortgages and the benefit of and the right to sue on all covenants with, or vested in, the mortgagee in respect of each English PM1 Mortgage and the right to exercise all powers of the mortgagee in relation to each such English PM1 Mortgage;
  - (iii) all the estate and interest in the Properties relative to the English PM1 Mortgages vested in the mortgagee subject to redemption or cesser;
  - (iv) all causes and rights of action of the mortgagee against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any English PM1 Mortgage or affecting any decision to make the relevant advance; and
  - (v) the benefit of any guarantee or surety vested in the mortgagee relating to any of the English PM1 Mortgages, and any other collateral security relating to such PM1 Mortgages; and
- (b) all right, title, interest and benefit of the Chargor (whether present or future) in the Insurance Contracts including the rights to receive the proceeds of any claim insofar as they relate to the PM1 Mortgages (including for the avoidance of doubt the Scottish PM1 Mortgages) but not insofar as they relate to any amount or sum

the benefit of which is excluded from the charges provided pursuant to Clause 3.1(a)(i) of the Deed; and

- (c) subject to the subsisting rights of redemption, all right, title, interest and benefit of the Chargor (whether present or future) in any other charges and insurances (in each case including as aforesaid) of which the Chargor may have the benefit at the date hereof or may acquire in the future,

TO HOLD the same unto the Trustee absolutely as trustee for the Secured Parties.

## **2.2 The Scottish PM1 Mortgages**

By Clause 3.2 of the Deed, the Chargor has undertaken to the Trustee and bound and obliged itself:-

- (a) forthwith to execute and deliver to the Trustee in security for the discharge and payment of the Secured Amounts:
  - (i) a Standard Security substantially in the form set out in Schedule 2 of the Deed in respect of the Chargor's whole right, title and interest in and to all of the Scottish PM1 Mortgages to which the Chargor is beneficially entitled, title to which is registered or is in the course of registration in the Land Register of Scotland; and
  - (ii) a Standard Security substantially in the form set out in Schedule 3 of the Deed in respect of the Chargor's whole right, title and interest in and to all of the Scottish PM1 Mortgages to which the Chargor is beneficially entitled, title to which is recorded or is in the course of being recorded in the General Register of Sasines

but excluding any Current Mortgage Accruals in respect of any Scottish PM1 Mortgage which is a Current Mortgage;

- (b) if and when called upon to do so by the Trustee (but subject to the provisions of the Administration Agreement) to execute and deliver to the Trustee in security for the discharge and payment of the Secured Amounts such security, charge or other document as may be required so as to create security over the Chargor's whole right, title and interest in and to all or any collateral security in respect of the Scottish PM1 Mortgages;
- (c) at the time of delivery of the Scottish Sub-Securities in accordance with the preceding provisions of Clause 3.2 of the Deed simultaneously to deliver to the Trustee the Scottish Transferred granted in favour of the Chargor in terms of the UK Mortgage Sale Agreement pertaining to the Scottish PM1 Mortgages specified in the Scottish Sub-Securities;
- (d) if and when called upon to do so by the Trustee (but subject to the provisions of the Administration Agreement) to take all such steps as are necessary to perfect legal title to the Scottish PM1 Mortgages, including without limitation,

registration or recording of the Chargor as heritable creditor under such Scottish PM1 Mortgages in the Registers of Scotland; and

- (e) to execute and deliver such other documents, and in such form, and to take such other steps as the Trustee shall reasonably consider necessary to enable the Trustee to perfect a first ranking heritable security over the Scottish PM1 Mortgages and all sums secured thereby.

## **2.3 Scottish Trust Security**

2.3.1 By Clause 3.3.1 of the Deed, the Chargor as holder of the beneficial interest therein has assigned to and in favour of the Trustee in security for the discharge and payment of the Secured Amounts the Chargor's whole right, title and interest in and to the whole of the Scottish Trust Property (as defined in the Scottish Declaration of Trust made in favour of the Chargor in terms of Clause 4.2 of the UK Mortgage Sale Agreement) and in and to the said Scottish Declaration of Trust, surrogating and substituting the Trustee in its full right and place therein and thereto.

