imprima Group

imprima

London
Tel +44 (0) 20 7902 7200
Fax +44 (0) 20 7928 9133

Paris
+33 (0) 1 40 07 84 72
+33 (0) 1 40 07 84 61

Frankfurt
+49 (0) 69 915 09 80
+49 (0) 69 915 09 810

Amsterdam
Tel +31 (0) 20 5849 240
Fax +31 (0) 20 4880 173

Birmingham
+44 (0) 121 446 4721
+44 (0) 121 446 4731

OFFERING CIRCULAR

Paragon Personal and Auto Finance (No. 1) PLC

(incorporated with limited liability in England and Wales with registered number 2173065)

£178,210,000
Class A Asset Backed Floating Rate Notes due 2021
Issue price: 100%

£51,450,000
Class B Asset Backed Floating Rate Notes due 2032
Issue price: 100%

£21,340,000
Class C Asset Backed Floating Rate Notes due 2048
Issue price: 100%

The £178,210,000 Class A Asset Backed Floating Rate Notes due 2021 (the "Class A Notes") of Paragon Personal and Auto Finance (No. 1) PLC (the "Issuer") will be issued by the Issuer together with the £51,450,000 Class B Asset Backed Floating Rate Notes due 2032 of the Issuer (the "Class B Notes") and the £21,340,000 Class C Asset Backed Floating Rate Notes due 2048 of the Issuer (the "Class C Notes") (the Class A Notes, the Class B Notes and the Class C Notes together being the "Notes" and the Class B Notes and the Class C Notes together being the "Subordinated Notes").

Interest on the Notes will be payable in pounds sterling quarterly in arrear on 15th March, 15th June, 15th September and 15th December in each year subject to adjustment in the manner described in this Offering Circular (each date as so adjusted being an "Interest Payment Date"), the first interest payment being made on the Interest Payment Date falling in September 2001. Interest on the Subordinated Notes will be paid on an Interest Payment Date only if certain conditions are met on the preceding Determination Date (as defined in "Summary – Pre-enforcement Priority of Payments" below) and only to the extent that there are sufficient funds available to the Issuer on such Interest Payment Date to pay interest on such Notes, as more particularly described in this Offering Circular. If such conditions are not met or to the extent that such funds are insufficient to pay the full amount of interest on the Class B Notes and/or the Class C Notes on such Interest Payment Date, payment of the relevant interest or, as the case may be, the relevant shortfall will be deferred until the Interest Payment Date immediately succeeding the earliest Determination Date thereafter on which such conditions are met and then only to the extent that on such Interest Payment Date funds are available to the Issuer to pay such interest or, as the case may be, shortfall, on which Interest Payment Date payment of such interest or, as the case may be, shortfall will be made to the extent of such available funds. In the event of any such deferral, additional interest will accrue on the relevant Subordinated Notes equal to the interest which would accrue on the relevant deferred interest during the period of any such deferral if interest were to accrue thereon at the rate of interest accruing on the relevant Subordinated Notes from time to time.

The interest rates applicable to the Notes from time to time will be determined by reference to the London Interbank Offered Rate ("LIBOR") for three-month sterling deposits (other than in respect of the first Interest Period – see "Description of the Class A Notes, the Global Class A Notes and the Security", "Description of the Class B Notes, the Global Class B Notes and the Security" and "Description of the Class C Notes, the Global Class C Notes and the Security") plus a margin which will differ for each class of Notes. The margins applicable to each class of Notes, and the Interest Periods for which such margins apply, will be as set out below:

(i) Class A Notes: 0.29% per annum up to and including the Interest Period ending in June 2007 and thereafter 0.58% per annum;
(ii) Class B Notes: 0.85% per annum up to and including the Interest Period ending in June 2007 and thereafter 1.70% per annum; and
(iii) Class C Notes: 2.25% per annum up to and including the Interest Period ending in June 2007 and thereafter 4.50% per annum.

The first Interest Period is expected to commence on (and include) 28th June, 2001 (such date or such later date as may be agreed between the Issuer and the Managers as the closing date for the issue of the Notes being the "Closing Date") and end on (but exclude) the Interest Payment Date falling in September 2001. Interest payments on the Notes will be made subject to applicable withholding tax (if any) without the Issuer being obliged to pay additional amounts therefor.

The Notes will be subject to mandatory redemption in part from time to time on any Interest Payment Date, as more particularly described below (see "Summary – Mandatory Redemption in Part"). In certain other circumstances and at certain times, the Notes may be redeemed at the option of the Issuer at their principal amount outstanding together with accrued interest on any Interest Payment Date, as more particularly described below.

The Subordinated Notes will be secured by the same security that will secure the Class A Notes but in the event of the security being enforced, the Class A Notes will rank in priority to the Subordinated Notes and the Class B Notes will rank in priority to the Class C Notes. The right to payment of interest on the Subordinated Notes will be subordinated and may be limited as described below (see "Summary – Interest" below). As a result, no assurance is given as to the amount (if any) of interest on the Subordinated Notes which may actually be payable and/or paid on any Interest Payment Date.

The Class A Notes are expected, on issue, to be assigned an Aaa rating by Moody's Investors Service Limited ("Moody's") and an AAA rating by Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies, Inc. ("Standard & Poor's"). The Class B Notes are expected, on issue, to be assigned an A2 rating by Moody's and an A rating by Standard & Poor's and the Class C Notes are expected, on issue, to be assigned a BBB rating by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation.

Application has been made to the Financial Services Authority in its capacity as UK Listing Authority (the "UK Listing Authority") for the Notes to be admitted to the official list maintained by the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading by the London Stock Exchange. Copies of this Offering Circular, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with the listing rules made under Part IV of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

The Notes of each class will be initially represented by a Temporary Global Note (as defined in "Summary – Global Notes" below), without coupons or talons, which will be deposited with a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear"), and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") on the Closing Date. The Temporary Global Note relating to each class of Notes will be exchangeable 40 days after the closing of the issue of the Notes (provided that certification of non-U.S. beneficial ownership has been received) for interests in a permanent global note relating to the same class which will also be deposited with the Common Depositary. Save in certain limited circumstances, Notes in definitive form will not be issued in exchange for the Global Notes.

Particular attention is drawn to the section of this Offering Circular entitled "Special Considerations" on pages 39 to 49.

Class A Notes Managers
The Royal Bank of Scotland

Barclays Capital
J.P. Morgan Securities Ltd.

ING Barings/BBL
SG Investment Banking

Class B Notes Manager and Class C Notes Manager
The Royal Bank of Scotland

26th June, 2001

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than as contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee (as defined in "Summary – The Trustee" below) or any of the Managers (as defined in "Subscription and Sale" below). Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the offering of the Notes shall under any circumstances constitute a representation or create any implication that there has been no change in the information contained herein since the date hereof or that the information contained in this Offering Circular is correct as at any time subsequent to its date.

The Notes will be obligations of the Issuer, secured by the security described in this Offering Circular. The Notes will not be obligations or the responsibility of, or be guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations or the responsibility of, or be guaranteed by, CFUK, PFPLC, PPF, PCF, CMS9, PGC (each as defined in "Summary" below), the Trustee, any of the Managers, any member of the Paragon Group (as defined in "Summary – Administrator" below) (other than the Issuer) or any other person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by CFUK, PFPLC, PPF, PCF, CMS9, PGC, the Trustee, any of the Managers, any member of the Paragon Group (other than the Issuer) or by any other person other than the Issuer.

Neither the Trustee nor any of the Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Each potential purchaser of Notes should determine the relevance of the information contained in this Offering Circular and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. Neither the Trustee nor any of the Managers undertakes to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Trustee or any of the Managers.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Notes should consult independent professional advisers.

This Offering Circular does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Trustee or the Managers or any of them to subscribe for or to purchase any of the Notes.

Save for having obtained approval of this Offering Circular by the UK Listing Authority pursuant to listing rules made under Part IV of the Financial Services Act 1986 and for having delivered copies thereof to the Registrar of Companies as described in the seventh paragraph on the first page hereof, no action has been or will be taken by the Issuer, the Trustee or any of the Managers that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any offering circular, prospectus, form of application, advertisement or other offering material may be issued or distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. The Managers have represented that all offers and sales by them have been and will be made on such terms. Persons into whose possession this Offering Circular comes are required by the Issuer, the Trustee and the Managers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Subscription and Sale" below. For a description of the certification requirements as to non-U.S. beneficial ownership, see "Description of the Class A Notes, the Global Class A Notes and the Security", "Description of the Class B Notes, the Global Class B Notes and the Security" and "Description of the Class C Notes, the Global Class C Notes and the Security" below.

The Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) or with any securities regulatory authority of any state or other jurisdiction of the United States of America. The Notes are in bearer form and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered at any time directly or indirectly in the United States of America or to U.S. Persons.

References in this document to "£", "pounds", "sterling" or "pounds sterling" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (subject to matters referred to in "Special Considerations – European Monetary Union" below).

References in this document to the "Rating Agencies" are deemed to refer to Standard & Poor's and Moody's or, in respect of any class of Notes at any time or if only some classes of Notes remain outstanding at the relevant time, the rating agency or agencies who at the request of the Issuer are rating such Notes at such time.

In connection with the issue of the Notes, The Royal Bank of Scotland plc may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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SUMMARY

The information on the first page, page 2 and pages 4 to 38 relating to the Notes and the Portfolio Assets (as defined in "Summary – Portfolio Assets" below) is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular.

Issuer	Paragon Personal and Auto Finance (No. 1) PLC, a public company incorporated under the laws of England with registered number 2173065 and a wholly owned subsidiary of The Paragon Group of Companies PLC ("PGC"). The ordinary shares of PGC have been admitted to the Official List.
Administrator	Paragon Finance PLC ("PFPLC" or, in its capacity as administrator, the "Administrator"), a public limited company incorporated under the laws of England with registered number 1917566 and a wholly owned subsidiary of PGC. PFPLC is engaged in the business of administering mortgage loans, unsecured consumer loans, secured consumer loans, car finance contracts and other receivables and investments for members of the "Paragon Group" (comprising PGC and its subsidiaries). PFPLC's registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE.
Portfolio Assets	The assets forming part of the security for the Notes (the "Portfolio Assets") will comprise: the benefit of unsecured loans granted to individuals in the United Kingdom acquired (and not subsequently sold) by the Issuer consisting of Personal Loans and Retail Credit Loans (each as defined in "Summary – Portfolio Unsecured Loans" below and not being Portfolio Car Finance Contracts (as defined below)) ("Portfolio Unsecured Loans"); the benefit of loans secured by second or subsequent-ranking charges over residential property in England, Wales and Scotland granted to individuals in the United Kingdom and acquired (and not subsequently sold) by the Issuer together with all security relating thereto including the estate and interest of the Issuer in the properties securing such loans ("Portfolio Secured Loans"); the benefit of motor vehicle hire purchase agreements, motor vehicle leasing agreements, motor vehicle contract purchase agreements and motor vehicle conditional sale agreements acquired (and not subsequently sold) by the Issuer ("Portfolio Car Finance Contracts"); and legal and beneficial ownership of the Motor Vehicles (as defined in "Summary – Sellers of Portfolio Car Finance Contracts" below) that are the subject of Portfolio Car Finance Contracts ("Portfolio Motor Vehicles" – but subject to certain limitations on the title in such Portfolio Motor Vehicles – see "Special Considerations" below), all as more particularly described in the section entitled "Portfolio Assets" below.
Sellers of Portfolio Unsecured Loans	The beneficial ownership of a pool of Unsecured Loans (as defined below), the aggregate of the Current Principal Balances (as defined in "Summary – Pre-enforcement Priority of Payments" below) of which as at close of business on 30th September, 2000 (in the case of Personal Loans) and 25th September, 2000 (in the case of Retail Credit Loans) was £119,264,185.92 and £64,748,578.54, respectively, was acquired by the Issuer from Colonial Finance (UK) Limited ("CFUK"), a company incorporated under the laws of England with registered number 2064697 and a wholly owned subsidiary of PGC, pursuant to a loan sale contract made on 16th October, 2000 (as more particularly described in the paragraph entitled "Acquisition of Portfolio Assets" in the section entitled "Portfolio Assets" below).

CFUK is engaged in the business of originating unsecured loans to individuals in the United Kingdom. CFUK's registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE.

The beneficial ownership of further pools of Unsecured Loans, the aggregate of the Current Principal Balances of which as at close of business on 28th November, 2000, 10th January, 2001 and 12th March, 2001, respectively, were £15,267,138.59 (£2,137,374.91 in respect of Personal Loans and £13,129,763.68 in respect of Retail Credit Loans), £7,922,466.73 (in respect of Retail Credit Loans only) and £11,928,120.29 (in respect of Retail Credit Loans only), respectively, were acquired by the Issuer from CFUK pursuant to loan sale contracts made on 30th November, 2000, 11th January, 2001 and 13th March, 2001 (also as more particularly described in the paragraph entitled "Acquisition of Portfolio Assets" in the section entitled "Portfolio Assets" below).

On the Closing Date, the Issuer is expected to acquire additional Unsecured Loans from Paragon Personal Finance Limited ("PPF"), a company incorporated under the laws of England with registered number 3303798 and a wholly owned subsidiary of PGC, and/or from CFUK using part of the proceeds of the issue of the Notes, as more particularly described in the paragraph entitled "Acquisition of Portfolio Assets" in the section entitled "Portfolio Assets" below.

PPF is engaged in the business of, *inter alia*, originating unsecured and secured loans to individuals in the United Kingdom. PPF's registered office is at St Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE.

