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in black type, or
bold block lettering

*insert full name
of Company

COMPANIES FORM No. 395

Particulars of a mortgage or charge

A fee of £13 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

[] [] [] [] [] []

6043254

Name of company

* Paragon Mortgages (No 14) PLC (the "Issuer")

Date of creation of the charge

22 March 2007

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

See attached Schedule 1
See attached Schedule 4 for definitions.

Amount secured by the mortgage or charge

See attached Schedule 2
See attached Schedule 4 for definitions

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

Citicorp Trustee Company Limited (the "Trustee") (for itself and as trustee
for the other Secured Parties (as defined in the attached Schedule 4)),
Citigroup Centre, 14th Floor, Canada Square, Canary Wharf, London

Postcode E14 5LB

Presentor's name address and
reference (if any)

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

London Counter

Time critical reference

905187/70-40170281/AJF

For official Use (06/2005)
Mortgage Section

Post room

THURSDAY



L9NM90GG

LD2

05/04/2007

493

COMPANIES HOUSE

Short particulars of all the property mortgaged or charged

See attached Schedule 3.
See attached Schedule 4 for definitions

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in black type, or
bold block
lettering**

Particulars as to commission allowance or discount (note 3)

None

Signed

Clifford Chance LLP

Date

5/4/07

On behalf of [company] ~~XXXXXXXXXXXX~~ †

**A fee 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 A fee of £13 is payable to Companies House in respect of each register entry for a mortgage or charge Cheques and Postal Orders must be made payable to **Companies House**.
- 6 The address of the Registrar of Companies is Companies House, Crown Way, Cardiff CF14 3UZ

SCHEDULE 1

DESCRIPTION OF THE INSTRUMENT CREATING OR EVIDENCING THE CHARGE

A deed of sub-charge and assignment dated 22 March 2007 (the "**Deed of Charge**") between

- (i) the Issuer,
- (ii) the Trustee,
- (iii) Paragon Finance PLC ("**PFPLC**", the "**Issue Services Provider**", together with MTS, the "**Administrators**", which expression includes any substitute administrator, and together with MTS, the "**Subordinated Lenders**");
- (iv) Paragon Mortgages Limited ("**PML**", together with MTS, the "**Sellers**", and together with MTL, the "**Originators**");
- (v) Mortgage Trust Services plc ("**MTS**"),
- (vi) Mortgage Trust Limited ("**MTL**"),
- (vii) Homeloan Management Limited ("**HML**", the "**Substitute Administrator**");
- (viii) Barclays Bank PLC (the "**Currency Swap Provider**" which expression includes each replacement currency swap provider under any of the Currency Swap Agreements, and the "**Flexible Drawing Facility Provider**"),
- (ix) JP Morgan Chase Bank, National Association and ABN Amro Bank N V , London Branch (each a "**Basis Hedge Provider**" and together, the "**Basis Hedge Providers**", which expression includes each replacement basis hedge provider under the Basis Hedge Agreement);
- (x) The Royal Bank of Scotland PLC (the "**A1 Note Conditional Purchaser**", and the "**Remarketing Agent**"),
- (xi) Citibank, N A., London Branch (the "**Tender Agent**", the "**Principal Paying Agent**", the "**Reference Agent**" and the "**Registrar**" and together with the U S Paying Agent the "**Agents**"), and
- (xii) Citibank, N A , New York Branch (the "**US Paying Agent**" and together with the Principal Paying Agent, the "**Paying Agents**").

SCHEDULE 2

AMOUNT SECURED BY THE MORTGAGE OR CHARGE

The "**Secured Amounts**" being the monies and liabilities which the Issuer covenants and undertakes in the Deed of Charge to pay or discharge including, without limitation, all monies and liabilities whatsoever which from time to time become due, owing or payable by the Issuer

- (a) to or to the order of the Trustee and/or any Receiver under the Deed of Charge, the Trust Deed and the Conditions at the times and in the manner provided herein or therein,
- (b) under or in respect of the Notes,
- (c) to the Trustee on any account whatsoever, whether as principal or surety and whether or not jointly with another,
- (d) to each Administrator (in its capacity as such) under the Administration Agreement or any other similar agreement or the Substitute Administrator Agreement or the Deed of Charge or any agreement with the Administrator referred to in Clause 6.1.2(r) of the Deed of Charge on any account whatsoever, whether as principal or surety and whether or not jointly with another,
- (e) 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 any agreement with PFPLC referred to in Clause 6.1.2(r) of the Deed of Charge on any account whatsoever, whether as principal or surety and whether or not jointly with another,
- (f) to each Seller (other than any such monies or liabilities from time to time due, owing or payable to it in its capacity as a Noteholder) under the Mortgage Sale Agreement, the Administration Agreement or the Deed of Charge;
- (g) to the Basis Hedge Providers (in their capacity as Basis Hedge Providers only) under the Basis Hedge Agreement or the Deed of Charge,
- (h) to the Substitute Administrator (in its capacity as administrator of last resort only) under the Substitute Administrator Agreement or the Deed of Charge,
- (i) to each Subordinated Lender and any Additional Subordinated Lender under the Subordinated Loan Agreement or the Deed of Charge;
- (j) to the Issue Services Provider under the Fee Letter or the Deed of Charge,
- (k) to the Currency Swap Provider under any Currency Swap Agreement or the Deed of Charge,
- (l) to the Flexible Drawing Facility Provider under the Flexible Drawing Facility Agreement or the Deed of Charge

- (m) to each Agent under the Agency Agreement or the Deed of Charge;
- (n) to the A1 Note Conditional Purchaser under the A1 Note Conditional Purchase Agreement or the Deed of Charge,
- (o) to the Remarketing Agent under the Remarketing Agreement or the Deed of Charge,
- (p) to the Tender Agent under the Remarketing Agreement or the Deed of Charge

SCHEDULE 3

SHORT PARTICULARS OF THE PROPERTY MORTGAGED OR CHARGED

- (1) A sub-charge, conveyance, transfer and assignment with full title guarantee (or in relation to assets or rights situated in, or governed by the laws of, Northern Ireland, as beneficial owner) by way of first fixed security of
- (a) subject to the subsisting rights of redemption of the Borrowers, all right, title, interest and benefit of the Issuer existing now or in the future in and under the English Mortgages and Northern Irish Mortgages to which the Issuer 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 Mortgages and Northern Irish Mortgages or the unpaid part thereof and the interest due or to become due thereon and the other sums due under the English Mortgages and Northern Irish Mortgages, but excluding any Retained Pre Closing Accruals and Arrears in respect of any Mortgage (provided that the principal moneys payable under any such Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for the redemption of the relevant Mortgage has passed),
- (ii) the benefit of all security interests 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 Mortgages and Northern Irish Mortgages and the benefit of and the right to sue on all obligations and covenants with, or vested in, the mortgagee in respect of each English Mortgage and Northern Irish Mortgage and the right to exercise all powers of the mortgagee in relation to each such English Mortgage and Northern Irish Mortgage,
- (iii) all the estate and interest in the Properties relative to the English Mortgages and Northern Irish Mortgages vested in the mortgagee subject to redemption or cesser;
- (iv) all causes and rights of action 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 Mortgage and Northern Irish Mortgage or affecting the decision to make any relevant advance;
- (v) the benefit of any guarantee or surety vested in the mortgagee relating to any of the English Mortgages and Northern Irish Mortgages, and any other collateral security relating to such Mortgages, and