2.3.2 By Clause 3.3.2 of the Deed, the Chargor has intimated to PFPLC and PML as respective trustees under the said Scottish Declaration of Trust the assignation in security made in terms of Clause 3.3 of the Deed and PFPLC and PML by their respective execution of the Deed immediately subsequent to the execution of the Deed by the Chargor have consented to such assignation and acknowledged such intimation thereof and confirmed that as at the date of the Deed they had received no intimation of any other dealing with the Scottish Trust Property or any part thereof.

## **2.4 Rights against other companies in the Paragon group of companies:**

2.4.1 By Clause 3.4.1 of the Deed, the Chargor with full title guarantee has conveyed, transferred and assigned to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its right, title, interest and benefit present and future in:-

- (i) the UK Mortgage Sale Agreement and the Luxembourg Mortgage Sale Agreement;
- (ii) the Administration Agreement;
- (iii) the Luxembourg Loan Agreement;
- (iv) the Security Trust Deed;
- (v) the PFPLC Subordinated Loan Agreement;
- (vi) the VAT Declaration of Trust;
- (vii) the Fee Letter; and

(viii) the No.1 Collection Account Declaration of Trust,

including all rights to receive payment of any amounts which may become payable to the Chargor thereunder and all payments received by the Chargor thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof TO HOLD the same unto the Trustee absolutely as trustee for the Secured Parties.

- 2.4.2 By Clause 3.4.3 of the Deed, the Chargor, by way of first fixed security for the payment or discharge of the Secured Amounts as holder of the beneficial interest therein, has assigned in security and charged to and in favour of the Trustee (to the extent if any not otherwise assigned and charged in terms of Clauses 3.4.1 and 3.4.2) the Chargor's whole right, title and interest in and to the property and assets charged by and pursuant to the Security Trust Deed (the "**PSA2 Charged Property**") under and in terms of the security trusts declared and created under or pursuant to the Security Trust Deed and in and to the said security trusts, surrogating and substituting the Trustee in its full right and place therein and thereto.

The Chargor has intimated to the Security Trustee under and in terms of the Security Trust Deed the assignation in security made in terms of Clause 3.4.3 and the Security Trustee by its execution of the Deed immediately subsequent to the execution of the Deed by the Chargor consents to such assignation and acknowledges such intimation thereof and confirms that as at the date hereof it has received no intimation of any other dealing with the PSA2 Charged Property or any part thereof except in accordance with the terms of the Relevant Documents.

**2.5 Rights against any Cap Provider, any Permitted Hedge Provider, any Cap Guarantor, the Swap Provider, and the provider of any other hedging arrangements entered into by the Chargor (if any)**

By Clause 3.5 of the Deed, the Chargor with full title guarantee has conveyed, transferred and assigned to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its right, title, interest and benefit present and future in any Cap Agreement, any Permitted Hedge Agreement, any Cap Guarantee, the Swap Agreement and any other hedging arrangements entered into by the Chargor (if any) including all rights to receive payment of any amounts which may become payable to the Chargor thereunder and all payments received by the Chargor thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof TO HOLD the same unto the Trustee absolutely as trustee for the Secured Parties.



**2.6 Transaction Account**

2.6.1 By Clause 3.6 of the Deed, the Chargor with full title guarantee has assigned by way of first fixed security for the discharge and payment of the Secured Amounts absolutely to the Trustee, as trustee for the Secured Parties, all its right, title, interest and benefit present and future in and to all sums of money which may now be or hereafter are from time to time standing to the credit of the Transaction Account and any other bank or other account in which the Chargor may at any time acquire any right, title, interest or benefit together with all interest accruing from time to time thereon and the debt represented by each such account.

2.6.2 During the continuance of the security the Chargor shall not, except as expressly permitted by the Deed or the Administration Agreement or with the prior written consent of the Trustee, withdraw from the Transaction Account the whole or any part of the amount standing to the credit of the Transaction Account.