After the Closing Date the Issuer may, subject to certain conditions, from time to time on any business day on or before the fourth anniversary of the Closing Date, purchase further Unsecured Loans ("Further Unsecured Loans") from PFPLC and/or CFUK and/or PPF and/or any other member of the Paragon Group, as more particularly described in the paragraph entitled "Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

CFUK, PFPLC, PPF and any other member of the Paragon Group from which the Issuer purchases Further Unsecured Loans, in their respective capacities as sellers of Unsecured Loans to the Issuer, are referred to in this Offering Circular as "Unsecured Loan Sellers".

Any unsecured loan to an individual in the United Kingdom in which, at any time, an Unsecured Loan Seller has a beneficial interest or has had such an interest, is referred to in this Offering Circular as an "Unsecured Loan".

Sellers of Portfolio Secured Loans

On the Closing Date, the Issuer is expected to acquire Secured Loans (as defined below) from PPF using part of the proceeds of the issue of the Notes, as more particularly described in the paragraph entitled "Acquisition of Portfolio Assets" in the section entitled "Portfolio Assets" below.

After the Closing Date the Issuer may, subject to certain conditions, from time to time on any business day on or before the fourth anniversary of the Closing Date, purchase further Secured Loans ("Further Secured Loans") from PPF and/or any other member of the Paragon Group, as more particularly described in the paragraph entitled "Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

PPF and any other member of the Paragon Group from which the Issuer purchases Further Secured Loans, in their respective capacities as sellers of Secured Loans to the Issuer, are referred to in this Offering Circular as "Secured Loan Sellers".

Any loan to an individual in the United Kingdom which is secured over residential property in England, Wales or Scotland and in which, at any time, a Secured Loan Seller has a beneficial interest or has had such an interest, is referred to in this Offering Circular as a "Secured Loan". References in this Offering Circular to a Secured Loan or to a Portfolio Secured Loan shall, so far as the context permits, include reference to the Mortgage (as defined under "Summary – Initial Portfolio Assets" below) relative thereto and references in this Offering Circular to a Mortgage shall, so far as the context permits, include reference to the Secured Loan relative thereto.

Sellers of Portfolio Car Finance Contracts

On the Closing Date, the Issuer is expected to acquire Car Finance Contracts (as defined below), together with the legal and beneficial ownership of the relevant Motor Vehicles, from Paragon Car Finance Limited ("PCF"), a company incorporated under the laws of England with registered number 3203928 and a wholly owned subsidiary of PGC, using part of the proceeds of the issue of the Notes as more particularly described in the paragraph entitled "Acquisition of Portfolio Assets" in the section entitled "Portfolio Assets" below.

PCF is engaged in the business of, *inter alia*, originating and acquiring motor vehicle hire purchase agreements, motor vehicle contract purchase agreements, motor vehicle leasing agreements and motor vehicle conditional sale agreements entered into with individuals and corporations in the United Kingdom. PCF's registered office is at St Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE.

After the Closing Date the Issuer may, subject to certain conditions, from time to time on any business day on or before the fourth anniversary of the Closing Date, purchase further Car Finance Contracts ("Further Car Finance Contracts") together with the legal and beneficial ownership of the relevant Motor Vehicles from PCF and/or any other member of the Paragon Group, as more particularly described in the paragraph entitled "Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

PCF and any other member of the Paragon Group from which the Issuer purchases Further Car Finance Contracts, in their respective capacities as sellers of Car Finance Contracts to the Issuer, are referred to in this Offering Circular as "Car Finance Contract Sellers".

The Unsecured Loan Sellers, the Secured Loan Sellers and the Car Finance Contract Sellers are each referred to in this Offering Circular as a "Seller" and are together referred to as the "Sellers".

The benefit of any motor vehicle hire purchase agreement, motor vehicle leasing agreement, motor vehicle contract purchase agreement or motor vehicle conditional sale agreement in which, at any time, a Car Finance Contract Seller has a beneficial interest or has had such an interest, is referred to in this Offering Circular as a "Car Finance Contract".

Any motor vehicle that is at any time the subject of a Car Finance Contract is referred to in this Offering Circular as a "Motor Vehicle".

Sellers other than CFUK, PPF, PFPLC, and PCF

In addition to CFUK, PPF, PFPLC and PCF, other members of the Paragon Group may sell Unsecured Loans and/or Secured Loans and/or Car Finance Contracts to the Issuer provided that such other members of the Paragon Group may only make such sales if the

	Rating Agencies have first confirmed in writing that such sales will not adversely affect the then current ratings of the Notes. Prior to the sale to the Issuer of any such assets by any such other member of the Paragon Group the relevant member of the Paragon Group will undertake to be bound by the terms and conditions of the documents to which CFUK, PPF, PFPLC and/or PCF (as relevant) are a party in a manner which is acceptable to the Trustee.
The Trustee	Citicorp Trustee Company Limited (the "Trustee") will act as trustee for the Noteholders and will hold the benefit of security created by the Issuer on trust for, *inter alios*, the Noteholders (as defined in "Summary – Interest" below).
The Notes	£178,210,000 Class A Asset Backed Floating Rate Notes due 2021, £51,450,000 Class B Asset Backed Floating Rate Notes due 2032 and £21,340,000 Class C Asset Backed Floating Rate Notes due 2048. **The Notes will be obligations of the Issuer. The Notes will not be obligations or the responsibility of, or be guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations or the responsibility of, or be guaranteed by CFUK, PFPLC, PPF, PCF, CMS9, PGC, the Trustee, any of the Managers, any member of the Paragon Group (other than the Issuer) or by any other person other than the Issuer.** **No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by CFUK, PFPLC, PPF, PCF, PGC, CMS9, the Trustee, any of the Managers, any member of the Paragon Group (other than the Issuer) or by any other person other than the Issuer.** **As set out in the sections entitled "Pre-enforcement Priority of Payments" and "Mandatory Redemption in Part" below, payments in respect of the Class B Notes will only be made if certain conditions are met and if and to the extent that there are sufficient funds after paying or providing for certain liabilities, including certain liabilities in respect of the Class A Notes. The Class B Notes rank after the Class A Notes in point of security.** **As set out in the sections entitled "Pre-Enforcement Priority of Payments" and "Mandatory Redemption in Part" below, payments in respect of the Class C Notes will only be made if certain conditions are met and if and to the extent that there are sufficient funds after paying or providing for certain liabilities, including certain liabilities in respect of the Class A Notes and the Class B Notes. The Class C Notes rank after the Class A Notes and the Class B Notes in point of security.**
Global Notes	Each class of the Notes will be represented initially by a temporary global note in bearer form (each a "Temporary Global Note"), without coupons or talons, which will be deposited on the Closing Date with the Common Depositary for Euroclear and Clearstream, Luxembourg. Interests in the Temporary Global Note relating to that particular class will be exchangeable for interests in a permanent global note relating to that class in bearer form (each a "Permanent Global Note"), without coupons or talons, 40 days after the Closing Date provided certification of non-U.S. beneficial ownership by the Noteholders of the relevant class has been received. The Permanent Global Notes will also be deposited with the Common Depositary. The Temporary Global Notes and the Permanent Global Notes are referred to together as the "Global Notes". Notes in definitive form will be issuable only in certain limited circumstances as more particularly described in the descriptions of the Notes in this Offering Circular. Unless Notes in definitive form are so issued and

for so long as the Global Notes remain in effect, Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

While any Global Note of a particular class is outstanding, payments on the Notes of that class represented by any such Global Notes will be made against presentation of the relevant Global Note by the Common Depositary to the Principal Paying Agent (as defined in "Description of the Class A Notes, the Global Class A Notes and the Security" below) provided certification of non-U.S. beneficial ownership by the Noteholders of that class has been received by Euroclear or Clearstream, Luxembourg. Each of the persons appearing from time to time in the records of Euroclear or of Clearstream, Luxembourg as the holder of a Note of a particular class will be entitled to receive any payment so made in respect of that Note in accordance with the rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes of any class for so long as either of the Global Notes of that class is outstanding. Each such person must give a certificate as to non-U.S. beneficial ownership as of the earlier of (i) the date on which the Issuer is obliged to exchange the Temporary Global Note of the relevant class for the Permanent Global Note of that class, which date shall be no earlier than the Exchange Date (as defined in the relevant Temporary Global Note) or (ii) the first Interest Payment Date in relation to the Notes, in order to obtain any payment due on the Notes.

Interest

The interest rate applicable to the Notes from time to time will be determined by reference to LIBOR for three-month sterling deposits (except for the first Interest Period, in respect of which the rate shall be determined by reference to a linear interpolation between the rates for two month and three month sterling deposits – see "Description of the Class A Notes, the Global Class A Notes and the Security", "Description of the Class B Notes, the Global Class B Notes and the Security" and "Description of the Class C Notes, the Global Class C Notes and the Security") plus a margin which will differ for each class of Notes. The margins applicable to each class of Notes, and the Interest Periods for which such margins apply, will be as set out below:

Class A Notes: 0.29% per annum up to and including the Interest Period ending in June 2007 and thereafter 0.58% per annum;

Class B Notes: 0.85% per annum up to and including the Interest Period ending in June 2007 and thereafter 1.70% per annum; and

Class C Notes: 2.25% per annum up to and including the Interest Period ending in June 2007 and thereafter 4.50% per annum.

Interest payments on the Subordinated Notes will be subordinated to interest payments on the Class A Notes and interest payments on the Class C Notes will be subordinated to interest payments on the Class A Notes and the Class B Notes (see "Summary – Pre-enforcement Priority of Payments" below). Accordingly, Class B Noteholders and Class C Noteholders (each as defined in "Description of the Class A Notes, the Global Class A Notes and the Security") will not be entitled to receive any payment of interest on an Interest Payment Date unless and until all amounts of interest due to Class A Noteholders (as also defined in "Description of the Class A Notes, the Global Class A Notes and the Security") on that Interest Payment Date have been paid in full. Similarly, Class C Noteholders will not be entitled to receive any payment of interest on an Interest Payment Date unless and until all amounts of interest due to Class A

Noteholders and Class B Noteholders on that Interest Payment Date have been paid in full. The Class A Noteholders, the Class B Noteholders and the Class C Noteholders are together referred to in this Offering Circular as the "Noteholders".

If, on any Determination Date the Performing Assets Balance Test Ratio (as defined in "Summary – Pre-enforcement Priority of Payments" below) is:

(a) less than or equal to 0.915:1, then interest on the Class C Notes will not be payable on the next succeeding Interest Payment Date unless there is no Class A Note or Class B Note then outstanding or all the Class A Notes and Class B Notes are redeemed on such next succeeding Interest Payment Date; or

(b) less than or equal to 0.71:1, then interest on the Class B Notes will not be payable on the next succeeding Interest Payment Date unless there is no Class A Note then outstanding or all the Class A Notes are redeemed on such next succeeding Interest Payment Date,

but will be deferred and will only be paid on subsequent Interest Payment Dates if and when the relevant condition set out above is met. In addition, to the extent that funds are insufficient to pay the interest otherwise due on the Class B Notes and/or the Class C Notes on an Interest Payment Date, the deficit will not then be paid but will be deferred and will only be paid on subsequent Interest Payment Dates if and when permitted by subsequent cash flow which is surplus to the Issuer's liabilities of a higher priority (see "Summary – Pre-enforcement Priority of Payments" below) on the relevant Interest Payment Date. In the event of any such deferrals, additional interest will accrue on the Class B Notes or, as the case may be, the Class C Notes equal to the interest which would accrue on the amount of the relevant unpaid interest (at the rate applicable from time to time to the relevant class of Notes) during the time it remains unpaid.

Interest is payable in respect of the Notes (provided certification of non-U.S. beneficial ownership by the Noteholders has been received) in pounds sterling quarterly in arrear on 15th March, 15th June, 15th September and 15th December in each year (subject to adjustment in the manner described in this Offering Circular), the first payment being made on the Interest Payment Date falling in September 2001.

The first Interest Period will commence on (and include) the Closing Date and end on (but exclude) the first Interest Payment Date. Each subsequent Interest Period applicable to the Notes will commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date.

Withholding Tax

Interest payments will be made subject to applicable withholding tax (if any), without the Issuer being obliged to pay additional amounts therefor (See "Description of the Class A Notes, the Global Class A Notes and the Security", "Description of the Class B Notes, the Global Class B Notes and the Security" and "Description of the Class C Notes, the Global Class C Notes and the Security").