- (vi) the benefit of any rights to receive compensation in respect of criminal damage pursuant to the Criminal Damage (Compensation) (Northern Ireland) Order 1977 in respect of Properties relating to Northern Irish Mortgages,
 - (b) all right, title, interest and benefit of the Issuer (whether present or future) in relation to the Insurance Contracts including the rights to receive the proceeds of any claim insofar only as they relate to the Mortgages (including for the avoidance of doubt the Scottish Mortgages and Northern Irish Mortgages) but not insofar as they relate to any amount or sum the benefit of which is excluded from the charges herein provided pursuant to Clause 3 1(a)(i) of the Deed of Charge, and
 - (c) subject to the subsisting rights of redemption, all right, title, interest and benefit of the Issuer (whether present or future) in any other charges and insurances (in each case including as aforesaid) of which the Issuer may have the benefit at the date hereof or may acquire in the future
- (2) The Issuer's whole right, title and interest in and to the whole of the Scottish Trust Property and in and to each of the Scottish Declarations of Trust, surrogating and substituting the Trustee in its full right and place therein and thereto.
- (3) A conveyance, transfer and assignment by way of first fixed security of all the Issuer's right, title, interest and benefit present and future in
- (a) the Mortgage Sale Agreement;
 - (b) the Administration Agreement,
 - (c) the Agency Agreement;
 - (d) the Subordinated Loan Agreement,
 - (e) the VAT Declaration of Trust,
 - (f) the Fee Letter,
 - (g) the Services Letter,
 - (h) the Collection Account Declarations of Trust,
 - (i) the Cross-collateral Mortgage Rights Deed,
 - (j) the Subscription Agreement,
 - (k) the Substitute Administrator Agreement,
 - (l) the A1 Note Conditional Purchase Agreement,
 - (m) the Remarketing Agreement, and

(n) the Flexible Drawing Facility Agreement,

including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer 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.

- (4) A conveyance, transfer and assignment by way of first fixed security of all of the Issuer's right, title, interest and benefit present and future in any Cap Agreement, any Cap Guarantee, each Hedge Agreement and each Hedge Collateral Ancillary Document (subject in each case to any right of set-off or netting contained therein) including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer 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
- (5) An assignment by way of first fixed security of all of the Issuer's 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 each Issuer Cash Account and any other bank or other account in which the Issuer 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
- (6) A charge by way of first fixed mortgage of all of the Issuer's right, title, interest and benefit present and future in the Authorised Investments and each of them made by the Issuer in accordance with clause 4.9.1 of the Administration Agreement, all Hedge Collateral Securities, each Hedge Collateral Securities Account, all Hedge Collateral Authorised Investments and all other investments in which the Issuer 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
- (7) A conveyance, transfer and assignment by way of first fixed security of all of the Issuer's 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 Issuer thereunder and all payments received by the Issuer 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.
- (8) A conveyance, transfer and assignment by way of first fixed security of all the Issuer's rights, title, interest and benefit present and future in, under and pursuant to the

Subscription Agreement including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer 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

- (9) A charge by way of first floating charge of the whole of its undertaking and all of 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 as described in paragraphs (1) to (8) inclusive above (but excepting from the foregoing exclusion all property, assets rights and interests situated in, or governed by the laws of, Scotland, all of which are charged by such floating charge).

Intimation of assignation in security of Scottish Declaration of Trust

The Issuer has intimated to each Originator as respective trustee under the Scottish Declarations of Trust the assignation in security referred to in paragraph (2) above and each Originator by its execution of the Deed of Charge by the Issuer has consented to such assignation and acknowledged such intimation thereof and confirmed that as at the date of the Deed of Charge it had received no intimation of any other dealing with the Scottish Trust Property or any part thereof

Negative covenants

Under Clause 11.2 of the Deed of Charge the Issuer 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

- (a) carry on any business other than as described in the Prospectus (as defined in the Administration Agreement) and then only in relation to the Mortgages and the related activities described therein and in respect of that business shall not engage in any activity or do anything whatsoever except
- (i) own and exercise its rights in respect of the Charged Property and its interests therein and perform its obligations in respect of the Charged Property including, for the avoidance of doubt, making Mandatory Further Advances and Discretionary Further Advances,
 - (ii) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Relevant Documents and the Notes,
 - (iii) to the extent permitted by the terms of the Deed of Charge or any of the other Relevant Documents, pay dividends or make other distributions to its members out of profits available for distribution in the manner permitted by applicable

- law and among other things, make claims, payments and surrenders in respect of certain tax reliefs,
- (iv) use, invest or dispose of, or otherwise deal with, or agree or attempt or purport to dispose of, any of the Charged Property or any estate, right or title therein or grant any option or right to acquire the same presently or in the future
 - (1) in the manner provided in or contemplated by the Relevant Documents or for the purpose of realising sufficient funds to exercise its option to redeem the Class A Notes (of any class) or the Class B Notes or the Class C Notes in accordance with the Conditions,
 - (2) in connection with any agreement therefor which is conditional on the repayment or discharge in full of the Secured Amounts, and
 - (3) in connection with a disposal or termination of any Cap Agreement or any Hedge Agreement in return for a contemporaneous payment of cash to the Transaction Account of an amount equal to the fair market value thereof,
 - (v) in accordance with Chapter IV, Part X of the Taxes Act 1988, surrender losses or make any claim for or any payment for group relief (as therein defined), and
 - (vi) perform any act incidental to or necessary in connection with (i) to (v) (inclusive) above,
- (b) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness excluding, for the avoidance of doubt, indebtedness under the Deed of Charge, the Trust Deed, the Notes, the Fee Letter, the Services Letter, the Flexible Drawing Facility Agreement, any Hedge Agreement, the Substitute Administrator Agreement, the Agency Agreement, the A1 Note Conditional Purchase Agreement, the Remarketing Agreement or the VAT Declaration of Trust, and excluding any borrowing in accordance with the provisions of the Subordinated Loan Agreement,
- (c) 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 of Charge, provided always that, for the avoidance of doubt, the Issuer 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 (including Mandatory Further Advances, Discretionary Further Advances and interest thereon) and the subsequent mortgagee, heritable creditor or chargee expressly postpones its rights to those of the Issuer and the Trustee;