**2.7 Investments**

By Clause 3.7.2 of the Deed, the Chargor with full title guarantee has charged with the discharge and payment of the Secured Amounts by way of first fixed charge to the Trustee, as trustee for the Secured Parties, all its right, title, interest and benefit present and future in the Authorised Investments and each of them made by the Chargor in accordance with Clause 4.9.1 of the Administration Agreement and all other investments in which the Chargor may at any time acquire any right, title, interest or benefit, in each case together with all monies, income and proceeds to become payable thereunder or thereon and the benefits of all covenants relating thereto and all powers and remedies for enforcing the same.

**2.8 MIRAS receipts**

By Clause 3.8 of the Deed, the Chargor with full title guarantee has charged with the discharge and payment of the Secured Amounts by way of first fixed charge to the Trustee, as trustee for the Secured Parties, all its right, title, interest and benefit present and future in any entitlement to receive any payment from the Inland Revenue made in respect of any of the PM1 Mortgages pursuant to the MIRAS Scheme.

**2.9 Rights against GMS**

By Clause 3.9 of the Deed, the Chargor with full title guarantee has conveyed, transferred and assigned to the Trustee by way of first fixed security for the discharge and payment of the Secured Amounts all its rights, title, interest and benefit present and future in, under and pursuant to the Substitute Administrator Agreement including all rights to receive payment of any amounts which may become payable to the Chargor thereunder and all payments received by the Chargor thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable

thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof TO HOLD the same unto the Trustee absolutely as trustee for the Secured Parties.

**2.10 Floating Charge**

By Clause 3.10 of the Deed, the Chargor with full title guarantee has charged with the discharge and payment of the Secured Amounts by way of first floating charge to the Trustee, as trustee for the Secured Parties, the whole of its undertaking and all its property and assets whatsoever and wheresoever situate, present and future, other than any property or assets from time to time or for the time being charged by way of fixed charge, or otherwise assigned as security, by Clause 3 of the Deed (but excepting from the foregoing exclusion all property, assets, rights and interests charged or assigned by or pursuant to Clauses 3.2 and 3.3 of the Deed which are charged by the floating charge hereby created).

**2.11 Notices and Acknowledgement**

The execution by the Chargor of the Deed shall constitute notice to PFPLC, PML, the Swap Provider, the Security Trustee, PSA2, the Administrator and/or GMS, as appropriate, of the conveyance, transfer and assignment of all the Chargor's right, title, interest and benefit present and future in the UK Mortgage Sale Agreement, the Security Trust Deed, the Luxembourg Loan Agreement, the Administration Agreement, the Substitute Administrator Agreement, the PFPLC Subordinated Loan Agreement, the VAT Declaration of Trust, the Fee Letter, and the Swap Agreement referred to in Clauses 3.4, 3.5 and 3.9 of the Deed and the execution of the Deed by PFPLC, PML, the Security Trustee, PSA2, the Swap Provider, the Administrator and GMS shall constitute acknowledgement by them respectively of such conveyance, transfer and assignment. The execution of the Deed by PSA2 and GMS shall also constitute notice to GMS of the conveyance, transfer and assignment by PSA2 of PSA2's rights, title, interest and benefit present and future in the Substitute Administrator Agreement pursuant to the Security Trust Deed and acknowledgement by GMS of such notice.

**3. NEGATIVE PLEDGE**

By Clause 11.2(c) of the Deed, the Chargor has covenanted with and undertaken to the Trustee that so long as any of the Notes remains outstanding (as defined in the Trust Deed) it shall not, save to the extent permitted by the Relevant Documents or with the prior written consent of the Trustee create or permit to exist upon or affect any of the Charged Property any Security Interest whatsoever other than the Security Interests created by or pursuant to the Deed Provided always that for the avoidance of doubt, the Chargor may consent to Borrowers creating subsequent mortgages, Standard Securities or charges over any of the Properties where the amounts secured by such mortgages, Standard Securities or charges rank after the amounts secured or to be secured by the Mortgages and the subsequent mortgagee, heritable creditor or chargee expressly postpones its rights to those of the Chargor and the Trustee

**4. DEFINITIONS**

In this Form 395, capitalised terms have the following meaning:

"Act" means the Law of Property Act 1925;

"Additional Amounts" means, if the Swap Provider is required by law to make any deduction or withholding for or on account of United Kingdom tax from any payments payable by it under the Swap Agreement on any Interest Payment Date, such additional amount that the Chargor would require to receive to ensure that the Chargor receives the full amount it would have otherwise received from the Swap Provider had no such deduction or withholding been made;