Security for the Notes

The Notes will be secured by first ranking security interests over:

(i) all present and future right, title, interest and benefit of the Issuer in and under each Portfolio Asset (including, without limitation, Portfolio Unsecured Loans, Portfolio Secured Loans and Portfolio Car Finance Contracts that are governed by Scots law (the "Scottish Unsecured Loans", "Scottish Secured Loans" and "Scottish Car Finance Contracts", respectively), all of which are or will be held on trust for the Issuer by the relevant Seller) and in

and to any contractually binding agreement, understanding or arrangement constituting in whole or in part such Portfolio Asset (an "Unsecured Loan Agreement", "Secured Loan Agreement" or "Car Finance Agreement", where appropriate) subject, where applicable, to the subsisting rights of the person or persons to whom such Portfolio Asset was granted and/or, as the case may be, the person or persons (if any) from time to time assuming an obligation to make payments and/or perform other obligations under such Portfolio Asset (each, in relation to a Portfolio Unsecured Loan or, as the case may be, a Portfolio Secured Loan, a "Borrower" or, in relation to a Portfolio Car Finance Contract comprising a motor vehicle hire purchase agreement, a motor vehicle contract purchase agreement or a motor vehicle conditional sale agreement, a "Hirer" or, in relation to a Portfolio Car Finance Contract comprising a motor vehicle leasing agreement, a "Lessee", any of a Lessee, a Borrower or a Hirer being an "Obligor");

(ii) all present and future right, title, interest and benefit of the Issuer in and to each Portfolio Motor Vehicle subject to the subsisting rights of the Hirer or Lessee, as the case may be, in respect of such Portfolio Motor Vehicle (the Portfolio Motor Vehicles being subject to a floating charge only, as referred to below);

(iii) subject to any subsisting rights of redemption, all security for the Secured Loans and all insurances relating to the Portfolio Assets in which in either case the Issuer has an interest;

(iv) the Issuer's rights under the Secured Loan Sale Agreement, each Unsecured Loan Sale Contract, each Secured Loan Sale Contract, each Car Finance Sale Contract, the Repurchase Deed, the Warranty Deed, the Administration Agreement, the Agency Agreement, the Subordinated Loan Agreement, the Services Letter, the Fee Letter, the Swap Agreement, any other hedging arrangements entered into by the Issuer, the Collection Account Declarations of Trust and the VAT Declaration of Trust (each as defined below) and all other contracts, agreements, deeds and documents to which the Issuer is or becomes a party;

(v) any investments in which the Issuer, or the Administrator on its behalf, may place its cash resources; and

(vi) the Issuer's rights to all moneys standing to the credit of the bank account of the Issuer with National Westminster Bank Plc at its branch at 4 High Street, Solihull, West Midlands (or such other bank as the Issuer, subject to certain restrictions and with the consent of the Trustee, may from time to time select for such purpose) into and out of which all payments to and by the Issuer will be made (the "Transaction Account") and any other bank accounts in which the Issuer has an interest.

These security interests will be fixed except: (a) in relation to certain investments and moneys standing to the credit of the Issuer's bank accounts over which the security may be by way of floating charge (thus ranking behind claims of certain creditors preferred by law); and (b) in relation to Portfolio Motor Vehicles, over which the security will be by way of floating charge (thus ranking behind claims of certain creditors preferred by law). In addition, subject as mentioned above, the Notes will be secured by a floating charge over all the assets and undertaking of the Issuer other than those covered by fixed security (but extending to all of the Issuer's Scottish assets, including those covered by the fixed security).

The Class A Notes, the Class B Notes and the Class C Notes will be constituted by the same trust deed dated on or about the Closing Date and made between the Issuer and the Trustee (the "Trust Deed") and will share the same security but in the event of the security being enforced, the Class A Notes will rank in priority to the Subordinated Notes and the Class B Notes will rank in priority to the Class C Notes.

Certain other amounts will also have the benefit of the security interests referred to above, including the amounts owing to the Trustee and any receiver of the security, any amounts payable to the Swap Counterparty (as defined in "Summary – Hedging Arrangements" below) under the Swap Agreement, the fees and expenses of, and commissions payable to, and all other amounts owing to, the Administrator and/or any substitute administrator, all amounts owing to each Seller under, *inter alia*, the Secured Loan Sale Agreement, each Unsecured Loan Sale Contract and/or Secured Loan Sale Contract and/or Car Finance Sale Contract (as defined in "Summary – Portfolio Unsecured Loans", "Summary – Portfolio Secured Loans" and "Summary – Portfolio Car Finance Contracts" respectively below) under which it is the Seller and the Administration Agreement, all amounts owing to PFPLC under the Fee Letter, the Services Letter and the Administration Agreement, all amounts owing to CMS9 under the Fee Letter, all amounts owing under the Subordinated Loan Agreement, all amounts owing to the Paying Agents and the Reference Agent (each as defined in "Description of the Class A Notes, the Global Class A Notes and the Security" below) under the Agency Agreement and all amounts owing to a Permitted Hedge Provider (as defined in "Summary – Hedging Arrangements" below) under any hedging arrangements other than the Swap Agreement referred to below.

The terms on which such security interests will be held will provide that, upon enforcement:

(i) all amounts payable to any receiver of the security, the Trustee, the Paying Agents and the Reference Agent, the fees, expenses and commissions payable to the Administrator and/or any substitute administrator, any commissions payable to PFPLC and any Seller as will be provided in the Administration Agreement and all amounts (if any) payable to the Swap Counterparty and any Permitted Hedge Provider under the Swap Agreement or otherwise will rank in priority to payment of interest and principal on the Notes;

(ii) amounts owing to the Class B Noteholders will rank in priority after all payments on the Class A Notes;

(iii) amounts owing to the Class C Noteholders will rank in priority after all payments on the Class A Notes and the Class B Notes; and

(iv) amounts owing to each Seller under the Secured Loan Sale Agreement, each Unsecured Loan Sale Contract, each Secured Loan Sale Contract and/or under each Car Finance Sale Contract, amounts owing to PFPLC or CMS9 under the Fee Letter and to PFPLC under the Services Letter and amounts owing under the Subordinated Loan Agreement will rank in priority after all payments on the Notes.

Relationship between Noteholders

The Trust Deed will contain provisions requiring the Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders as regards all of the powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise) but requiring the Trustee to have regard

only to the interests of the Class A Noteholders if, in its opinion, there is a conflict between the interests of the Class A Noteholders and the interests of either the Class B Noteholders or the Class C Noteholders. The Trust Deed will also contain provisions limiting the powers of the Class B Noteholders and the Class C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the terms and conditions of the Class A Notes, the "Class A Conditions") if such action or the effect of such Extraordinary Resolution would, in the Trustee's opinion, be materially prejudicial to the interests of the Class A Noteholders, unless sanctioned by an Extraordinary Resolution of the Class A Noteholders. The Class B Noteholders and the Class C Noteholders will not be entitled to request or direct the Trustee to accelerate payment by the Issuer of the Class B Notes or, as the case may be, the Class C Notes upon the occurrence of an Event of Default (as defined in the Class A Conditions) unless payment of the Class A Notes is also accelerated or there are no Class A Notes outstanding. Except in certain circumstances, the Trust Deed will contain no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding upon the Class B Noteholders and the Class C Noteholders irrespective of the effect thereof upon their interests.

The Trust Deed will also contain provisions requiring the Trustee to have regard only to the interests of the Class B Noteholders if, in its opinion, there is a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders. The Trust Deed will also contain provisions limiting the powers of the Class C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution if such action or the effect of such Extraordinary Resolution would, in the Trustee's opinion, be materially prejudicial to the interests of the Class B Noteholders, unless sanctioned by an Extraordinary Resolution of the Class B Noteholders. The Class C Noteholders will not be entitled to request or direct the Trustee to accelerate payment by the Issuer of the Class C Notes upon the occurrence of an Event of Default unless payment of the Class A Notes (if any) and the Class B Notes is also accelerated or there are no Class A Notes or Class B Notes outstanding.

Issuer Receipts and Payments

All moneys received by the Issuer from Obligors or recovered under or in respect of the Portfolio Assets (including all principal and interest, and their equivalent, in relation to Portfolio Unsecured Loans and Portfolio Secured Loans and all amounts of principal and interest, and their equivalent, in relation to Portfolio Car Finance Contracts and any amount received on the sale of a Portfolio Motor Vehicle or on the early settlement of such Portfolio Car Finance Contracts (as more particularly described in "Portfolio Asset Administration" below)) and all other net income and other moneys of the Issuer and any amounts drawn by the Issuer under the Subordinated Loan Agreement (together, the "Available Funds") will be applied on each Interest Payment Date in making payments and provisions as set out in the section entitled "Summary – Pre-enforcement Priority of Payments" below and will also be applied from time to time in making payment of certain moneys which properly belong to third parties (such as overpayments by Obligors and amounts held on trust) and of sums due to third parties under obligations incurred in the course of the Issuer's business (unless the intended recipient agrees otherwise).

Pre-enforcement Priority of Payments

Until enforcement of the security for the Notes, the following payments and provisions are required to be made on each Interest Payment Date, up to an amount equal to the aggregate Issuer Funds

(as defined below) in respect of such Interest Payment Date, in the following order of priority (in each case only if and to the extent that payments and provisions of a higher priority have been made in full but subject to, with limited exceptions, the making of the payments referred to in "Issuer Receipts and Payments" above (which may be made on any business day)):

(i) payment of any amounts due from the Issuer to the Trustee;

(ii) payment of all fees, costs and expenses payable to the Administrator under the Administration Agreement and/or a substitute administrator and all insurance commissions (if any) payable to the Administrator or a Seller under the Administration Agreement;

(iii) payment of, *pro rata* according to the respective amounts thereof, (a) interest due or overdue on the Class A Notes together with (if applicable) interest thereon and (b) any amounts payable to the Swap Counterparty under the Swap Agreement or to any Permitted Hedge Provider under any other hedging arrangements entered into by the Issuer (other than any such amounts due to the Swap Counterparty or any Permitted Hedge Provider in respect of the termination of a hedging agreement entered into pursuant to the Swap Agreement or otherwise where the Swap Counterparty or Permitted Hedge Provider is the Defaulting Party (as defined in the Swap Agreement or (as the case may be) any other hedging arrangement each a "Swap Termination Amount");

(iv) payment of or provision for sums due to third parties (other than PFPLC, PPF, PCF, CFUK, the Trustee, any other Seller, the Administrator, the Swap Counterparty, any Permitted Hedge Provider, CMS9 and any Subordinated Lender) under obligations incurred in the course of the Issuer's business (including, without limitation, sums due to the Paying Agents and the Reference Agent under the Agency Agreement and the Issuer's liability (if any) to value added tax ("VAT") and the balance, if any, of the VAT liability of the Paragon VAT Group (as described in "The Paragon VAT Group" below) following a demand being made by H.M. Customs & Excise on the Issuer where the VAT liability is not satisfied in full in accordance with the Administration Agreement and the VAT Declaration of Trust (see "The Paragon VAT Group" below), to stamp duty (other than stamp duty in an aggregate amount not exceeding £400,000, in respect of which a deduction has been made for the purposes of the calculation of Issuer Funds on the relevant Interest Payment Date) and to mainstream corporation tax in respect of profits attributable to the relevant Interest Period);

(v) provided that as at the relevant Determination Date the Performing Assets Balance Test Ratio (as defined below) exceeds 0.71:1 or there is no Class A Note outstanding or all Class A Notes are redeemed on the Interest Payment Date next following the relevant Determination Date, payment of interest due or overdue on the Class B Notes together with (if applicable) interest thereon;

(vi) provided that as at the relevant Determination Date the Performing Assets Balance Test Ratio exceeds 0.915:1 or there is no Class A Note or Class B Note outstanding or all Class A Notes and Class B Notes are redeemed on the Interest Payment

Date next following the relevant Determination Date, payment of interest due or overdue on the Class C Notes together with (if applicable) interest thereon;

(vii) provision for an amount equal to the Required Amount specified in "First Loss Fund" below;

(viii) *pro rata* (a) provision for an amount equal to the sum of the Allocated Purchase Funds (as defined in "Summary – Mandatory Redemption in Part" below) (if any) notified by the Issuer to the Administrator on the relevant Determination Date and (b) payment of principal due on the Notes in accordance with the provisions of the terms and conditions of the Notes (the "Conditions") and the Trust Deed in an amount equal to the Available Redemption Funds (as defined in "Summary – Mandatory Redemption in Part" below) on the relevant Determination Date (see "Mandatory Redemption in Part" below);

(ix) payment of any Swap Termination Amounts due to the Swap Counterparty or to any Permitted Hedge Provider pursuant to the Swap Agreement or otherwise;

(x) provision for any amounts then due or overdue to PFPLC or CMS9 under the Fee Letter;

(xi) provision for, at the option of the Issuer, a reserve to fund any purchases in the Interest Period commencing on the Interest Payment Date in question of hedging arrangements whether under the Swap Agreement or otherwise in accordance with the requirements of the Rating Agencies;

(xii) provision for interest due and payable under the Subordinated Loan Agreement;

(xiii) provision for repayment of the outstanding amount of any advances made under the Subordinated Loan Agreement subject to a maximum provision of the amount available for application having made in full all provisions and payments referred to at (i) to (xii) (inclusive) above;

(xiv) provision for payment to the Administrator or PFPLC of such fees as the Issuer and the Administrator or PFPLC, as the case may be, may agree (including without limitation in the Services Letter) in respect of facilities or services provided to the Issuer by the Administrator or PFPLC, as the case may be, other than fees provided for above; and

(xv) provision for the amount of any distributions to be made by the Issuer;

all as set out in a deed of charge and assignment to be entered into between, *inter alios*, the Issuer, the Trustee, PFPLC, CFUK, PCF, PPF, the Administrator, CMS9 and the Swap Counterparty on or about the Closing Date (the "Deed of Charge").

If and to the extent that the provisions specified in paragraphs (x), (xi), (xii), (xiii), (xiv) and (xv) are made on such Interest Payment Date, the relevant amounts shall be paid to the persons entitled thereto on or (with the prior consent of PFPLC) after the business day after such Interest Payment Date to the extent that the Available Funds standing to the credit of the Transaction Account are then sufficient for such purpose. If the Available Funds standing to the credit of the Transaction Account are then insufficient to make any such payment, such payment will not be made and the related provision will be cancelled.

If, on any Interest Payment Date, any interest on any Class B Note or Class C Note has either fallen due and remains unpaid or is deferred in accordance with Class B Condition 4(a) or Class C Condition 4(a) (as the case may be), the provisions specified in paragraphs (x), (xi), (xii), (xiii), (xiv) and (xv) will not be made on such Interest Payment Date and no payments in respect of such provisions will be made.