- (d) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any person, other than as contemplated by the Deed of Charge, the Trust Deed or the Administration Agreement, unless
 - (i) the person (if other than the Issuer) formed by or surviving such consolidation or merger or which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of England and Wales, whose main objects are the funding, purchase and administration of mortgages, and which shall expressly assume, by a deed supplemental to the Trust Deed, in a form satisfactory to the Trustee, the due and punctual payment of principal and interest on the Class A Notes, the Class B Notes and the Class C Notes and the performance and observance of every covenant in the Trust Deed and in the Conditions on the part of the Issuer to be performed or observed;
 - (ii) immediately after giving effect to such transaction, no Event of Default shall have occurred and be continuing,
 - (iii) the Trustee is satisfied that the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders will not be materially prejudiced by such consolidation, merger, conveyance or transfer,
 - (iv) the Issuer shall have delivered to the Trustee a legal opinion containing such confirmations in respect of such consolidation, merger, conveyance or transfer and such supplemental deed and other deeds as the Trustee may require,
 - (v) the then current ratings of the Class A Notes, the Class B Notes and the Class C Notes are not adversely affected, and
 - (vi) engage, or permit any of its affiliates to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under U S federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under U S federal income tax principles
- (e) permit the validity or effectiveness of the Trust Deed or the Deed of Charge or the priority of the security created hereby or pursuant hereto to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of the Charged Property to be released from such obligations,
- (f) in a manner which adversely affects the then current ratings of the Class A Notes, the Class B Notes or the Class C Notes, have any employees or premises or have any subsidiary, or
- (g) have an interest in any bank account other than the Transaction Account, the VAT Account and the Collection Account Declarations of Trust, unless such account or

the Issuer's interest therein is charged or otherwise secured in favour of the Trustee on terms acceptable to the Trustee,

provided that, in the case of (b), it is acknowledged that the Issuer may borrow amounts from time to time under any facility from a third party (other than the Subordinated Lenders) under the Subordinated Loan Agreement

Further Assurances

Under Clause 18.1 of the Deed of Charge the Issuer has further covenanted with and undertaken to the Trustee from time to time upon demand to execute, at its own cost, any document or do any act or thing which the Trustee or the Receiver may properly specify with a view to perfecting or improving any charge or security created or intended to be created by or pursuant to the Deed of Charge or facilitating the exercise, or the proposed exercise, of any of their powers (including, without limitation, the provision of all information as the Trustee may require in relation to the completion of the Land Registry or Registers of Scotland or the Land Registry of Northern Ireland or Registry of Deeds, Belfast application forms in respect of the Mortgages)

Under Clause 3.2 of the Deed of Charge the Issuer has undertaken to the Trustee and bound and obliged itself

- (a) in the event of any Scottish Transfers being executed and delivered in accordance with the provisions of the Mortgage Sale Agreement and the Administration Agreement, or legal title to any Scottish Mortgage being otherwise transferred to the Issuer, 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 to the Deed of Charge in respect of the Issuer's whole right, title and interest in and to all of the Scottish Mortgages to which the Issuer is thereby 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 to the Deed of Charge in respect of the Issuer's whole right, title and interest in and to all of the Scottish Mortgages to which the Issuer is thereby entitled, title to which is recorded or is in the course of being recorded in the General Register of Sasines,

but excluding any Retained Pre-Closing Accruals and Arrears in respect of any Scottish Mortgages,

- (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 Issuer's whole right,

title and interest in and to all or any collateral security in respect of the Scottish Mortgages;

- (c) at the time of delivery of any Scottish Sub-Securities in accordance with the provisions of Clause 3.2 of the Deed of Charge simultaneously to deliver to the Trustee the Scottish Transfers granted in favour of the Issuer in terms of the Mortgage Sale Agreement pertaining to the Scottish Mortgages specified in such 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 Mortgages, including without limitation, registration or recording of the Issuer as heritable creditor under such Scottish 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 Mortgages and all sums secured thereby

Power of Attorney

Pursuant to Clause 18.2 of the Deed of Charge the Issuer has irrevocably and by way of security appointed the Trustee and every Receiver severally to be its attorney (with full power to appoint substitutes and to delegate, including power to authorise the person so appointed to make further appointments) on behalf of the Issuer and in its name or otherwise, to execute any document or do any act or thing which the Trustee or such Receiver (or such substitute or delegate) may, in its or his absolute discretion, consider appropriate in connection with the exercise of any of the powers of the Trustee or the Receiver or which the Issuer is obliged to execute or do, whether under the Deed of Charge or otherwise

Receiver

Under Clause 14.1 of the Deed of Charge, at any time after the security created under the Deed of Charge becomes enforceable or after any application is made for the appointment of an administrator in relation to the Issuer, or notice of intention to appoint an administrator of the Issuer is given or filed with the court the Trustee may appoint such person or persons (including an officer or officers of the Trustee) as it thinks fit to be receiver or receivers, managers, receivers or managers (to act jointly or severally) or administrator or administrative receiver of the Charged Property.

SCHEDULE 4

DEFINITIONS

In this Form 395

"A1 Note Conditional Purchase Agreement" means the agreement entered into on or around 22 March 2007 between, among others, the Issuer and the A1 Note Conditional Purchaser,

"A1 Note Mandatory Transfer Date" means the Interest Payment Date falling in December annually and commencing December 2007;

"A1 Note Mandatory Transfer Price" means the amount of the payment to the Class A1 Noteholders on the relevant A1 Note Mandatory Transfer Date constituting the Principal Amount Outstanding on the Class A1 Notes on that date (following application of Available Redemption Funds on that date and without prejudice to the Issuer's obligations to make payments on the Class A1 Notes on that date) (except to the extent that the Class A1 Notes are purchased by the A1 Note Conditional Purchaser where the A1 Note Mandatory Transfer Price shall be the GBP Equivalent of such amount calculated, for the avoidance of doubt, at the exchange rate specified in the Currency Swap A1 Agreement),

"Accrued Arrears" means, in respect of any Mortgage, the amount of all sums which have accrued as due and payable by the Borrower in respect of such Mortgage in respect of the period up to but excluding the relevant Purchase Date and which remain due and payable at the relevant Purchase Date (provided that the principal moneys payable under any such Mortgage shall not be deemed to be due for the purpose of this paragraph merely because the legal date for redemption of the relevant Mortgage has passed as at the relevant Purchase Date),