"Administration Agreement" means the agreement dated 11 June 1999 between the Administrator, the Chargor, PML, PSA2, the Trustee and the Security Trustee as from time to time varied with the approval of the Trustee and any agreement to which the Trustee is a party under which a substitute administrator is appointed to render services of the nature referred to in such agreement other than the Substitute Administrator Agreement;

"Administrator" means Paragon Finance plc, whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands, B91 3QE acting in its capacity as Administrator under the Administration Agreement, which expression shall include any substitute administrator;

"Administrator Secured Amounts" means the monies and liabilities which the Chargor covenants and undertakes in the Deed to pay or discharge to the Administrator (in its capacity as Administrator); and references to the "Administrator Secured Amounts" include references to any of them;

"Authorised Entities" means (a) the Operating Bank and (b) any other entity either the long term unsecured and unguaranteed debt of which is rated Aaa by Moody's and AAA by S&P or any of the short term unsecured and unguaranteed debt of which is rated P-1 by Moody's and A-1 (or, in certain circumstances as set out in the

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Administraton Agreement, A-1+) by S&P or, if at the relevant time there are no such other entities, any entity approved in writing by the Trustee;

**"Authorised Investment"** means (i) any bank account, security or other obligation of or right against any Authorised Entity and (ii) any other bank account, security or other obligation as would not adversely affect the then current ratings of the Class A Notes or, if there are no Class A Notes outstanding, the Class B Notes being, in the case of both (i) and (ii) above, a bank account, security, obligation or right:-

- (a) which is denominated in sterling;
- (b) which is immediately repayable on demand or the maturity date of which falls:
  - (i) in the case of an investment with an Authorised Entity rated P-1 by Moody's and A-1+ by S&P, on or before the Interest Payment Date next following the acquisition of such investment by the Issuer; and
  - (ii) in the case of an investment with an Authorised Entity rated P-1 by Moody's and A-1 by S&P, on or before the next Interest Payment Date or 30 days (whichever is the shorter) after the acquisition of such investment by the Issuer;

**"Borrower"** means:

- (ii) in relation to each PM1 Mortgage, the same as in the Mortgage Conditions; and
- (iii) in relation to a PSA2 Mortgage, the company named as the "Company" in the Mortgage Conditions;

**"Cap Agreement"** means any agreement in such form as is approved by the Trustee to be entered into on or before 11 June 1999 or (in relation to a Mortgage which is converted or a Non Verified Mortgage which is purchased on a further Purchase Date at any time thereafter, or any agreement entered into in substitution or replacement of any such agreement, between the Issuer and a Cap Provider pursuant to which such Cap Provider has agreed or will agree, *inter alia*, to provide to the Issuer a Cap or series of Caps, and any other agreements for similar purposes entered into from time to time with the approval of the Trustee;

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

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

**"Cap Provider"** means any bank or financial institution acting as a Cap Provider under any Cap Agreement which will, on the date on which it makes a Cap available to the Issuer, have a rating for its long term or short term debt obligations sufficient to maintain the then ratings of the Notes unless the Cap is guaranteed under a Cap Guarantee or other arrangements are entered into at the time which are sufficient to maintain such ratings;

**"Class A Conditions"** means the terms and conditions applicable to the Class A Notes, in the form set out in the Trust Deed, as the same may from time to time be modified in accordance with the provisions of the Trust Deed and any reference to a particular numbered Class A Condition shall be construed accordingly;

**"Class A Notes"** means the £168,000,000 Class A Mortgage Backed Floating Rate Notes due 2030 proposed to be issued by the Chargor, or such of them as remain outstanding from time to time;

**"Class B Conditions"** means the terms and conditions applicable to the Class B Notes, in the form set out in the Trust Deed, as the same may from time to time be modified in accordance with the provisions of the Trust Deed and any reference to a particular numbered Class B Condition shall be construed accordingly;

**"Class B Notes"** means the £17,000,000 Class B Mortgage Backed Floating Rate Notes due 2041 proposed to be issued by the Chargor, or such of them as remain outstanding from time to time;