With effect from the first day on which no Class A Note is outstanding, the making of the provision specified in paragraph (vii) shall be postponed and instead such provision shall be made immediately after the making of the provision and payment referred to in paragraph (viii) but otherwise payments and provisions will be made in the same order of priority.

Any funds in the Transaction Account, including the First Loss Fund (as defined in "Summary – First Loss Fund" below) and the Shortfall Fund (as defined in "Summary – Shortfall Fund" below), may be used to meet certain sums due to third parties (see "Summary – Issuer Receipts and Payments" above) and required to be paid otherwise than on an Interest Payment Date, and to the extent of any balance standing to the credit of the Transaction Account on a Determination Date, will be taken into account when determining the Issuer Funds in respect of the next following Interest Payment Date.

Save for the provision referred to in paragraph (vii) above, the Issuer will not be required to accumulate surplus assets to meet any future payments on the Notes.

"Determination Date" means the last business day of the month preceding that in which an Interest Payment Date falls and "relevant Determination Date" means, in respect of an Interest Payment Date, the last business day of the month preceding that in which such Interest Payment Date falls.

"Issuer Funds" means, in respect of an Interest Payment Date, an amount determined by the Administrator pursuant to the Administration Agreement on the relevant Determination Date in respect of such Interest Payment Date to be equal to the aggregate of:

(a) the amount of the Available Funds standing to the credit of the Transaction Account as at the close of business on the relevant Determination Date;

(b) any payment due to be received by the Issuer from the Swap Counterparty or any Permitted Hedge Provider under the Swap Agreement or otherwise in the period from (but excluding) the relevant Determination Date to (and including) such Interest Payment Date (the "Adjustment Period");

(c) all proceeds of disposal or on maturity of any Authorised Investments made or acquired on or before the relevant Determination Date and due to mature on or before such Interest Payment Date (whether or not reinvested during the Adjustment Period) and any income to be earned thereon (including interest to be earned on the Transaction Account), in each case, to be received by the Issuer during the Adjustment Period;

(d) (A) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Adjustment Period for the purpose of ensuring that the Performing Assets Balance Test Ratio equals or exceeds 1:1 as at the relevant Determination Date; and (B) all borrowings to be made by the Issuer under the

Subordinated Loan Agreement during the Adjustment Period (other than on the Interest Payment Date in question) for the purpose of establishing or increasing the Shortfall Fund; and

(e) all amounts standing to the credit of the Collection Accounts (as defined in "Summary – Receipt of Moneys" below) in respect of the Portfolio Assets as at the close of business on the relevant Determination Date that are to be transferred to the Transaction Account during the Adjustment Period;

less:

(f) but only prior to the earlier of (i) the date on which the Issuer has received an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer on the Closing Date of the benefit of the Initial Portfolio Unsecured Loans (as defined in "Summary – Portfolio Unsecured Loans" below) that are Scottish Unsecured Loans and the Initial Portfolio Car Finance Contracts (as defined in "Summary – Portfolio Car Finance Contracts" below) that are Scottish Car Finance Contracts or (ii) the date on which the Issuer pays all such stamp duty (if any) which is so payable, an amount equal to £400,000,

but so that no amount shall be added or deducted more than once in the same calculation.

"Performing Assets Balance Test Ratio" means on any Calculation Date (as defined below) the ratio of the aggregate of:

(a) the aggregate of the Current Principal Balances of all Performing Assets (as defined below) as at the relevant Calculation Date; and

(b) the Available Purchase Funds (as defined in "Summary – Mandatory Redemption in Part" below) at such Calculation Date,

less an amount equal to the aggregate of:

(c) an amount which the Rating Agencies determine and notify to the Issuer to be the amount by which the aggregate of the Current Principal Balances of the Performing Assets as at the Closing Date plus the Initial Allocated Purchase Funds (as defined in "Summary – Portfolio Unsecured Loans" below) must exceed the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes on the Closing Date in order to achieve the initial ratings of the Notes; and

(d) an amount equal to the aggregate of all amounts (if any) which have fallen within paragraph (ii) of the definition of Available Redemption Funds at any time on or prior to such Calculation Date,

to:

(e) the aggregate Principal Amount Outstanding of the Notes as at the relevant Calculation Date.

"Performing Assets" means all Portfolio Assets that are equal to or less than twelve months in arrears. A Portfolio Asset for this purpose will not be equal to or less than twelve months in arrears at any time if at such time amounts totalling in aggregate more than twelve times the then current monthly payment due from the Obligor under such Portfolio Asset have not been paid when due and/or have been capitalised within the twelve months immediately preceding such time.

"Calculation Date" means (a) any Determination Date or (b) any other date on which the Administrator, at the request of the Issuer, calculates the Available Purchase Funds and the level of the Performing Assets Balance Test Ratio.

"Current Principal Balance" on any day means: (a) in relation to a Portfolio Unsecured Loan that is a Personal Loan (other than one sold by CFUK to the Issuer) or, as the case may be, a Portfolio Secured Loan, the aggregate outstanding amount of principal due and payable by the Borrower thereunder other than, for the avoidance of doubt, any arrears of interest which have been capitalised; and (b) in relation to a Portfolio Car Finance Contract, a Portfolio Unsecured Loan that is a Retail Credit Loan or, as the case may be, a Portfolio Unsecured Loan that is a Personal Loan sold by CFUK to the Issuer, the aggregate amount of those parts of each monthly payment payable by the relevant Obligor that is attributable to principal in accordance with the Administration Agreement throughout the remaining term of such Portfolio Car Finance Contract, Retail Credit Loan or, as the case may be, Personal Loan other than, for the avoidance of doubt, any arrears of interest which have been capitalised (including amounts then due and payable but not paid) (and in the case of a Portfolio Car Finance Contract which comprises a conditional sale agreement, a lease agreement or a motor vehicle contract purchase agreement plus the assumed residual value of the relevant Portfolio Motor Vehicle) on that date thereunder each as shown in the Debtor Ledger (as defined below) for the relevant Portfolio Asset, less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement (see "Portfolio Asset Administration – Debtor Ledger/Current Balance/Current Principal Balance" below).

"Debtor Ledger" means the ledger account established and maintained by or on behalf of the Administrator, pursuant to and in accordance with the Administration Agreement, in respect of each Portfolio Asset, as described below under "Portfolio Asset Administration – Debtor Ledger/Current Balance/Current Principal Balance" below.

If so agreed in any Unsecured Loan Sale Contract, any Secured Loan Sale Contract or any Car Finance Sale Contract, arrears of interest (subject to certain conditions, as described in the paragraph entitled "Portfolio Assets – Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below), other amounts which have become due but remain unpaid and interest accrued (but unpaid) as at the date of the relevant Unsecured Loan Sale Contract, Secured Loan Sale Contract or, as the case may be, Car Finance Sale Contract will not be purchased by the Issuer and any payments received in respect of the relevant Portfolio Assets will be applied first to those arrears, other amounts and accrued interest, and will be accounted for to the relevant Seller.

Mandatory Redemption in Part

Prior to enforcement, the Notes will be subject to mandatory redemption in part on each Interest Payment Date in an aggregate principal amount calculated by reference to the Available Redemption Funds as determined on the Determination Date immediately preceding such Interest Payment Date.

Up to and including the later of (a) the Interest Payment Date falling in June 2006 and (b) the first Interest Payment Date on which the ratio (the "Ratio") of the aggregate Principal Amount Outstanding of the Class B Notes and Class C Notes to the aggregate Principal Amount Outstanding of the Notes equals or exceeds 163,777,500:251,000,000 (such circumstance constituting the

"Determination Event"), and on any Interest Payment Date thereafter if on the Determination Date preceding such Interest Payment Date the Performing Assets Balance Test Ratio is less than 1:1, all Available Redemption Funds will be applied in mandatory redemption of the Class A Notes.

After the Interest Payment Date falling in June 2006 or, if later, the occurrence of the Determination Event, on each Interest Payment Date, provided that on the Determination Date preceding such Interest Payment Date the Performing Assets Balance Test Ratio is equal to or in excess of 1:1, all Available Redemption Funds will be applied in redemption of the Notes so as to achieve and then maintain the Ratio provided that while any Class A Note remains outstanding, the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes may not be less than £16,942,500 (the "Minimum Amount"). Accordingly, if any part of the Available Redemption Funds on any Interest Payment Date on which any Class A Note remains outstanding were to be applied in redemption in part of the Class B Notes and the Class C Notes in accordance with the above and, as a result, the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes would be less than the Minimum Amount, that part of the Available Redemption Funds on that date (or, if lower, the amount required to redeem all Class A Notes in full) will be applied in redemption of the Class A Notes. For the purposes of the calculation of the Performing Assets Balance Test Ratio as described in this paragraph and the preceding paragraph: (a) a reference to "Allocated Purchase Funds" will be substituted for the reference to "Available Purchase Funds" in paragraph (b) of the Performing Assets Balance Test Ratio and (b) the amount referred to in paragraph (e) of the Performing Assets Balance Test Ratio will have deducted from it an amount equal to the Available Redemption Funds on the Determination Date in question.

Whilst any Class A Notes are outstanding, any amounts to be applied in redemption of the Class B Notes and the Class C Notes on any Interest Payment Date will be applied *pro rata* according to their respective Principal Amount Outstanding immediately prior to such Interest Payment Date.

Once the Class A Notes have been redeemed in full, all Available Redemption Funds will be applied in redemption of the Class B Notes.

Once the Class B Notes have been redeemed in full, all Available Redemption Funds will be applied in redemption of the Class C Notes.

The Issuer will cause the Administrator to determine the Available Redemption Funds and the amount of principal payable on each Note on each Determination Date.

"Available Redemption Funds" on any Determination Date (the "relevant Determination Date") means an amount equal to the aggregate of:

(i) the amount (if any) left when the amount (if any) of Available Purchase Funds at the relevant Determination Date, which the Issuer has notified to the Administrator pursuant to the Administration Agreement, that it then intends to apply in purchasing Further Unsecured Loans and/or Further Secured Loans and/or Further Car Finance Contracts and any related Motor Vehicles and/or in making any further advances in respect of Portfolio Secured Loans at any time during the period from (but excluding) the relevant Determination Date to (and including) the

fourth anniversary of the Closing Date (such notified amount being "Allocated Purchase Funds") is subtracted from Available Purchase Funds at the relevant Determination Date; and

(ii) an amount equal to the aggregate amount (if any) of the provisions that would have been made as specified in paragraphs (x) to (xv) (inclusive) of "Pre-enforcement Priority of Payments" above on the Interest Payment Date next following the relevant Determination Date, but which the Issuer gives notice to the Administrator pursuant to the Administration Agreement on the relevant Determination Date should not be made but the amount of which should instead be added to the Available Redemption Funds on the relevant Determination Date,

PROVIDED THAT

(a) if either the Performing Assets Balance Test Ratio as at the relevant Determination Date is less than 1:1 or any borrowing by the Issuer under the Subordinated Loan Agreement which is taken into account for the purpose of calculating that Performing Assets Balance Test Ratio as at the relevant Determination Date pursuant to paragraph (d)(A) of the definition of Available Purchase Funds is not made on or before the relevant Interest Payment Date, then the Allocated Purchase Funds shall be deemed to be zero; and

(b) the amount referred to in paragraph (i) above as at the relevant Determination Date will not exceed an amount which, were it to have been deducted from the aggregate Principal Amount Outstanding of the Class A Notes, Class B Notes and Class C Notes on the relevant Determination Date for the purposes of the calculation of the Performing Assets Balance Test Ratio on such date, would have resulted in the Performing Assets Balance Test Ratio on the relevant Determination Date having been 1:1 PROVIDED THAT for the purposes of the calculation of the Performing Assets Balance Test Ratio pursuant to this sub-paragraph (b), a reference to "Allocated Purchase Funds" will be substituted for the reference to "Available Purchase Funds" in paragraph (b) of the Performing Assets Balance Test Ratio.

"Available Purchase Funds" at any Calculation Date (the "relevant Calculation Date") means an amount determined by the Administrator pursuant to the Administration Agreement on the relevant Calculation Date to be equal to the aggregate of:

(a) the amount of the Available Funds standing to the credit of the Transaction Account as at the close of business on the relevant Calculation Date; and

(b) any payment due to be received by the Issuer from the Swap Counterparty or any Permitted Hedge Provider under the Swap Agreement or otherwise in the period from (but excluding) the relevant Calculation Date to (and including) the Interest Payment Date next following the relevant Calculation Date (the "Period"); and

(c) all proceeds of disposal or on maturity of any Authorised Investments made or acquired on or before the relevant Calculation Date and due to mature on or before the next following Interest Payment Date (whether or not reinvested during the Period) and any income to be earned thereon (including interest to be earned on the Transaction Account), in each case, due to be received by the Issuer during the Period; and

(d) (A) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period for the purpose of ensuring that the Performing Assets Balance Test Ratio equals or exceeds 1:1 as at the relevant Calculation Date; and (B) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period (other than on an Interest Payment Date) for the purpose of establishing or increasing the Shortfall Fund; and

(e) all amounts standing to the credit of the Collection Accounts in respect of the Portfolio Assets as at the close of business on the relevant Calculation Date that are to be transferred to the Transaction Account during the Period; less

(f) an amount equal to the aggregate amount that the Administrator on the relevant Calculation Date estimates will fall to be paid or provided for on or before the Interest Payment Date next following the relevant Calculation Date in respect of the payments and provisions specified in paragraphs (i) to (vii) (inclusive) of "Summary – Pre-enforcement Priority of Payments" above; and less

(g) the amount specified in paragraph (f) of the definition of Issuer Funds above as at the relevant Calculation Date,

but so that no amount shall be added or deducted more than once in the same calculation.