"Additional Subordinated Lender" means a person (other than either PFPLC or MTS (in its capacity as Subordinated Lender)) from whom the Issuer may borrow pursuant to the Subordinated Loan Agreement, as contemplated by the proviso to Clause 11 2 of the Deed of Charge and which has undertaken in a manner and form satisfactory to the Trustee to be bound by the Deed of Charge as if it had originally been a party hereto,

"Administration Agreement" means the agreement dated 22 March 2007 between the Administrators, the Issuer, PML, MTL, MTS (in its capacity as Seller) and the 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,

"Agency Agreement" means the agency agreement dated 22 March 2007 between, among others, the Issuer and the Agents, as from time to time varied in accordance with the provisions thereof,

"Approved Credit Support Document" means a 1995 ISDA Credit Support Annex (Bilateral Form-Transfer) entered into by each Basis Hedge Provider, Currency Swap

Provider and the Issuer on or around the Closing Date in support of the Issuer's obligations under the relevant Hedge Agreement,

"Arrears Mortgage" means a Mortgage in respect of which, on the Purchase Date, as applicable, the Accrued Arrears exceeds in aggregate an amount equal to one current monthly payment under that Mortgage,

"Available Redemption Funds" has the meaning ascribed to it under Condition 5(a),

"Basis Hedge Agreement" means each interest rate exchange agreement entered into by the Issuer and a Basis Hedge Provider dated on or around the date of the Trust Deed and any confirmations entered into pursuant thereto,

"Borrower" means:

- (a) in relation to each Individual Mortgage, the same as in the Mortgage Conditions; and
- (b) in relation to each Corporate Mortgage, the company named as the "Borrower" in the Mortgage Conditions,

"Cap" means a hedging arrangement entered into by the Issuer and a Cap Provider pursuant to a Cap Agreement whereby in the event that LIBOR (as determined in accordance with such agreement) exceeds the rate agreed with such Cap Provider (the "strike rate"), such Cap Provider will be required to make a payment to the Issuer equal to the difference between LIBOR (as so determined) and the strike rate calculated on the notional principal amount agreed for the relevant period, provided that such strike rate is set at such a level that the then ratings of the Class A Notes, the Class B Notes and the Class C Notes will not be adversely affected thereby,

"Cap Agreement" means any agreement in such form as is approved by the Trustee to be entered into on or before the Closing Date 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, among other things, 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 and the Rating Agencies 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 current ratings of the Class A Notes, the

Class B Notes and the Class C Notes are not adversely affected as a result, as confirmed by the Rating Agencies,

"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,

"Charged Property" means the assets, rights and undertaking of the Issuer for the time being held as security (whether fixed or floating) for the Secured Amounts under the Deed of Charge and references to the **"Charged Property"** include references to any part of it;

"Class A Global Notes" means, the Class A Global Note with respect to each class of the Class A Notes or, as the context may require, with respect to a particular class of Class A Notes;

"Class A Noteholders" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class A Notes (irrespective of class) (being, if and to the extent that the Class A Notes are represented by the Definitive Class A Notes, the holders thereof and, if and to the extent that the Class A Notes are represented by the Class A Global Notes, the persons for the time being shown in the records of DTC, Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class A Notes) in which regard any certificate or other document issued by DTC, Clearstream, Luxembourg or Euroclear as to the principal amount of Class A Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class A Global Notes in accordance with and subject to their respective terms and the terms of these presents) and the words **"holder"** and **"holders"** shall (where appropriate) be construed accordingly,

"Class A1 Noteholders" means the holders of the Class A1 Notes,

"Class A Notes" means, as the context may require:

- (a) the \$1,500,000,000 Class A1 mortgage backed floating rate notes due 2039 (the **"Class A1 Notes"**),
- (b) the £125,000,000 Class A2a mortgage backed floating rate notes due 2039 (the **"Class A2a Notes"**),
- (c) the €246,000,000 Class A2b mortgage backed floating rate notes due 2039 (the **"Class A2b Notes"**); and
- (d) the \$400,000,000 Class A2c mortgage backed floating rate notes due 2039 (the **"Class A2c Notes"**),

hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Class A Global Note of each class (or any part thereof) and the Definitive Class A Notes of each class (or any of them),

"Class B Global Notes" means, the Class B Global Note with respect to each class of the Class B Notes or, as the context may require, with respect to a particular class of Class B Notes,

"Class B Noteholders" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class B Notes (irrespective of class) (being, if and to the extent that the Class B Notes are represented by the Definitive Class B Notes, the holders thereof and, if and to the extent that the Class B Notes are represented by the Class B Global Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class B Notes) in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class B Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class B Global Notes in accordance with and subject to their respective terms and the terms of these presents) and the words **"holder"** and **"holders"** shall (where appropriate) be construed accordingly,

"Class B Notes" means, as the context may require.

- (a) the £51,900,000 Class B1a mortgage backed floating rate notes due 2039 (the **"Class B1a Notes"**), and
- (b) the €88,800,000 Class B1b mortgage backed floating rate notes due 2039 (the **"Class B1b Notes"**),

hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Class B Global Note of each class (or any part thereof) and the Definitive Class B Notes of each class (or any of them),

"Class C Global Notes" means, the Class C Global Note with respect to each class of the Class C Notes or, as the context may require, with respect to a particular class of Class C Notes,

"Class C Noteholders" means the several persons who are for the time being Holders (as defined in Condition 1(d)) of the Class C Notes (irrespective of class) (being, if and to the extent that the Class C Notes are represented by the Definitive Class C Notes, the holders thereof and, if and to the extent that the Class C Notes are represented by the Class C Global Notes, the persons for the time being shown in the records of Euroclear and Clearstream, Luxembourg (other than Clearstream, Luxembourg if Clearstream, Luxembourg shall be an account holder of Euroclear and other than Euroclear if Euroclear shall be an account holder of Clearstream, Luxembourg) as being holders of the Class C Notes) in which regard any

certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the principal amount of Class C Notes standing to the account of any person shall be conclusive and binding for all purposes hereof (other than for the purposes of payments in respect thereof the right to which shall be vested, as against the Issuer and the Trustee, solely in the holder of the Class C Global Notes in accordance with and subject to their respective terms and the terms of these presents) and the words "**holder**" and "**holders**" shall (where appropriate) be construed accordingly,

"**Class C Notes**" means, as the context may require

- (a) the £20,000,000 Class C1a mortgage backed floating rate notes due 2039 (the "**Class C1a Notes**"), and
- (b) the €135,500,000 Class C1b mortgage backed floating rate notes due 2039 (the "**Class C1b Notes**"),

hereby constituted or the amount thereof from time to time outstanding or, as the context may require, a specific number thereof and includes the Class C Global Note of each class (or any part thereof) and the Definitive Class C Notes of each class (or any of them),

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme, or any successor in business thereto,