**"Collection Account"** means the account of PML numbered 56164378 (Sort Code 55-50-15) with the National Westminster Bank plc at its branch at 4 High Street, Solihull, West Midlands and/or such other account (or accounts) of PML which has (or have) been approved in writing by the Trustee and the Security Trustee;

**"Conditions"** means, in respect of the Class A Notes, the Class A Conditions and in respect of the Class B Notes, the Class B Conditions and any reference in any Relevant Document to a particular numbered Condition shall be construed accordingly;

**"Current Mortgage Accruals"** has the meaning given to it in clause 7.19 of the Administration Agreement;

**"document"** means any deed, instrument (including a negotiable instrument) or other document of any kind;

**"Enforcement Notice"** means a notice given by the Trustee under Class A Condition 9 causing the Class A Notes to become immediately due and repayable and/or a notice given by the Trustee under Class B Condition 10 causing the Class B Notes to become immediately due and repayable;

**"English PM1 Mortgage"** means a PM1 Mortgage secured or intended to be secured over residential Property in England or Wales;

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**"Fee Letter"** means the agreement dated 11 June 1999 between the Issuer, PFPLC, PML and the Trustee relating to the reimbursement of certain expenses of the issues of the Notes incurred by PML on behalf of the Issuer and the payment by the Issuer of an arrangement fee to PFPLC;

**"GMS"** means Guardian Mortgages Services Limited (registered number 912411), whose registered office is at Royal Exchange, London EC3V 3LS;

**"Insurance Contracts"** means the insurance contracts described in Schedule 1 of the Deed or any other policies providing equivalent cover;

**"Interest Payment Date"** has the meaning given to it in Class A Condition 4(a) and Class B Condition 4(a);

**"Luxembourg Mortgage Sale Agreement"** means the agreement dated 11<sup>th</sup> June 1999 between *inter alios* PFPLC, PML, PSA, PSA2, the Chargor and the Security Trustee;

**"MIRAS Scheme"** means the Mortgage Interest Relief at Source Scheme currently provided for by sections 369 to 379 of the Income and Corporation Taxes Act 1988 as amended or varied from time to time or any statutory re-enactment thereof;

**"Mortgage"** means a PM1 Mortgage or a PSA2 Mortgage together (where applicable) with any other mortgages or Standard Securities into which such Mortgages may be converted;

**"Mortgage Conditions"** means in relation to each Mortgage the terms and conditions on which the initial advance was (and any further advance expressed or intended to be secured by such Mortgage was or is to be) made to the Borrower;

**"Mortgage Sale Agreements"** means the UK Mortgage Sale Agreement and the Luxembourg Mortgage Sale Agreement;

**"No.1 Collection Account Declaration of Trust"** means the declaration of trust over the Collection Account made by PML dated 13th May, 1994 as supplemented and amended from time to time including by Supplemental Deeds of Declaration of Trust dated 18th December, 1995, 26th January, 1996, 28th June, 1996, 28th October, 1996, 30th June, 1997, 27th January, 1998 and 30 September 1998 and a Supplemental Deed of Declaration of Trust dated 11 June 1999 over the Collection Account;

**"Non-Verified PM1 Mortgages"** means the mortgages (and the Non-Verified Mortgages secured thereby) to be sold to the Issuer pursuant to clause 4.1 of the UK Mortgage Sale Agreement;

**"Noteholders"** has the meaning given to it in the Trust Deed and includes the Couponholders as therein defined;

**"Notes"** means the Class A Notes and the Class B Notes;

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**"Operating Bank"** means the National Westminster Bank plc or such other bank with which the Transaction Account and the PSA2 Transaction Account are for the time being maintained;

**"Original PM1 Mortgages"** means the mortgages and Standard Securities (and the loans secured thereby) to be sold to the Issuer pursuant to the UK Mortgage Sale Agreement;