Optional Redemption of Class A Notes

All (but not some only) of the Class A Notes will be subject to redemption, at the option of the Issuer, at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date in the event that the Issuer is obliged to make any withholding or deduction from payments in respect of the Class A Notes or the Issuer or the Swap Counterparty or any Permitted Hedge Provider is obliged to make any withholding or deduction from payments under the Swap Agreement or other hedging arrangements or in the event of certain other United Kingdom taxation changes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction).

Furthermore, the Issuer will also be entitled, but not obliged, to redeem all (but not some only) of the Class A Notes at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date falling in or after June 2004 (the "Coupon Call Date").

All (but not some only) of the Class A Notes may, at the option of the Issuer, be redeemed at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date on which the aggregate Principal Amount Outstanding of the Notes then outstanding is less than £50,200,000.

Furthermore, any optional redemption of all (but not some only) of the Class A Notes may only be made if each of the Rating Agencies has first confirmed that the then current rating of both the Class B Notes and Class C Notes would not be adversely affected by such redemption.

Optional Redemption of Class B Notes

Provided that there are no Class A Notes then outstanding or all the Class A Notes are to be redeemed in full at the same time, all (but not some only) of the Class B Notes will be subject to redemption, at the option of the Issuer, at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date in the event that the Issuer is obliged to make any withholding or deduction from payments in respect of the Class B Notes or the Issuer or the Swap Counterparty or any Permitted Hedge Provider is obliged to make any

withholding or deduction from payments under the Swap Agreement or other hedging arrangements or in the event of certain other United Kingdom taxation changes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction).

Provided that there are no Class A Notes then outstanding or all the Class A Notes are to be redeemed in full at the same time, all (but not some only) of the Class B Notes may, at the option of the Issuer, be redeemed at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date falling on or after the Coupon Call Date or, if earlier, falling on or after the date on which all the Class A Notes are redeemed in full.

Furthermore, any optional redemption of all (but not some only) Class B Notes may only be made if each of the Rating Agencies has first confirmed that the then current rating of the Class C Notes would not be adversely affected by such redemption.

Optional Redemption of Class C Notes

Provided that there are no Class A Notes or Class B Notes then outstanding or all the Class A Notes (if any) and the Class B Notes are to be redeemed in full at the same time, all (but not some only) of the Class C Notes will be subject to redemption, at the option of the Issuer, at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date in the event that the Issuer is obliged to make any withholding or deduction from payments in respect of the Class C Notes or the Issuer or the Swap Counterparty or any Permitted Hedge Provider is obliged to make any withholding or deduction from payments under the Swap Agreement or other hedging arrangements or in the event of certain other United Kingdom taxation changes (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction).

Provided that there are no Class A Notes or Class B Notes then outstanding or all the Class A Notes (if any) and the Class B Notes are to be redeemed in full at the same time, all (but not some only) of the Class C Notes may, at the option of the Issuer, be redeemed at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date falling on or after the Coupon Call Date or, if earlier, falling on or after the date on which all the Class A Notes and Class B Notes are redeemed in full.

Final Redemption

To the extent not otherwise redeemed (i) the Class A Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in June 2021; (ii) the Class B Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in June 2032; and (iii) the Class C Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in June 2048.

Purchase of Notes

The Issuer may not purchase Class A Notes, Class B Notes or Class C Notes at any time.

Principal Amount Outstanding and Pool Factor

The Principal Amount Outstanding of a Note, irrespective of class, will be its initial principal amount of £10,000 less the aggregate amount of principal repayments that have been made or fallen due (whether or not paid) on that Note. The Pool Factor for each Note during an Interest Period will be determined by dividing the Principal Amount Outstanding of such Note on the first day of that Interest Period (after deducting any principal repayment due on that day) by 10,000 and expressing the quotient to the sixth decimal place.

The Issuer will cause the Administrator to determine the Principal Amount Outstanding and the Pool Factor for each Note of a particular class for each Interest Period and such determination will be published on the Reuters Screen by not later than the ninth business day after the Determination Date immediately preceding such Interest Period or as soon as practicable thereafter.

Portfolio Unsecured Loans

Each of the Portfolio Unsecured Loans will be either a Retail Credit Loan or a Personal Loan.

Certain Unsecured Loans have been acquired by the Issuer prior to the date of this Offering Circular. Save to the extent redeemed in full or sold by the Issuer prior to the Closing Date, these Unsecured Loans will form part of the initial security for the Notes. These Unsecured Loans were acquired pursuant to unsecured loan sale contracts concluded as a result of: (i) the acceptance by the Issuer of a written offer from CFUK to sell the benefit of Unsecured Loans on standard terms and conditions (the ''Bridge Standard Terms and Conditions'') on 16th October, 2000 which, as at close of business on 30th September, 2000 (in the case of Personal Loans) and 25th September, 2000 (in the case of Retail Credit Loans), had aggregate Current Principal Balances of £119,264,185.92 and £64,748,578.54, respectively; and (ii) the acceptance by the Issuer of subsequent written offers on the Bridge Standard Terms and Conditions from CFUK on 30th November, 2000, 11th January, 2001 and 13th March, 2001, respectively, to sell the benefit of Unsecured Loans which, as at the close of business on 28th November, 2000, 10th January, 2001 and 12th March, 2001, respectively, had aggregate Current Principal Balances of £15,267,138.59 (£2,137,374.91 in respect of Personal Loans and £13,129,763.68 in respect of Retail Credit Loans), £7,922,466.73 (in respect of Retail Credit Loans only) and £11,928,120.29 (in respect of Retail Credit Loans only), respectively (each such sale contract being an ''Unsecured Loan Sale Contract'').

Provided that, *inter alia*, neither of the Rating Agencies has notified the Issuer that any rating to be prospectively assigned by it to any class of Notes would be adversely affected as a result of such acquisition, the Issuer is expected to acquire additional Unsecured Loans from CFUK and/or PPF on the Closing Date, using part of the proceeds of the issue of the Notes to the extent not applied: (a) in repayment of amounts owing under the Bridge Facility Agreement (as defined in ''Summary – Bridge Facility Agreement'' below); or (b) in repayment of amounts owing under the CMS9 Subordinated Loan Agreement; or (c) in purchasing Secured Loans on the Closing Date; or (d) in purchasing Car Finance Contracts (and the related Motor Vehicles) on the Closing Date; or (e) in being initially credited to the Transaction Account as Initial Allocated Purchase Funds. Any such Unsecured Loans would be acquired pursuant to a contract (each also an ''Unsecured Loan Sale Contract'') concluded as a result of acceptance by the Issuer of a written offer by CFUK and/or PPF (each, an ''Unsecured Loan Offer to Sell'') to sell the benefit of Unsecured Loans on standard terms and conditions to be agreed on the Closing Date (the ''Standard Terms and Conditions''). The Standard Terms and Conditions are described in more detail in the paragraph entitled ''Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts'' in the section entitled ''Portfolio Assets'' below.

The Unsecured Loans acquired by the Issuer on or before the Closing Date (and not subsequently redeemed in full or sold by the Issuer on or before the Closing Date) are referred to as the ''Initial Portfolio Unsecured Loans''.

The purchase price for an Initial Portfolio Unsecured Loan that is to be sold to the Issuer on the Closing Date will be its Current Balance (as defined below) on its respective Effective Date (as defined below), adjusted for any Purchased Accruals, any Unamortised Commission, any provision for non-payment specified by the relevant Seller and any Excluded Arrears, as described in the paragraph entitled ''Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts'' in the section entitled ''Portfolio Assets'' below. The terms ''Purchased Accruals'', ''Unamortised Commission'' and ''Excluded Arrears'' are defined in that section.

No notice of the transfer of the Initial Portfolio Unsecured Loans may be given to Borrowers unless, *inter alia*, there is a breach of the Administration Agreement that gives rise to the Trustee's rights to terminate it or the Trustee certifies that the security for the Notes is in jeopardy or, in relation to any particular Portfolio Unsecured Loan, PFPLC is in breach of its repurchase obligations (as described in the section entitled ''Portfolio Assets – Repurchase of Portfolio Assets'') under the Repurchase Deed.

No Portfolio Unsecured Loan has or will have an original maturity later than June 2020. There are no obligations to make further advances under any Portfolio Unsecured Loan. All of the Portfolio Unsecured Loans are or will be governed by English, Scottish or Northern Irish law.

''Initial Allocated Purchase Funds'' means, in respect of any date falling during the period from (and including) the Closing Date to (and including) the first Determination Date (the ''Initial Purchase Period'') an amount equal to the gross proceeds of the issue of the Notes to the extent not applied in purchasing Unsecured Loans, Secured Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date or in repaying on the Closing Date amounts under the CMS9 Subordinated Loan Agreement or the Bridge Facility Agreement.

''Current Balance'' on any day means: (a) in relation to a Portfolio Unsecured Loan that is a Personal Loan (other than one sold by CFUK to the Issuer) or, as the case may be, a Portfolio Secured Loan, the aggregate outstanding amount of principal, interest and other amounts due and payable by the Borrower thereunder; and (b) in relation to a Portfolio Car Finance Contract, a Portfolio Unsecured Loan that is a Retail Credit Loan, or, as the case may be, a Portfolio Unsecured Loan that is a Personal Loan sold by CFUK to the Issuer, the aggregate amount of those parts of each monthly payment payable by the relevant Obligor that is attributable to principal in accordance with the Administration Agreement throughout the remaining term of such Portfolio Car Finance Contract, Retail Credit Loan or, as the case may be, Personal Loan (including amounts then due and payable but not paid) (and in the case of a Portfolio Car Finance Contract which comprises a conditional sale agreement, a lease agreement or a motor vehicle contract purchase agreement plus the assumed residual value of the relevant Portfolio Motor Vehicle) plus the aggregate outstanding amount of interest (or its equivalent) and other amounts due and payable by the Obligor on that date thereunder each as shown in the Debtor Ledger for the relevant Portfolio Asset, less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement (see ''Portfolio Asset Administration – Debtor Ledger/ Current Balance/Current Principal Balance'' below.)

"Effective Date" means, in relation to a Portfolio Asset, the date specified as such by the relevant Seller before the Issuer acquires such Portfolio Asset being (i) in the case of a Retail Credit Loan, no more than twenty-one business days or (ii) in the case of any Portfolio Asset (other than a Retail Credit Loan) sold to the Issuer on the Closing Date, no more than twelve business days or (iii) in the case of any Portfolio Asset (other than a Retail Credit Loan) sold to the Issuer after the Closing Date, no more than three business days, in each case before the Issuer acquires such Portfolio Asset.

"Personal Loan" means an Unsecured Loan that is not a Retail Credit Loan.

"Retail Credit Loan" means an Unsecured Loan granted to an individual pursuant to a "DCS" (debtor/creditor/supplier) agreement for the purposes of the CCA (as defined in "Summary – Asset Repurchase" below) specifically to enable the acquisition of consumer products such as furniture and electrical goods.

The Portfolio Unsecured Loans are further described in "Portfolio Assets" below.

Portfolio Secured Loans

Provided that, *inter alia*, neither of the Rating Agencies has notified the Issuer that any rating to be prospectively assigned by it to any class of Notes would be adversely affected as a result of such acquisition, the Issuer is expected to acquire certain Secured Loans and related Mortgages from PPF pursuant to a secured loan sale contract (a "Secured Loan Sale Contract") to be made pursuant to the terms of an agreement to be entered into by the Issuer, PPF, PFPLC, the Trustee and PSFL (as defined in "Summary – Initial Portfolio Assets" below) on the Closing Date setting out the terms on which Secured Loans will be sold (the "Secured Loan Sale Agreement"), using part of the proceeds of the issue of the Notes to the extent not applied: (a) in repayment of amounts owing under the Bridge Facility Agreement; or (b) in repayment of amounts owing under the CMS9 Subordinated Loan Agreement; or (c) in purchasing Unsecured Loans on the Closing Date; or (d) in purchasing Car Finance Contracts (and the related Motor Vehicles) on the Closing Date; or (e) in being initially credited to the Transaction Account as Initial Allocated Purchase Funds. Such Secured Loan Sale Contract will be concluded as a result of acceptance by the Issuer of a written offer by PPF (a "Secured Loan Offer to Sell") to sell the benefit of Secured Loans in accordance with the Secured Loan Sale Agreement.

The Secured Loans acquired by the Issuer on the Closing Date are referred to as the "Initial Portfolio Secured Loans".

The purchase price for an Initial Portfolio Secured Loan will be its Current Balance on its respective Effective Date, adjusted for any Purchased Accruals, any Unamortised Commission, any provision for non-payment specified by the relevant Seller and any Excluded Arrears, as described in the paragraph entitled "Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

No notice of the transfer of the Initial Portfolio Secured Loans may be given to Borrowers nor will the transfer of the Secured Loans or the Mortgages relative thereto to the Issuer be perfected unless, *inter alia*, there is a breach of the Administration Agreement that gives rise to the Trustee's rights to terminate it or the Trustee certifies that the security for the Notes is in jeopardy or, in relation to any particular Portfolio Secured Loan, PFPLC is in breach of its repurchase obligations (as described below) under the Secured Loan Sale Agreement.

Portfolio Secured Loans with aggregate Current Balances of not more than £5,000,000 have or will have an original maturity later than June 2030. No Portfolio Secured Loan has or will have an original maturity later than June 2045. There are no obligations to make further advances under any Portfolio Secured Loan. All of the Portfolio Secured Loans are or will be governed by English or Scots law.