"**Closing Date**" means 22 March 2007,

"**Collection Accounts**" means the account of PML numbered 56164378 (Code 55-50-15) with NatWest at its branch at 4 High Street, Solihull, West Midlands B91 3WL and the accounts of MTS numbered 00452165, 80682772 and 90702560 (Code 20-19-90) with Barclays at its branch at 1 Churchill Place, London E14 5HP and/or such other account (or accounts) of PML and/or MTS which has (or have) been approved in writing by the Trustee;

"**Collection Account Declarations of Trust**" means each of the declarations of trust over the Collection Accounts in favour of the Issuer made by PML and MTS as respective holders of the Collection Accounts as the same may be supplemented and amended from time to time (including by the respective Supplemental Deed of Declarations of Trust) and as may be further supplemented and amended from time to time,

"**Conditions**" means, the Conditions applicable to each class of the Notes in the form set out in Schedule 4 to the Trust Deed (but, so long as the Notes of a particular class are represented by the Global Notes of that class, with the deletion therefrom of those provisions which are applicable only to the Definitive Notes of that class), as the same may from time to time be modified in accordance with the Trust Deed and any reference in these presents to a particular numbered Condition shall be construed accordingly,

"**Corporate Mortgages**" means mortgages, charges and Standard Securities and the loans secured thereby where the borrower thereunder is a limited liability company,

"Cross-collateral Mortgage Rights Accession Deed" means the cross-collateral mortgage rights accession deed dated 26 October 2006 and made between, amongst others, the Issuer and the Trustee,

"Cross-collateral Mortgage Rights Deed" means the Principal Deed as defined in the Cross-Collateral Mortgage Rights Accession Deed,

"Currency Swap Agreements" means the Currency Swap A1 Agreement, the Currency Swap A2b Agreement, the Currency Swap A2c Agreement, the Currency Swap B1b Agreement and Currency Swap C1b Agreement,

"Currency Swap A1 Agreement" means the ISDA master agreement entered into between the Issuer, the Currency Swap Provider and the Trustee on or around the Closing Date in relation to the Class A1 Notes together with the schedule, each confirmation and each credit support annex or other credit support documents relating thereto and shall include any additional and/or replacement agreements or documents entered into by the relevant parties from time to time in connection with those Notes,

"Currency Swap A2b Agreement" means the ISDA master agreement entered into between the Issuer, the Currency Swap Provider and the Trustee on or around the Closing Date in relation to the Class A2b Notes together with the schedule, each confirmation and each credit support annex or other credit support documents relating thereto and shall include any additional and/or replacement agreements or documents entered into by the relevant parties from time to time in connection with those Notes;

"Currency Swap A2c Agreement" means the ISDA master agreement entered into between the Issuer, the Currency Swap Provider and the Trustee on or around the Closing Date in relation to the Class A2c Notes together with the schedule, each confirmation and each credit support annex or other credit support documents relating thereto and shall include any additional and/or replacement agreements or documents entered into by the relevant parties from time to time in connection with those Notes

"Currency Swap B1b Agreement" means the ISDA master agreement entered into between the Issuer, the Currency Swap Provider and the Trustee on or around the Closing Date in relation to the Class B1b Notes together with the schedule, each confirmation and each credit support annex or other credit support documents relating thereto and shall include any additional and/or replacement agreements or documents entered into by the relevant parties from time to time in connection with those Notes;

"Currency Swap C1b Agreement" means the ISDA master agreement entered into between the Issuer, the Currency Swap Provider and the Trustee on or around the Closing Date in relation to the Class C1b Notes together with the schedule, each confirmation and each credit support annex or other credit support documents relating thereto and shall include any additional and/or replacement agreements or documents entered into by the relevant parties from time to time in connection with those Notes,

"Definitive Class A Notes" means the notes in definitive registered form to be issued in respect of each class of the Class A Notes or the Class A Notes of a particular class, as the

context may require, pursuant to, and in the circumstances specified in, Clause 3.2 of the Trust Deed and includes any replacements for the Definitive Class A Notes of that class issued pursuant to Condition 11,

"Definitive Class B Notes" means the notes in definitive registered form to be issued in respect of each class of the Class B Notes or the Class B Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 of the Trust Deed and includes any replacements for the Definitive Class B Notes of that class issued pursuant to Condition 11,

"Definitive Class C Notes" means the notes in definitive registered form to be issued in respect of each class of the Class C Notes or the Class C Notes of a particular class, as the context may require, pursuant to, and in the circumstances specified in, Clause 3.2 of the Trust Deed and includes any replacements for the Definitive Class C Notes of that class issued pursuant to Condition 11,

"Definitive Notes" means the Definitive Class A Notes, Definitive Class B Notes and the Definitive Class C Notes or any of them (if any),

"Discretionary Further Advance" means a further advance (other than a Mandatory Further Advance) made to a Borrower in respect of a Mortgage in the manner provided in clause 8.2 of the Administration Agreement,

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

"Euroclear" means Euroclear Bank S.A /N V , as operator of the Euroclear System or any successor in business thereto,

"Event of Default" means the occurrence of any of the following events:

- (i) default is made for a period of seven days or more in the payment on the due date of any principal due on the Notes or any of them, or for a period of 15 days or more in the payment on the due date of any interest upon the Notes or any of them, or default is made for a period of 15 days in the payment of any A1 Note Mandatory Transfer Price on any Class A1 Note when and as the same ought to be paid in accordance with the Conditions provided that for the avoidance of doubt a failure to make or procure any payment required under Condition 5(i) by reason of any failure on the part of the Remarketing Agent or the A1 Note Conditional Purchaser to perform its respective obligations under the Relevant Documents shall not constitute a default for the purposes of Condition 9, or
- (ii) an order is made or an effective resolution is passed for winding up the Issuer except a winding up for the purpose of a merger, reconstruction or amalgamation, the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the Class A Noteholders or, if there are no Class A Notes then outstanding, by an Extraordinary Resolution of the Class B Noteholders or, if

there are no Class A Notes or Class B Notes then outstanding, by an Extraordinary Resolution of the Class C Noteholders, or

- (iii) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws including, for the avoidance of doubt, presentation to the court of an application for an administration order, or an administrative receiver or other receiver, administrator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Issuer or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases it shall not be discharged within 14 days or if the Issuer shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment for the benefit of its creditors generally, or
- (iv) default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed or the Deed of Charge or the Administration Agreement (other than any obligation for the payment of any principal or interest on the Notes) and, except where in the opinion of the Trustee such default is not capable of remedy, such default continues for 30 days after written notice by the Trustee to the Issuer requiring the same to be remedied provided that for the avoidance of doubt, a failure to make or procure any payment required under Condition 5(i) by reason of any failure on the part of the Remarketing Agent or the A1 Note Conditional Purchaser to perform its respective obligations under the Relevant Documents shall not constitute a default for the purposes of Condition 9, or
- (v) the Issuer ceases or threatens to cease to carry on its business or a substantial part of its business or the Issuer is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities but ignoring any liability under the Subordinated Loan Agreement, the Fee Letter and the Services Letter) or otherwise becomes insolvent,