**"PFPLC"** means Paragon Finance plc, whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands, B91 3QE;

**"PML"** means Paragon Mortgages Limited, whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands, B91 3QE;

**"PM1 Mortgages"** " " means the Original PM1 Mortgages and the Non-Verified PM1 Mortgages;

**"PSA2"** means Paragon Mortgages (No. 2) S.A. a company incorporated in Luxembourg with registered number B69 035;

**"PSA2 Mortgage"** has the meaning given to it in the Luxembourg Mortgage Sale Agreement;

**"Permitted Hedge Agreement"** means an ISDA Master Agreement and Schedule thereto entered into between the Chargor and a Permitted Hedge Provider together with any confirmations thereto pursuant to which the Chargor enters into hedging arrangements pursuant to Clause 4.10.2(d) of the Administration Agreement but only to the extent permitted by Clause 11(X) of the Trust Deed;

**"Permitted Hedge Provider"** means a bank or financial institution which has entered into hedging arrangements with the Chargor and which on the date of entering into such arrangements:

- (a) has a rating for its long-term or short-term debt obligations sufficient to maintain the then ratings of the Class A Notes and the Class B Notes (unless such arrangements are guaranteed by a guarantor of appropriate credit rating or other arrangements are entered into at the time which are sufficient to maintain the then ratings of the Class A Notes and the Class B Notes); and
- (b) has entered into a deed supplemental to the Deed in form and substance satisfactory to the Trustee agreeing to be bound by the terms of the Deed on the same terms as the Swap Provider;

**"powers"** in relation to the Trustee and any Receiver, means their respective powers, discretions, authorities and rights under the Deed or the general law;

**"Protection Notice"** means a notice given by the Trustee in accordance with Clause 7.1 of the Deed;

**"PSA2 Transaction Account"** means the account of PSA2 with the account number 56292120 (Sort Code 55-50-15) with the National Westminster Bank plc at its branch at 4 High Street, Solihull or such other account as the Security Trustee may approve as a replacement for or addition to the same at the Operating Bank in the name of PSA2;

**"receiver"** includes a manager, and also a receiver and manager and an administrative receiver;

**"Receiver"** means a receiver appointed under the Deed or pursuant to statutory powers, and includes more than one such receiver and any substituted receiver;

**"Relevant Documents"** means the subscription agreements dated 10 June 1999 and other agreements relating to the issue of the Notes (or any of them), the UK Mortgage Sale Agreement, the Luxembourg Mortgage Sale Agreement, the Luxembourg Loan Agreement, the Security Trust Deed, the Scottish Declarations of Trust, the Deed, the Fee Letter, the Services Letter, the PFPLC Subordinated Loan Agreement, the Trust Deed, the Agency Agreement, the Notes, the VAT Declaration of Trust, the Transfers, the Administration Agreement, the Substitute Administrator Agreement, the Swap Agreement, any Cap Agreement, any Cap Guarantees, the Mortgages, the Insurance Contracts (as defined in the Administration Agreement) and any other insurances in which the Chargor has an interest, the No.1 Collection Account Declaration of Trust, the Assignment of Insurances, the Scottish Sub-Securities and all other agreements and documents comprised in the security for the Notes;

**"Scottish Declaration of Trust"** means the declaration of trust in respect of the Scottish PM1 Mortgages made by PML and PFPLC in favour of the Chargor on the Closing Date in relation to the Scottish PM1 Mortgages pursuant to Clause 4.3(C) of the UK Mortgage Sale Agreement;

**"Scottish Sub-Securities"** means the Standard Securities to be executed pursuant to Clause 3.2 of the Deed;

**"Scottish PM1 Mortgage"** has the same meaning as in the UK Mortgage Sale Agreement;

**"Secured Amounts"** means the monies and liabilities which the Chargor covenants and undertakes in the Deed to pay or discharge and any Subordinated Lender Secured Amounts; and (except in Clause 4 and Clause 10 of the Deed) references to the "Secured Amounts" include references to any of them;

**"Secured Parties"** means the Trustee, the Noteholders, any Receiver, the Administrator, any Subordinated Lender, GMS, the Swap Provider, any Permitted Hedge Provider, PML and PFPLC;

**"Security Interest"** means any mortgage, sub-mortgage, Standard Security, charge, sub-charge, pledge, lien, or other security interest, howsoever created or arising other than any of the foregoing which arise by operation of law;