The Portfolio Secured Loans are further described in "Portfolio Assets" below.

Portfolio Car Finance Contracts

Provided that, *inter alia*, neither of the Rating Agencies has notified the Issuer that any rating to be prospectively assigned by it to any class of Notes would be adversely affected as a result of such acquisition, the Issuer is expected to acquire from PCF certain Car Finance Contracts and Motor Vehicles the subject thereof on the Closing Date using part of the proceeds of the issue of the Notes to the extent not applied: (a) in repayment of amounts owing under the Bridge Facility Agreement; or (b) in repayment of amounts owing under the CMS9 Subordinated Loan Agreement; or (c) in purchasing Unsecured Loans on the Closing Date; or (d) in purchasing Secured Loans on the Closing Date; or (e) in being initially credited to the Transaction Account as Initial Allocated Purchase Funds. Such Car Finance Contracts and Motor Vehicles would be acquired pursuant to a car finance sale contract that would be made on the Closing Date between PCF and the Issuer. Such contract would be concluded as a result of the acceptance by the Issuer of a written offer by PCF (a "Car Finance Offer to Sell") to sell the benefit of Car Finance Contracts and related Motor Vehicles (a "Car Finance Sale Contract") on the Standard Terms and Conditions.

The Issuer has agreed, in relation to each Portfolio Motor Vehicle that is the subject of a hire purchase agreement, motor vehicle contract purchase agreement or motor vehicle conditional sale agreement, that legal and beneficial ownership in such Portfolio Motor Vehicle will pass to the relevant Hirer upon such Hirer exercising his or her option to purchase such Portfolio Motor Vehicle in accordance with, and on the expiry or early settlement of, the relevant Car Finance Agreement and, in the case of a Portfolio Motor Vehicle that is the subject of a conditional sale agreement, in the event that the Hirer has discharged all his or her obligations under the Car Finance Agreement or, at the option of the Issuer, if the relevant Hirer is in breach.

The Car Finance Contracts acquired by the Issuer on the Closing Date are referred to as the "Initial Portfolio Car Finance Contracts".

The purchase price for each Initial Portfolio Car Finance Contract and the related Motor Vehicle will be its Current Balance on its respective Effective Date, adjusted for any Purchased Accruals, any Unamortised Commission, any provision for non-payment specified by the relevant Seller and any Excluded Arrears as described in the paragraph entitled "Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

No notice of transfer of Portfolio Car Finance Contracts (or of the transfer of legal and beneficial ownership in the related Portfolio Motor Vehicle) may be given to Hirers or Lessees unless, *inter alia*, there is a breach of the Administration Agreement that gives rise to the Trustee's rights to terminate it or the Trustee certifies that the security for the Notes is in jeopardy or, in relation to any particular Portfolio Car Finance Contract (and the related Portfolio Motor Vehicle), PFPLC is in breach of its repurchase obligations under the Repurchase Deed.

No Portfolio Car Finance Contract will have an original maturity later than June 2010. All Portfolio Car Finance Contracts are or will be governed by English or Scots law.

The Portfolio Car Finance Contracts are more particularly described in ''Portfolio Assets'' below.

Further Unsecured Loans

The Issuer may, on any day on or before the fourth anniversary of the Closing Date, accept written offers to sell from an Unsecured Loan Seller (each, also an ''Unsecured Loan Offer to Sell'') in relation to Further Unsecured Loans provided that, *inter alia*: (i) neither of the Rating Agencies has notified the Issuer that any rating then assigned by it to any class of Notes would be adversely affected as a result of such acceptance and (ii) as a result of such acceptance (and taking into account the effect on the aggregate Current Balances of the Portfolio Assets of such acceptance, and the acceptance of any other offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day), the aggregate Current Balances of the Portfolio Unsecured Loans that are Personal Loans would not exceed 30% of (a) the aggregate Current Balances of the Portfolio Assets on such day, plus (b) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances, purchased or made by the Issuer on such day. Acceptance by the Issuer of any such Unsecured Loan Offer to Sell is subject to further conditions, as described in the paragraph entitled ''Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts'' in the section entitled ''Portfolio Assets'' below.

The purchase price for a Further Unsecured Loan will be calculated in the same way as the purchase price for an Initial Portfolio Unsecured Loan acquired by the Issuer on the Closing Date (as described in ''Portfolio Unsecured Loans'' above).

A Further Unsecured Loan may be purchased on any business day on or before the fourth anniversary of the Closing Date but only to the extent that the purchase price of such Further Unsecured Loan when added to the aggregate purchase prices of all other Portfolio Assets to be purchased, and the aggregate amount of all further advances to be made, on the same day does not exceed the Substitution Amount (as defined below) on such day.

The Further Unsecured Loans will be acquired pursuant to an unsecured loan sale contract constituted by an Unsecured Loan Offer to Sell by a relevant Unsecured Loan Seller that is accepted by the payment by the Issuer of the aggregate of the purchase prices of such Further Unsecured Loans (each also an ''Unsecured Loan Sale Contract''). Each such Unsecured Loan Sale Contract will incorporate the Standard Terms and Conditions.

Any amounts received by an Unsecured Loan Seller in respect of a Further Unsecured Loan after it has been transferred by that Unsecured Loan Seller to the Issuer (or, in the case of Scottish Unsecured Loans, held on trust for the Issuer) will be held on trust for the Issuer, except for Excluded Arrears and Excluded Accruals (each as defined in ''Portfolio Assets – Repurchase of Portfolio Assets''), if any.

No notice of the transfer of Further Unsecured Loans may be given to Borrowers unless, *inter alia*, there is a breach of the Administration Agreement that gives rise to the Trustee's rights to terminate it or the Trustee certifies that the security for the Notes is in jeopardy or, in relation to any particular Further Unsecured Loan, PFPLC is in breach of its repurchase obligations under the Repurchase Deed.

"Substitution Amount" means on any date and in relation to the purchase by the Issuer of any Portfolio Asset or Portfolio Assets the purchase price(s) of which are paid or to be paid on such date (the "Relevant Assets") and/or the making by the Issuer of any further advance or further advances made or to be made on such date (the "Relevant Advances"):

(a) if such date falls during the Initial Purchase Period, either:

(i) the Initial Allocated Purchase Funds at the Closing Date as reduced by an amount equal to the aggregate of (A) the aggregate purchase prices of all Portfolio Assets (other than the Relevant Assets) and (B) the aggregate amount of all further advances (other than the Relevant Advances), purchased or made by the Issuer during the period from (but excluding) the Closing Date to (and including) such date; or

(ii) if the Available Purchase Funds have been calculated by the Administrator pursuant to the Administration Agreement on any Calculation Date (other than the first Determination Date) during the Initial Purchase Period, the Available Purchase Funds at such Calculation Date as reduced by an amount equal to the aggregate of (A) the aggregate purchase prices of all Portfolio Assets (other than the Relevant Assets) and (B) the aggregate amount of all further advances (other than the Relevant Advances), purchased or made by the Issuer during the period from (but excluding) such Calculation Date to (and including) such date; or

(b) if such date falls after the end of the Initial Purchase Period, either:

(i) the Allocated Purchase Funds at the Determination Date immediately preceding such date as reduced by an amount equal to the aggregate of (A) the aggregate purchase prices of all Portfolio Assets (other than the Relevant Assets) and (B) the aggregate amount of all further advances (other than the Relevant Advances), purchased or made by the Issuer during the period from (but excluding) such Determination Date to (and including) such date; or

(ii) if the Available Purchase Funds have been calculated by the Administrator pursuant to the Administration Agreement on any Calculation Date falling after such Determination Date, the Available Purchase Funds at such Calculation Date as reduced by an amount equal to the aggregate of (A) the aggregate purchase prices of all Portfolio Assets (other than the Relevant Assets) and (B) the aggregate amount of all further advances (other than the Relevant Advances), purchased or made by the Issuer during the period from (but excluding) such Calculation Date to (and including) such date,

Provided that, in the case of paragraphs (a)(ii) and (b)(ii) above, if on the relevant Calculation Date the Performing Assets Balance Test Ratio is less than 1:1, the Substitution Amount shall be zero.

Further Secured Loans

The Issuer may, on any day on or before the fourth anniversary of the Closing Date, accept written offers to sell from a Secured Loan Seller (each, also a "Secured Loan Offer to Sell") in relation to Further Secured Loans pursuant to the terms of the Secured Loan Sale Agreement provided that, *inter alia*: (i) neither of the Rating Agencies has notified the Issuer that any rating then assigned by it to any class of Notes would be adversely affected as a result of such acceptance and (ii) as a result of such acceptance (and taking into account the effect on the aggregate Current Balances of the Portfolio Assets of such acceptance, and the acceptance of any other offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day), the aggregate Current Balances of the Portfolio Secured Loans would not exceed 30% of (a) the aggregate Current Balances of the Portfolio Assets on such day plus (b) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances, purchased or made by the Issuer on such day. Acceptance by the Issuer of any such Secured Loan Offer to Sell is subject to further conditions, as described in the paragraph entitled "Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

The purchase price for a Further Secured Loan will be calculated in the same way as the purchase price for an Initial Portfolio Secured Loan (as described in "Portfolio Secured Loans" above).

A Further Secured Loan may be purchased on any business day on or before the fourth anniversary of the Closing Date but only to the extent that the purchase price of such Further Secured Loan when added to the aggregate purchase prices of all other Portfolio Assets to be purchased, and the aggregate amount of all further advances to be made, on the same day does not exceed the Substitution Amount on such day.

The Further Secured Loans will be acquired pursuant to a secured loan sale contract made pursuant to the terms of the Secured Loan Sale Agreement by agreement with a relevant Secured Loan Seller (each such separate agreement for the sale of Secured Loans made pursuant to the Secured Loan Sale Agreement including the agreement reached on the Closing Date being also a "Secured Loan Sale Contract"). Each such Secured Loan Sale Contract will be subject to the terms and conditions described in more detail in "Portfolio Assets – Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" below.

Any amounts received by a Secured Loan Seller in respect of a Further Secured Loan after it has been transferred by that Secured Loan Seller to the Issuer (or, in the case of Scottish Secured Loans, held on trust for the Issuer) will be held on trust for the Issuer, except for Excluded Arrears and Excluded Accruals, if any.

No notice of the transfer of Further Secured Loans may be given to Borrowers nor will the transfer of Further Secured Loans or the Mortgages relative thereto to the Issuer be perfected unless, *inter alia*, there is a breach of the Administration Agreement that gives rise to the Trustee's rights to terminate it or the Trustee certifies that the security for the Notes is in jeopardy or, in relation to any particular Further Secured Loan, PFPLC is in breach of its repurchase obligations under the Secured Loan Sale Agreement.

Further Car Finance Contracts

The Issuer may, on any day on or before the fourth anniversary of the Closing Date, accept written offers to sell from a Car Finance Contract Seller (each also a "Car Finance Offer to Sell") in relation to Further Car Finance Contracts and the related Motor Vehicles provided that, *inter alia*: (i) neither of the Rating Agencies has notified the Issuer that any rating then assigned by it to any class of Notes would be adversely affected as a result of such acceptance and (ii) as a result of such acceptance (and taking into account the effect on the aggregate Current Balances of the Portfolio Assets of such acceptance, and the acceptance of any other offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day), the aggregate Current Balances of the Portfolio Car Finance Contracts would not exceed 30% of (a) the aggregate Current Balances of the Portfolio Assets on such day plus (b) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances, purchased or made by the Issuer on such day. Acceptance by the Issuer of any such Car Finance Offer to Sell is subject to further conditions, as described in the paragraph entitled "Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

The purchase price for a Further Car Finance Contract is calculated in the same way as the purchase price for an Initial Portfolio Car Finance Contract (as described in "Portfolio Car Finance Contracts" above).

A Further Car Finance Contract and the related Motor Vehicle may be purchased on any business day on or before the fourth anniversary of the Closing Date but only to the extent that the purchase price of such Further Car Finance Contract when added to the aggregate purchase prices of all other Portfolio Assets to be purchased, and the aggregate amount of all further advances to be made, on the same day does not exceed the Substitution Amount on such day.

The Further Car Finance Contracts and the ownership of the Motor Vehicles the subject thereof would be acquired pursuant to a car finance sale contract constituted by a Car Finance Offer to Sell by a Car Finance Contract Seller that is accepted by the payment by the Issuer of the aggregate of the purchase prices of such Further Car Finance Contracts and related Motor Vehicles (each also a "Car Finance Sale Contract"). Each such Car Finance Sale Contract would incorporate the Standard Terms and Conditions.

Any amounts received by a Car Finance Contract Seller in respect of a Further Car Finance Contract after it has been transferred to the Issuer (or, in the case of Scottish Car Finance Contracts, held on trust for the Issuer) will be held on trust for the Issuer, except for Excluded Arrears and Excluded Accruals, if any.

No notice of the transfer of Further Car Finance Contracts (or of the transfer of legal and beneficial ownership in the related Portfolio Motor Vehicles) may be given to Hirers or Lessees unless, *inter alia*, there is a breach of the Administration Agreement that gives rise to the Trustee's rights to terminate it or the Trustee certifies that the security for the Notes is in jeopardy or, in relation to any particular Further Car Finance Contract and the related Portfolio Motor Vehicle, PFPLC is in breach of its repurchase obligations under the Repurchase Deed.