"Expected Exchange Time" means the date the GBP Equivalent is to be determined, unless it is clear from the context that the relevant reference to GBP Equivalent relates to and is being used to anticipate currency exchanges which will be made at a specific future date, in which case it means that future date,

"Extraordinary Resolution" means a resolution passed at a meeting duly convened of Noteholders by a majority or, as the context requires, a particular class thereof of not less than three quarters of the votes cast,

"Fee Letter" means the agreement dated 22 March 2007 between the Issuer, the Issue Services Provider and the Trustee relating to the reimbursement of certain expenses of the issues of the Notes incurred by PFPLC and on behalf of the Issuer and the payment by the Issuer of an arrangement fee to the Issue Services Provider,

"First Loss Fund" means the amount standing to the credit of the First Loss Ledger from time to time,

"First Loss Ledger" means the ledger so referred to in clause 6.2.1 of the Administration Agreement,

"Fitch" means Fitch Ratings Limited;

"Flexible Drawing Advance" means a Flexible Drawing Cash Advance or Flexible Drawing Capitalised Advance,

"Flexible Drawing Capitalised Advance" means the amount of interest that was scheduled to be paid as one or more of the borrower's monthly payments but which is met (in whole or in part) by capitalising such amount to his Flexible Mortgage account,

"Flexible Drawing Cash Advance" means each amount withdrawn by the borrower from his Flexible Mortgage account,

"Flexible Drawing Facility Agreement" means the flexible drawing facility agreement dated 22 March 2007 and entered into between, among others, the Issuer and the Flexible Drawing Facility Provider,

"Flexible Mortgage" means a Mortgage which provides borrowers with the right to make principal overpayments and to obtain Flexible Drawing Advances from time to time,

"FRS 26 Adjustment" means the postings required to adjust the carrying value of a mortgage to that calculated under the "amortised cost basis" (as defined by Financial Reporting Standard 26 under UK GAAP), and as calculated by the Administrator on the relevant Purchase Date,

"FRS 26 Adjustment Amount" means any amount advanced to the Issuer by either of the Subordinated Lenders under the Subordinated Loan Agreement to enable the Issuer to pay that part of the consideration for any Mortgages which constitutes the FRS 26 Adjustment,

"Further Purchase Date" means, in relation to any sale and purchase of Non-Verified Mortgages, the date on which the sale and purchase is completed subject to, and in accordance with, the terms of the Mortgage Sale Agreement;

"GBP Equivalent" in relation to an amount means

- (a) where that amount is expressed in GBP, that amount at the Expected Exchange Time, and
- (b) where that amount is expressed in any currency other than GBP, the GBP equivalent of that amount ascertained using

- (i) if that amount relates to a Note other than a GBP Note and the Currency Swap Agreement relating to that Note has not or is not expected to have terminated early on or before the Expected Exchange Time, the exchange rate specified in that Currency Swap Agreement, or
- (ii) in any other case, the applicable spot rate of exchange at (or as expected to be at) the Expected Exchange Time as determined by the Administrator (prior to the security becoming enforceable) or the Trustee (from or after the security becoming enforceable),

"Global Notes" means the Global Rule 144A Notes and Global Reg S Notes,

"Global Reg S Note" means the Notes represented by one or more permanent global notes in fully registered form without interest coupons sold to non-US persons outside the United States in reliance of Regulation S of the United States Securities Act 1933,

"Global Rule 144A Note" means the Notes represented by one or more permanent global notes in fully registered form without interest coupons sold to persons who are qualified institutional buyers in reliance on Rule 144A of the United States Securities Act 1933,

"Hedge Agreements" means each Currency Swap Agreement, each Basis Hedge Agreement, each Permitted Basis Hedge Agreement (and shall include any Approved Credit Support Document) and each other hedging agreement entered into by the Issuer from time to time,

"Hedge Collateral" means any asset (including, without limitation, cash and/or securities) paid or transferred to the Issuer by a Hedge Provider in accordance with the terms of the relevant Hedge Agreement as collateral to secure the performance of that Hedge Provider's obligations under the relevant Hedge Agreement together with any income or distributions received in respect of such asset and any equivalent of or replacement of such asset into which such asset is transformed,

"Hedge Collateral Ancillary Document" means any document (including, without limitation, any custodial agreement or bank account agreement but excluding the Hedge Agreements, the Administration Agreement and the Deed of Charge) as may be entered into by the Issuer from time to time in connection with Hedge Collateral,

"Hedge Collateral Authorised Investments" means investments in which Hedge Collateral may be held or invested pursuant to the relevant Hedge Agreement,

"Hedge Collateral Cash" means Hedge Collateral in cash form standing from time to time to the credit of the Hedge Collateral Cash Account,

"Hedge Collateral Cash Account" means an account opened in the name of the Issuer for the purpose of holding Hedge Collateral Cash and maintained in accordance with the terms of the Administration Agreement;

"Hedge Collateral Securities" means Hedge Collateral in the form of securities,

"Hedge Collateral Securities Account" means a securities account opened in the name of the Issuer for the purpose of holding Hedge Collateral Securities and maintained in accordance with the terms of the Administration Agreement,

"Hedge Providers" means each Currency Swap Provider, each Basis Hedge Provider, each Permitted Basis Hedge Provider and each other provider of interest rate and/or currency hedging to the Issuer under any other hedging agreement entered into by the Issuer from time to time,

"Individual Mortgages" means mortgages, charges and Standard Securities and the loans secured thereby where the borrower thereunder is an individual;

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

"Interest Payment Date" has the same meaning as in the Conditions, whether or not there are any Notes outstanding,

"Issuer Cash Account" means the Transaction Account and each Hedge Collateral Cash Account,

"Mandatory Further Advance" means any part of an initial mortgage advance retained pending completion of construction or refurbishment required to be made to a Borrower in respect of a Mortgage in accordance with the relevant Mortgage Conditions and any Flexible Drawing Cash Advance, both in the manner provided in clause 8.3 of the Administration Agreement,

"Moody's" means Moody's Investors Service Limited,

"Mortgage Conditions" means the terms and mortgage conditions applicable to the Mortgages and which are comprised in the Mortgage Documentation,