**"Security Trust Deed"** has the same meaning as in the Administration Agreement;

**"Security Trustee"** means Citicorp Trustee Company Limited, whose principal place of business is at 11 Old Jewry, London EC2R 8DU;

**"Subordinated Lender"** means a person (other than PFPLC) from whom the Chargor may borrow pursuant to the PFPLC Subordinated Loan Agreement, as contemplated by the proviso to Clause 11.2 of the Deed and which has undertaken in a manner and form reasonably satisfactory to the Trustee to be bound by the Deed as if it had originally been a party hereto;

**"Subordinated Lender Secured Amounts"** means any monies and liabilities which from time to time may be owing or payable from or by the Chargor to a Subordinated Lender under the PFPLC Subordinated Loan Agreement and references to the "Subordinated Lender Secured Amounts" include references to any of them;

**"Substitute Administrator Agreement"** means the agreement dated 11 June 1999 between the Chargor, the Trustee and GMS;

**"Swap Agreement"** means the ISDA Master Agreement and Schedule dated 11 June 1999 and made between the Chargor and the Swap Provider and any confirmation(s) entered into pursuant thereto;

**"Swap Provider"** means Morgan Guaranty Trust Company Of New York acting through its office at 60 Victoria Embankment, London EC4Y 0JP;

**"Swap Provider Secured Amounts"** means the monies and liabilities which the Chargor has covenanted and undertaken in the Deed to pay or discharge to the Swap Provider (in its capacity as Swap Provider); and references to "Swap Provider Secured Amounts" include references to any of them;

**"Transaction Account"** means the account of the Chargor with the account number 56291485 (Sort Code 55-50-15 with NatWest at its branch at 4 High Street, Solihull or such other account as the Trustee may approve as a replacement for or addition to the same at the Operating Bank in the name of the Chargor;

**"Trust Deed"** means the Trust Deed dated 11 June 1999 and made between the Chargor and the Trustee constituting the Notes, together with the Schedules thereto, and any document supplemental thereto and the schedules (if any) thereto, all as may from time to time be varied in accordance with the provisions contained therein;

**"Trustee"** means Citicorp Trustee Company Limited, whose principal place of business is at 11 Old Jewry, London EC2R 8DU;

**"Trustee Secured Amounts"** means the monies and liabilities which the Chargor has covenanted and undertaken in the Deed to pay or discharge to the Trustee; and references to the "Trustee Secured Amounts" include references to any of them; and

**"UK Mortgage Sale Agreement"** means the agreement dated 11 June, 1999 between PFPLC, PML, PSFL, the Chargor and the Trustee relating to the sale and purchase of the PM1 Mortgages as from time to time varied with the prior written approval of the Trustee; and

**"VAT Declaration of Trust"** means the declaration of trust dated 19 March, 1993 executed by PFPLC, as has been and may be amended and restated from time to time, under which PFPLC has declared that the monies standing to the credit of the VAT Account are to be held on trust for the benefit of, *inter alios*, the Issuer in the circumstances more particularly described therein.

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## CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 03696179

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A DEED OF SUB-CHARGE AND ASSIGNMENT DATED THE 11th JUNE 1999 AND CREATED BY PARAGON MORTGAGES (NO.1) PLC FOR SECURING IN FAVOUR OF CITICORP TRUSTEE LIMITED (THE "TRUSTEE") ALL MONIES AND LIABILITIES DUE OR TO BECOME DUE FROM THE COMPANY (a) TO OR TO THE ORDER OF THE TRUSTEE AND/OR ANY RECEIVER UNDER THE DEED, THE TRUST DEED AND THE CONDITIONS AT THE TIMES AND IN THE MANNER PROVIDED THEREIN; (b) UNDER OR IN RESPECT OF THE NOTES; AND (c) TO THE TRUSTEE ON ANY ACCOUNT WHATSOEVER, WHETHER AS PRINCIPAL OR SURETY AND WHETHER OR NOT JOINTLY WITH ANOTHER WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 23rd JUNE 1999.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 29th JUNE 1999.

*[Handwritten signature]*



THE OFFICIAL SEAL OF THE  
REGISTRAR OF COMPANIES



C O M P A N I E S   H O U S E