Initial Portfolio Assets

The Portfolio Assets, as at the Closing Date, taking into account Portfolio Assets that are expected to be acquired on the Closing Date, will have an aggregate of their respective Current Balances of approximately £205,000,000. Those Portfolio Assets will comprise Portfolio Unsecured Loans beneficially owned by the Issuer on the date of this Offering Circular (''Existing Portfolio Unsecured Loans'') save to the extent repaid prior to the Closing Date and certain additional Unsecured Loans originated by CFUK and/or PPF, Secured Loans originated by PPF and Car Finance Contracts originated by PCF (and the related Motor Vehicles) and purchased by the Issuer on the Closing Date. The Portfolio Secured Loans are or will be secured by second or subsequent-ranking charges (the ''English Mortgages'') over freehold or leasehold residential properties located in England or Wales (the ''English Properties'') or by standard securities (the ''Scottish Mortgages'' and, together with the English Mortgages, the ''Mortgages'') over feudal or long leasehold residential properties located in Scotland (the ''Scottish Properties'' and, together with the English Properties, the ''Properties''). References herein to freehold property or interests therein and to leasehold property or interests therein shall, in respect of the Scottish Properties, be construed as being references to feudal property or interests therein and long leasehold property or interests therein respectively and references herein to a ''mortgagee'' shall, in respect of any Scottish Mortgage, be construed as being references to the heritable creditor thereunder.

The Borrowers in respect of the Portfolio Unsecured Loans and Portfolio Secured Loans are all individuals.

The statistical and other information contained in this Offering Circular is stated as at close of business on 30th April, 2001 (the ''Provisional Pool Date'') and relates to certain Unsecured Loans originated by CFUK and beneficially owned by it or the Issuer at that time, to certain Unsecured Loans originated by PPF and beneficially owned by it at that time, to certain Secured Loans originated by PPF and which were beneficially owned by Paragon Second Funding Limited (''PSFL''), a company incorporated under the laws of England with registered number 2637506 and a wholly owned subsidiary of PGC, at that time and to certain Car Finance Contracts originated by PCF and beneficially owned by it at that time (such Unsecured Loans, Secured Loans and Car Finance Contracts being together referred to in this Offering Circular as the ''Provisional Pool''). The Unsecured Loans, Secured Loans and Car Finance Contracts (and the related Motor Vehicles) to be purchased by the Issuer on the Closing Date will be selected from the Provisional Pool but may also include other Unsecured Loans, Secured Loans and Car Finance Contracts which meet the criteria specified in the section entitled ''Portfolio Assets'' below.

Receipt of Moneys

All direct debit payments made by Obligors will be paid either (i) directly to the Transaction Account or (ii) if such payments cannot be made directly to the Transaction Account without a change of instructions from the relevant Obligor, directly into the collection account of the Seller from whom the Issuer acquired the relevant Portfolio Asset. Accordingly, direct debit payments will be made directly to either the Transaction Account or any one of CFUK's collection accounts with Barclays Bank Plc or National Westminster Bank Plc, any one of PPF's collection accounts with National Westminster Bank Plc or Barclays Bank Plc, PCF's collection account with National Westminster Bank Plc or, if PFPLC sells any Portfolio Assets to the Issuer, PFPLC's collection account with National

Westminster Bank Plc or either of PFPLC's collection accounts with HSBC Bank plc, or any other collection account established by any other member of the Paragon Group which is a Seller, as the case may be (together, the ''Collection Accounts'' and each a ''Collection Account''). Those moneys that are credited directly to a Collection Account will be transferred on the business day after being credited to such Collection Account, or as soon as practicable thereafter, to the Transaction Account.

Certain Obligors are or will be permitted to make payments in respect of Portfolio Assets using alternative arrangements to direct debits, provided that those arrangements are intended to ensure timely payment.

Under each Collection Account Declaration of Trust (as defined in ''Portfolio Asset Administration – Payments from Obligors'' below) the relevant Seller will declare that all direct debit payments, cheque payments and moneys received or recovered and paid into its Collection Account in respect of Portfolio Unsecured Loans, Portfolio Secured Loans or, as the case may be, Portfolio Car Finance Contracts, are held on trust for the Issuer until they are applied in the manner described above.

Further Advances in respect of the Portfolio Secured Loans

The Secured Loan Agreements do not and will not impose any obligation on any relevant Seller or the Issuer mandatorily to advance any further sums to the Obligors. However, subject to the satisfaction of certain conditions (including the requirement that, as a result of making a discretionary further advance on any day, the aggregate Current Balances of the Portfolio Secured Loans must not as a result of the making of such advance exceed 30% of (a) the aggregate Current Balances of the Portfolio Assets on such day (taking into account the effect on the aggregate Current Balances of the Portfolio Assets of the making of such further advance, the acceptance of any Offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any other further advances on the same day) plus (b) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances, purchased or made by the Issuer on such day), the Administrator on behalf of the Issuer may at its discretion make or fund discretionary further advances on the Portfolio Secured Loans provided that, *inter alia*, neither of the Rating Agencies has notified the Issuer that any rating assigned by it to any class of Notes would be adversely affected as a result of such further advance (see ''Portfolio Asset Administration – Further Advances in respect of the Portfolio Secured Loans'').

Further advances may only be made on any Portfolio Secured Loan if certain other conditions are satisfied including the condition that the relevant Seller's lending criteria as far as applicable are satisfied at the relevant time subject to such waivers as might be within the discretion of a reasonably prudent lender, all as will be provided in the Administration Agreement (see ''Portfolio Asset Administration – Further Advances in respect of the Portfolio Secured Loans''.)

The Issuer may make a further advance on any day if and to the extent that the amount of such further advance when added to the aggregate purchase prices of all Portfolio Assets to be purchased, and the aggregate amount of all other further advances to be made, on the same day does not exceed the Substitution Amount on such day. If the Substitution Amount would be so exceeded on any day, CMS9 may, at its discretion, make available to the Issuer further amounts under the Subordinated Loan to enable the Issuer to make discretionary

further advances in respect of the Portfolio Secured Loans. The Issuer shall not be entitled to make a discretionary further advance where it is unable to fund such discretionary further advance accordingly.

Conversion of Portfolio Secured Loans

Any Portfolio Secured Loans may, subject to certain conditions as will be provided for in the Administration Agreement (see also "Portfolio Asset Administration – Conversion of Portfolio Secured Loans" below), be converted into a different type of secured loan (a "Converted Loan"). Accordingly, any Converted Loan may differ from the Portfolio Secured Loans described under "Portfolio Assets" below.

If any Converted Loan comprises a fixed rate loan, a capped rate loan or a collared rate loan, the Issuer will on or before the date of conversion have entered into one or more interest rate swap, interest rate cap, interest rate floor or other hedging agreements for such Converted Loans together with any related guarantees if to do so is necessary to meet the requirements of the Rating Agencies (see "The Issuer – Hedging Arrangements" below).

Portfolio Asset Administration

Pursuant to an agreement to be entered into on the Closing Date between PFPLC, the Issuer, the Trustee, CFUK, PPF and PCF (the "Administration Agreement"), PFPLC will agree to administer the Portfolio Assets on behalf of, *inter alios*, the Issuer and the Trustee, carrying out all administrative functions with the same diligence and skill as would a reasonably prudent lender or financier administering its own unsecured consumer loans, secured consumer loans and car finance products.

Subject to the terms of the relevant Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement, the Administrator will under the Administration Agreement have authority to change the rates of interest (or equivalent revenue charges) applicable to the Portfolio Assets.

If at any time the Administrator on behalf of the Issuer wishes to set (or does not wish to change) the rate of interest applicable to the Portfolio Secured Loans (or any of them) or to purchase any Further Secured Loans with, in any case, the result that the weighted average of the interest rates applicable to the Portfolio Secured Loans (taking account of all hedging arrangements entered into by the Issuer and all income expected to be received by the Issuer from any Authorised Investments in the then current Interest Period) would be less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above LIBOR applicable to the Notes at the time, it will be entitled to do so only if and to the extent that there is a credit balance in the Shortfall Fund (if any) (net of all provisions previously made during the then current Interest Period (as defined in the Class A Conditions)) at least equal to the shortfall which would arise at that time and it makes a provision in such Shortfall Fund equal to such shortfall. The Trustee may revoke the Administrator's authority to change such rates in certain circumstances.

The weighted average rates used to calculate the payments under any portfolio of Unsecured Loans being acquired by the Issuer at any time may not on the relevant sale date be less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above the rate payable by the Issuer under the hedging arrangements entered into by it in relation to that acquisition, as more particularly described in "The Issuer – Hedging Arrangements" below.

The weighted average rates used to calculate the payments under any portfolio of Car Finance Contracts being acquired by the Issuer at any time may not on the relevant sale date be less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above the rate payable by the Issuer under the hedging arrangements entered into by it in relation to that acquisition, as more particularly described in "The Issuer – Hedging Arrangements" below.

The Administrator will receive, in priority to payments of interest on the Notes, an annual fee of not more than 0.85% (inclusive of VAT) of the aggregate of the Current Balances of all Portfolio Assets, payable quarterly in arrear on each Interest Payment Date, calculated by reference to those Current Balances as at the Determination Date immediately preceding such Interest Payment Date (or, in relation to the first Interest Payment Date, those Current Balances on the Closing Date). Any substitute administrator appointed (other than as administrator of last resort) would receive a fee consistent with that commonly charged at that time for the provision of administration services for unsecured consumer loans, secured consumer loans and car finance products.

Under the Administration Agreement, the Administrator will, on behalf of the Issuer and the Trustee, follow its own standard procedures for enforcement of payments due under unsecured consumer loans, secured consumer loans and car finance products to recover sums due to the Issuer or, to the extent that such procedures are not applicable, having regard to the nature of the default in question, take such action as would a reasonably prudent lender or financier in respect of such default.

Asset Repurchase

Under (in the case of Portfolio Secured Loans) the Secured Loan Sale Agreement or (in the case of Portfolio Unsecured Loans and Portfolio Car Finance Contracts) a repurchase deed to be dated on or about the Closing Date between PFPLC, the Issuer, the Trustee, CFUK, PPF and PCF (the "Repurchase Deed"), PFPLC will agree to repurchase, or procure the purchase by a third party of, certain Portfolio Assets in certain circumstances. These circumstances include:

(i) in the case of Portfolio Unsecured Loans and Portfolio Car Finance Contracts:

  (a) in relation to a Portfolio Unsecured Loan acquired by the Issuer from CFUK on or before 30th September, 2001 and not subsequently redeemed or sold in full (a "CFUK Portfolio Unsecured Loan") only, the declaration by a court of competent jurisdiction that more than 13% of the principal amount outstanding of such CFUK Portfolio Unsecured Loan is irrecoverable by reason of breaches of the Consumer Credit Act 1974 (the "CCA"), or a decision by the Administrator not to bring enforcement proceedings in such court solely on the basis that the Administrator believes that such a declaration would be made in such proceedings, or the failure by the Administrator promptly to certify, at the Trustee's request, that enforcement proceedings were not taken solely on that basis (a "CCA Event"); and

  (b) any warranty given by PFPLC in respect of a Portfolio Unsecured Loan or a Portfolio Car Finance Contract under the Warranty Deed proves to have been untrue or incorrect in any material respect as of the date as of which it was given; and

(ii) in the case of Portfolio Secured Loans, any warranty given by PFPLC in respect of a Portfolio Secured Loan under the Secured Loan Sale Agreement proves to have been untrue or incorrect in any material respect as of the date as of which it was given,

and where such matters are capable of remedy, PFPLC's obligation to repurchase or procure the repurchase of such Portfolio Asset will only arise if the matter is not remedied within 30 days of notice from the Issuer.

However, PFPLC is not required to repurchase any CFUK Portfolio Unsecured Loan in relation to which a CCA Event has occurred (i) until the aggregate of the Repurchase Prices (as defined below) of such CFUK Portfolio Unsecured Loans to be repurchased exceeds £1,000,000 (whereupon PFPLC will be obliged to repurchase all of the CFUK Portfolio Unsecured Loans in relation to which CCA Events have occurred that it would, but for such minimum threshold, have been obliged to repurchase); or (ii) if the aggregate of the Repurchase Prices of the CFUK Portfolio Unsecured Loans in relation to which CCA Events have occurred that it has already repurchased, or procured the repurchase of, is greater than £20,000,000. This restriction will not apply to Unsecured Loans acquired from Sellers other than CFUK at any time or to Further Unsecured Loans acquired by the Issuer from CFUK after 30th September, 2001 or to Secured Loans or to Car Finance Contracts acquired at any time.

The "Repurchase Price" for each Portfolio Asset will be its Current Balance on the date of repurchase (including amounts that may be irrecoverable under an Unsecured Loan to be repurchased because of any CCA Event) adjusted for Unamortised Commission, where applicable, interest that has accrued but is not then payable, Excluded Accruals that have not been received by the relevant Seller and Excluded Arrears that have not been received and/or retained by that Seller.

For further details, see the paragraph entitled "Repurchase of Portfolio Assets" in the section entitled "Portfolio Assets" below.

First Loss Fund

On the Closing Date the Issuer will drawdown under the Subordinated Loan Agreement an amount equal to the Required Amount (as defined below) on the Closing Date for the purposes of establishing a fund (the "First Loss Fund").

On each Interest Payment Date, if and to the extent that a provision can be made at item (vii) (or (if no Class A Note is outstanding) immediately after the making of the provision and payment referred to at item (viii)) in "Pre-enforcement Priority of Payments" above, the First Loss Fund will be re-established in an amount up to but not exceeding the Required Amount. The First Loss Fund may also be replenished up to but not exceeding an amount equal to the Required Amount out of sums borrowed for such purpose under the Subordinated Loan Agreement.