"Mortgage Documentation" means, in the case of any Individual Mortgage, the documents listed in Part A of Schedule 2 to the Mortgage Sale Agreement and, in the case of any Corporate Mortgage, the documents listed in Part B of Schedule 2 to the Mortgage Sale Agreement or, in the case of any Mortgage which has been converted into a different type or types of Mortgage, those listed aforesaid (as applicable) or such other documents as may have been used in connection with such Mortgages, the use of which the Rating Agencies shall have confirmed to the Trustee would not adversely affect the then current ratings of the Notes,

"Mortgage Sale Agreement" means the agreement dated 22 March 2007 between each Seller, each Originator, each Administrator, the Warehouse, the Issuer and the Trustee relating to the sale and purchase of the Mortgages as from time to time varied with the prior written approval of the Trustee,

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

"MTL Non-Verified Mortgage Request" means a letter, addressed to MTS, in substantially the same form as that set out in Schedule 13 of the Mortgage Sale Agreement,

"MLT Non-Verified Mortgages" means the Individual Mortgages and the Corporate Mortgages to be sold by PSFL to MTS and by MTS to the Issuer Pursuant to Mortgage Sale Agreement, brief details of which are to be set out in the Annexure to the MTL Non-Verified Mortgage Request,

"MTL Original Mortgages" means the Individual Mortgages and the Corporate Mortgages to be sold by PSFL to MTS and by MTS to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement, brief details of which are set in Parts 3 and 4 of the Annexure of the Mortgage Sale Agreement,

"NatWest" means National Westminster Bank Plc,

"Non-Verified Mortgages" means the PML Non-Verified Mortgages and the MTL Non-Verified Mortgages,

"Non-Verified Mortgage Request" means the PML Non-Verified Mortgage Request and the MTL Non-Verified Mortgage Request,

"Non-Verified Payment" means the purchase price payable by the Issuer for any Non-Verified Mortgage and, for the avoidance of doubt, includes any necessary FRS 26 Adjustment Amount,

"Northern Irish Mortgage" means a Mortgage secured or intended to be secured over residential Property in Northern Ireland;

"Noteholders" means the Class A Noteholders and/or Class B Noteholders and/or the Class C Noteholders or any of them;

"Notes" means the Class A Notes, the Class B Notes and the Class C Notes or any of them, as the case may be,

"Operating Bank" means NatWest or such other bank, satisfying the requirements of clause 6.6 of the Administration Agreement, as the Issuer may choose with the approval of the Trustee (such approval not to be unreasonably withheld) and with which the Transaction Account is for the time being maintained,

"Original Mortgages" means the PML Original Mortgages and the MTL Original Mortgages

"Paying Agents" means the persons (including where the context permits the Principal Paying Agent) initially appointed as Paying Agent by the Issuer pursuant to the Agency Agreement and/or such other or further paying agents in respect of the Notes as may (with the prior written approval of, and on terms previously approved in writing by, the Trustee) from time to time be appointed by the Issuer pursuant to the Agency Agreement and/or such other or further specified offices, (in the former case being within the same city as those for which they are substituted) as may from time to time be nominated, in each case by the Issuer pursuant to the Agency Agreement and (except in the case of the initial Paying Agents) notice of whose appointment or of which nomination has been given to the Noteholders pursuant to Clause 12(M) of the Trust Deed in accordance with Condition 12,

"Permitted Basis Hedge Agreement" means an ISDA master agreement thereto entered into between the Issuer, a Permitted Basis Hedge Provider and the Trustee, together with the schedule, each confirmation and each credit support annex or other credit support documents relating thereto, pursuant to which the Issuer enters into hedging arrangements pursuant to Clause 4 10 2(c) of the Administration Agreement but only to the extent permitted by Clause 12(X) of the Trust Deed, and shall include any additional and/or replacement basis hedging agreements or documents entered into by the relevant parties from time to time in connection with those Notes,

"Permitted Basis Hedge Provider" means a bank or financial institution which has entered into hedging arrangements with the Issuer 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, the Class B Notes and the Class C 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, the Class B Notes and the Class C Notes), and
- (b) has entered into a deed supplemental to the Deed of Charge in form and substance satisfactory to the Trustee agreeing to be bound by the terms of the Deed of Charge on the same terms as the Basis Hedge Provider,

"PML Non-Verified Mortgage Request" means a letter addressed to PML, in substantially the same form as that set out in Schedule 13 of the Mortgage Sale Agreement;

"PML Non-Verified Mortgages" means the Individual Mortgages and the Corporate Mortgages to be sold by PSFL to PML and by PML to the Issuer pursuant to the Mortgage Sale Agreement, brief details of which are to be set out in the Annexure to the PML Non-Verified Mortgage Request,

"PML Original Mortgages" means the Individual Mortgages and the Corporate Mortgages to be sold by PSFL to PML and by PML to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement, brief details of which are set out in Parts 1 and 2 of the Annexure of the Mortgage Sale Agreement,

"Principal Amount Outstanding" has the meaning in Condition 5(b), whether or not there are any Class A Notes outstanding,

"Principal Deed" means a Cross-collateral Mortgage Rights Deed originally dated 26 July 2001 as amended and restated by a deed dated 25 May 2004 between Mortgage Trust Limited, Mortgage Trust Services plc, First Active plc, First Flexible No 1 plc, First Flexible No. 2 plc, First Flexible No 3 plc, First Flexible No 4 plc, First Flexible No 5 plc, First Flexible No 6 plc, Citicorp Trustee Company Limited, and JPMorgan Chase Bank and as further amended, restated, acceded to and supplemented from time to time

"Principal Paying Agent" means Citibank, N A , London branch at its office at Citigroup Centre, 21st Floor, Canada Square, Canary Wharf, London E14 5LB, or such other Principal

Paying Agent in respect of the Notes for the time being as may have been appointed as such by the Issuer with the prior written approval of, and on terms previously approved in writing by, the Trustee and (except in the case of the initial Principal Paying Agent) notice of whose appointment has been given to the Noteholders pursuant to Clause 12(M) of the Trust Deed in accordance with Condition 12,

"Property" means, in relation to each Mortgage, the residential property upon which the relevant loan is secured,

"Prospectus" means the prospectus dated 19 March 2007 in relation to the issue by the Issuer of the Notes,

"Purchase Date" means.

- (a) in relation to the sale and purchase of the Original Mortgages, the Closing Date, and
- (b) in relation to any sale and purchase of Non-Verified Mortgages, the relevant Further Purchase Date,

"Rating Agencies" means Moody's, S&P and Fitch,

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

"Receiver" means a receiver, manager, receiver or manager or administrative receiver appointed under the Deed of Charge or pursuant to statutory powers, and includes more than one such receiver and any substituted receiver,

"Reference Agent" means Citibank, N A , London branch at its office at Citigroup Centre, 21st Floor, Canada Square, Canary Wharf, London E14 5LB, or such other Reference Agent in respect of the Notes as may (with the prior approval of, and on terms previously approved in writing by, the Trustee) from time to time be appointed as such by the Issuer and (except in the case of the initial Reference Agent) notice of whose appointment has been given to the Noteholders pursuant to Clause 12(M) of the Trust Deed in accordance with Condition 12;

"Registrar" means Citibank, N A , London Branch,

"Relevant Documents" means the Subscription Agreement dated on or around 16 March 2007 and other agreements relating to the issue of the Notes (or any of them), the Mortgage Sale Agreement, the Scottish Declarations of Trust, the Deed of Charge, the Fee Letter, the Services Letter, the Subordinated Loan Agreement, the Trust Deed, the Agency Agreement, the Notes, the VAT Declaration of Trust, the Administration Agreement, the Substitute Administrator Agreement, each Hedge Agreement, any Cap Agreement, any Cap Guarantees, the Cross-collateral Mortgage Rights Deed, the Remarketing Agreement, the A1 Note Conditional Purchase Agreement, the Mortgages, the Insurance Contracts and any other insurances in which the Issuer has an interest at any time, the Collection Account Declarations of Trust, the Scottish Sub-Securities and all other agreements and documents comprised in the security for the Notes,

"Remarketing Agreement" means the remarketing agreement entered into on or around 22 March 2007 between, amongst others, the Issuer and the Remarketing Agent,

"Retained Pre-Closing Accruals and Arrears" means, in respect of any Mortgage other than an Arrears Mortgage, the Accrued Arrears in respect of such Mortgage and the amount of any interest (including capitalised interest (if any)) or other sum due to be paid or accrued in respect of any period up to the Purchase Date under or in respect of such Mortgage,

"Revenue Ledger" means the ledger so referred to in clause 6.2.1 of the Administration Agreement,

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc.,

"Sasine Register Transfer" means an assignation of Scottish Mortgages in the form set out in Part A of Schedule 7 to the Mortgage Sale Agreement, in the case of Scottish Mortgages originated by PML, and in the form set out in Part B of Schedule 7 to the Mortgage Sale Agreement, in the case of Scottish Mortgages originated by MTL,

"Scottish Declarations of Trust" means the declarations of trust in respect of the Scottish Mortgages made by each Originator in favour of the Issuer on the Closing Date in relation to the Scottish Mortgages and the collateral security thereafter in the form set out in Part A of Schedule 8, in the case of the PML Original Mortgages that are Scottish Mortgages, and in the form set out in Part B of Schedule 8, in the case of MTL Original Mortgages that are Scottish Mortgages,

"Scottish Mortgage" means an Original Mortgage secured or intended to be secured over residential Property in Scotland,

Scottish Sub-Securities means any Standard Securities executed and delivered pursuant to Clause 3.2 of the Deed of Charge,

"Scottish Transfer" means a SLR Transfer and/or a Sasine Register Transfer,

"Scottish Trust Property" mean the Scottish Mortgages, brief particulars of which are detailed in the Schedule annexed and executed as relative to the Scottish Declaration of Trust, and all principal, interest and expenses, including all further advances present and future, comprised therein and secured thereby, together with

- (a) the whole matters pertaining thereto specified and referred to in Clause 3.4(A) of the Mortgage Sale Agreement,
- (b) the collateral security present and future for such Scottish Mortgages,
- (c) all monies, rights, interest, benefits and others pertaining thereto or deriving therefrom,
- (d) all powers and remedies for enforcing the same, and

- (e) all proceeds of sale deriving therefrom in the event of the enforcement of any of the Scottish Mortgages,

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

"Secured Parties" means the Trustee, the Noteholders, any Receiver, the Administrators, each Subordinated Lender, each Additional Subordinated Lender, the Remarketing Agent, the Tender Agent, the A1 Note Conditional Purchasers, the Issue Services Provider, each Agent, the Substitute Administrator, each Hedge Provider, the Flexible Drawing Facility Provider, each Seller, each Originator and PFPLC;

"Security Interest" means any mortgage, sub-mortgage, Standard Security, assignation, 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,

"Services Letter" means the services letter dated 22 March 2007 and made between the Issuer and PFPLC in its capacity as an Administrator,

"SLR Transfer" means an assignation of Scottish Mortgages in the form set out in Part A of Schedule 6 to the Mortgage Sale Agreement, in the case of Scottish Mortgages originated by PML, and in the form set out in Part B of Schedule 6 to the Mortgage Sale Agreement, in the case of Scottish Mortgages originated by MTL,

"Standard Security" means a standard security as defined in Part II of the Conveyancing and Feudal Reform (Scotland) Act 1970,

"Subordinated Loan Agreement" means the agreement dated 22 March 2007 between the Subordinated Lenders, the Issuer and the Trustee relating to the provision of a loan facility by the Subordinated Lenders to the Issuer,

"Subscription Agreement" means the agreement dated 16 March 2007 between the Issuer, PFPLC, MTS (in its capacity as an Administrator), MTL, each Seller and the financial institutions defined therein as the Managers in relation to the subscription and issue of the Notes,

"Substitute Administrator Agreement" means the agreement dated 22 March 2007 between, among others, the Issuer, the Trustee and the Substitute Administrator,

"Transaction Account" means the account of the Issuer with the account number 58598650 (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 Issuer,

"Trust Deed" means the Trust Deed dated 22 March 2007 and made between the Issuer 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,

"U.S. Paying Agent" means Citibank, N A , New York branch at its office at 388 Greenwich Street, 14th Floor, New York, N Y 10043, USA,

"VAT Account" means the account numbered 56177496 of PFPLC maintained at the Operating Bank which is subject to the VAT Declaration of Trust;

"VAT Declaration of Trust" means the declaration of trust dated 19 March 1993 executed by PFPLC, as has been amended and restated from time to time (including by a supplemental deed of declaration of trust dated on or around 22 March 2007) and as the same may be further 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, among others, the Issuer in the circumstances more particularly described therein, and

"Warehouser" means Paragon Second Funding Limited a company incorporated in England and Wales with registered number 2637506 whose registered office is at St Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE

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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 06043254

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A DEED OF SUB-CHARGE AND ASSIGNMENT DATED THE 22nd MARCH 2007 AND CREATED BY PARAGON MORTGAGES (NO 14) PLC FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY TO CITICORP TRUSTEE COMPANY LIMITED (THE TRUSTEE) (FOR ITSELF AND AS TRUSTEE FOR THE OTHER SECURED PARTIES) UNDER THE TERMS OF THE AFOREMENTIONED INSTRUMENT CREATING OR EVIDENCING THE CHARGE WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 5th APRIL 2007

GIVEN AT COMPANIES HOUSE, CARDIFF THE 16th APRIL 2007

Handwritten signature



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES



Companies House

— for the record —