The "Required Amount" will be at all times on or after the Closing Date a sum equal to £10,793,000, being 4.3% of the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes as at the Closing Date, or such other amount which may from time to time be agreed between the Issuer and the Rating Agencies provided that after the later of (a) the first Interest Payment Date on which the Class A Notes have been redeemed in full and (b) the Interest Payment Date falling in June 2006 if, on the Determination Date preceding such Interest Payment Date, the Performing Assets Balance Test Ratio is equal to or in excess of 1:1, the Required Amount will be reduced to a sum equal to

£5,396,500, being 2.15% of the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes at the Closing Date or to such other amount which may from time to time be agreed between the Issuer and the Rating Agencies.

Shortfall Fund

The Issuer may at any time with the prior consent of CMS9 drawdown under the Subordinated Loan Agreement sums for the purpose of establishing a shortfall fund (the "Shortfall Fund"). If at any time the Administrator on behalf of the Issuer wishes to set (or does not wish to change) the rate of interest applicable to the Portfolio Secured Loans (or any of them), or to purchase any Further Secured Loans with, in any case, the result that the weighted average of the interest rates applicable to the Portfolio Secured Loans taking account of all hedging arrangements entered into by the Issuer and all income expected to be received by the Issuer from any Authorised Investments would be less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above LIBOR applicable to the Notes at the time it will be entitled to do so only if and to the extent that there is a credit balance in the Shortfall Fund (if any) (net of all provisions previously made during the then current Interest Period) at least equal to the shortfall which would arise at that time and it makes a provision in such Shortfall Fund equal to such shortfall.

Hedging Arrangements

On or about the Closing Date, the Issuer will enter into hedging arrangements which will include an ISDA Master Agreement (together with any confirmations for specific transactions, the "Swap Agreement") with The Royal Bank of Scotland plc as Swap Counterparty (such person (and/or any replacement) acting in such capacity from time to time, the "Swap Counterparty" or the "Swap Provider") and one or more interest rate swaps and interest rate caps entered into with a counterparty (a "Cap Provider"), each in accordance with the requirements of the Rating Agencies to hedge any Initial Portfolio Unsecured Loans, any Initial Portfolio Secured Loans and any Initial Portfolio Car Finance Contracts that are to be acquired on the Closing Date.

Each of these hedging arrangements may be provided by any bank or financial institution provided that on the date on which it makes such arrangements available to the Issuer, such bank or financial institution has a rating for its long-term or short-term debt obligations sufficient to maintain the then ratings of the 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 Notes and provided further that such bank or financial institution has agreed to be bound by the terms of the Deed of Charge (any such bank or financial institution being a "Permitted Hedge Provider").

The Issuer's ongoing hedging arrangements are more particularly described in "The Issuer – Hedging Arrangements" below.

Reinvestment of Income

Cash in the Transaction Account must be invested in sterling denominated securities, bank accounts or other obligations of or rights against entities whose long-term debt is rated Aaa by Moody's and AAA by Standard & Poor's or whose short-term debt is rated P-1 by Moody's and A-1 by Standard & Poor's or, if at the relevant time there are no such entities, any entity previously approved in writing by the Trustee in such other sterling denominated securities, bank accounts or other obligations as would not adversely affect the then current rating of the Class A Notes or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes. Any such investments

("Authorised Investments") made by the Issuer must also satisfy certain further criteria described in "Portfolio Asset Administration – Reinvestment of Income" below.

Until such time as the Notes are redeemed in full, an amount equal to the First Loss Fund must be invested in accordance with the criteria applicable to cash held in the Transaction Account specified above, save that the relevant short-term debt rating by Standard & Poor's of the entity in which the investment or investments is or are made must, in such case, be A-1+.

Fee Letter

PFPLC has agreed to arrange the issue of the Notes on behalf of the Issuer. In particular, PFPLC has negotiated the terms of the issue of the Notes and of documents for approval by the Issuer and has liaised with professional advisers and the Managers. CMS9 will pay, on behalf of the Issuer, or reimburse to the Issuer, the management and underwriting commissions and selling commissions due to the Managers referred to in "Subscription and Sale" below and any expenses payable by the Issuer in connection with the issue of the Notes. Furthermore, PFPLC negotiated the terms of the Bridge Facility Agreement, the CMS9 Subordinated Loan Agreement (as defined in "Summary – CMS9 Subordinated Loan Agreement" below) and the FFP10 Facility Agreement (as defined in "Summary – Bridge Facility Agreement" below) for the acquisition of Unsecured Loans from CFUK. In particular, PFPLC negotiated the terms of the financing and of documents for approval by the Issuer and liaised with professional advisers and CMS9 paid on behalf of the Issuer, or reimbursed to the Issuer, all fees, costs, commissions and expenses payable by the Issuer in connection with the Bridge Facility Agreement and the FFP10 Facility Agreement.

The Issuer will agree under a fee letter to be entered into between the Issuer, PFPLC, CMS9 and the Trustee and to be dated on the Closing Date (the "Fee Letter") that it will pay PFPLC an arrangement fee of 0.4% of the aggregate principal amount of the Notes and that it will repay CMS9 all commissions, fees, costs and expenses paid by CMS9 in connection with the issue of the Notes, the Bridge Facility Agreement and the FFP10 Facility Agreement in instalments on each Interest Payment Date over a period of four years from the Closing Date. Amounts to be paid under the Fee Letter will bear interest from the Closing Date at a rate of 4% per annum above LIBOR (or such other rate which PFPLC, CMS9 and the Issuer agree to be a fair commercial rate at the time) payable in arrear on each Interest Payment Date (see "The Issuer – Fee Letter" below) and will be subordinated as described in the section entitled "Summary – Pre-enforcement Priority of Payments" above.

Services Letter

PFPLC will agree under a services letter to be entered into between PFPLC and the Issuer and to be dated on the Closing Date (the "Services Letter") to undertake certain management and administrative services to the extent that these are not provided pursuant to the Administration Agreement. The Issuer will agree to pay to PFPLC, for the provision of these services, a fee calculated on the basis of an apportionment, according to the average gross value of Portfolio Assets under management during the relevant period together with certain other costs incurred by PFPLC in respect of the services (see "The Issuer – Management and Activities" below).

Subordinated Loan Agreement

Collateralised Mortgage Securities (No 9) PLC ("CMS9"), a company incorporated under the laws of England with registered number 2173067 and a wholly owned subsidiary of PGC, will make available to the Issuer under a subordinated loan agreement to be dated on or before the Closing Date (the "Subordinated Loan Agreement") a

subordinated loan facility under which an amount or amounts will be drawn down by the Issuer on the Closing Date: (i) to repay amounts (and interest thereon) borrowed by the Issuer under the CMS9 Subordinated Loan Agreement; (ii) to establish the First Loss Fund on the Closing Date; (iii) to reimburse the relevant Seller of a Portfolio Asset for any Unamortised Commission on the Closing Date; (iv) to establish a fund of £400,000 in respect of the Issuer's potential liability (if any) to stamp duty in respect of the transfer to the Issuer on or after the Closing Date of the benefit of Portfolio Unsecured Loans that are Scottish Unsecured Loans and Portfolio Car Finance Contracts that are Scottish Car Finance Contracts; and (v) to achieve the initial ratings assigned to the Notes by the Rating Agencies. The Issuer may from time to time borrow further sums from CMS9 or other lenders (''Subordinated Lenders'') on the terms of the Subordinated Loan Agreement. For further details of the Subordinated Loan Agreement see ''The Issuer – Subordinated Loan Facility'' below.

CMS9's registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE.

Bridge Facility Agreement

On 16th October, 2000 the Issuer entered into a credit facility agreement (the ''Bridge Facility Agreement'') with, *inter alios*, Finance for People (No. 10) PLC (''FFP10''), which in turn on the same day entered into a corresponding credit facility agreement (the ''FFP10 Facility Agreement'') with, *inter alios*, The Royal Bank of Scotland plc (''RBS'') as agent and lender. On 16th October, 2000, the Issuer made a drawing under the Bridge Facility Agreement of £191,000,000. This drawing was used to assist in the funding of the purchases by the Issuer of Unsecured Loans from CFUK on 16th October, 2000, 30th November, 2000, 11th January, 2001 and 13th March, 2001, as described above. The principal amount currently outstanding under the Bridge Facility Agreement is £116,000,000. The proceeds of the issue of the Notes will be used, in part, in repayment of the existing indebtedness of the Issuer under the Bridge Facility Agreement which in turn will be used by FFP10 in repayment of the corresponding indebtedness of FFP10 under the FFP10 Facility Agreement.

CMS9 Subordinated Loan Agreement

On 16th October, 2000 the Issuer entered into a subordinated loan agreement (the ''CMS9 Subordinated Loan Agreement'') with CMS9 and RBS as security agent pursuant to which CMS9 made a loan to the Issuer. On 16th October, 2000, the Issuer made a drawing under the CMS9 Subordinated Loan Agreement of £9,190,091.04. This drawing was used to assist in the funding of the purchases by the Issuer of Unsecured Loans from CFUK on 16th October, 2000, as described above. The proceeds of the issue of the Notes will be used, in part, in or towards repayment of the existing indebtedness of the Issuer under the CMS9 Subordinated Loan Agreement.

Post Enforcement Call Option

The Trustee will, on behalf of the Noteholders (but without any personal liability therefor), on the Closing Date, grant to Paragon Options PLC (a public company incorporated under the laws of England with number 2637497 and an indirect subsidiary of PGC (''POPLC'')) (pursuant to a post enforcement call option deed to be entered into on the Closing Date between POPLC and the Trustee (the ''Post Enforcement Call Option Deed'')) options to require the transfer to it for a consideration of £0.01 per Class B Note and £0.01 per Class C Note of all (but not some only) of the Class B Notes and all (but not some only) of the Class C Notes (together in each case with accrued interest thereon) in the event that the security granted under or pursuant to the Deed of Charge is enforced and, after payment of all other claims ranking in priority to the Class B Notes and the Class B Coupons or (as the case may be) the Class C Notes

and the Class C Coupons under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal, interest and other amounts due in respect of the Class B Notes and all other claims ranking *pari passu* therewith or (as the case may be) are insufficient to pay in full all principal, interest and other amounts due in respect of the Class C Notes and all other claims ranking *pari passu* therewith (see "Description of the Class B Notes, the Global Class B Notes and the Security – Enforcement and Post Enforcement Call Option" and "Description of the Class C Notes, the Global Class C Notes and the Security – Enforcement and Post Enforcement Call Option"). The Class B Noteholders and the Class C Noteholders will be bound by the terms and conditions of the Trust Deed and the Class B Conditions or (as the case may be) the Class C Conditions in respect of the post enforcement call options and the Trustee will be irrevocably authorised to enter into the Post Enforcement Call Option Deed as agent for the Class B Noteholders and the Class C Noteholders.

SPECIAL CONSIDERATIONS

The following is a summary of certain aspects of the issue of the Notes about which prospective Noteholders should be aware but it is not intended to be exhaustive and prospective Noteholders should read the detailed information set out elsewhere in this Offering Circular.

The Notes solely obligations of the Issuer

The Notes will be solely the obligations of the Issuer. The Notes will not be obligations or the responsibility of, or be guaranteed by, CFUK, PFPLC, PPF, CMS9, the Trustee, any of the Managers, PCF or PGC, any member of the Paragon Group (other than the Issuer) or any other person other than the Issuer. Furthermore, none of CFUK, PFPLC, PPF, CMS9, the Trustee, the Managers, PCF, PGC nor any other member of the Paragon Group, nor any other person (other than the Issuer) will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amounts due under the Notes.

The Issuer's ability to meet its obligations under the Notes

The ability of the Issuer to meet its obligations to repay principal of, and pay interest on, the Notes and its operating and administration expenses will be dependent, *inter alia*, on funds being received or recovered in respect of Portfolio Assets, the extent and availability of the First Loss Fund and the Shortfall Fund (if any), any and all hedging arrangements whether entered into under the Swap Agreement or otherwise, any Authorised Investments (including the Transaction Account), the Subordinated Loan Agreement, and the proceeds of any insurances in which the Issuer has an interest.

Sources of payments to Noteholders

Realisation of Portfolio Assets

The ability of the Issuer to redeem all the Notes in full, including after the occurrence of an Event of Default in relation to the Notes, while any amounts payable under the Portfolio Assets are still outstanding, may depend upon whether the Portfolio Assets can be realised to obtain an amount sufficient to redeem the Notes. There can be no assurance that the Portfolio Assets will realise such an amount. Neither the Issuer, the Trustee nor any receiver of the security may be able to enforce or sell the Portfolio Assets on appropriate terms should either of them be required to do so.

Insufficient Issuer Funds and the effect of the Performing Assets Balance Test Ratio

If as a result of, *inter alia*, default by Obligors and the exercise by the Issuer and/or the Administrator of all available remedies under any Unsecured Loan Agreement or Secured Loan Agreement or Car Finance Agreement and the enforcement of any related security (in the case of a Secured Loan) and the sale of any related Motor Vehicle (in the case of a Car Finance Contract), in circumstances where the Issuer does not receive the full amounts due from those Obligors or if receipts from Obligors are applied, for example, in meeting obligations of the Issuer incurred in the course of the Issuer's business or in refunding reclaimed direct debit payments (as set out below), the funds available to the Issuer on any Interest Payment Date may not be sufficient, after making the payments to be made in priority thereto (see "Summary – Pre-enforcement Priority of Payments" above), to pay, in full or at all, interest due on the Class C Notes and/or the Class B Notes and/or the Class A Notes; or the Class B Notes and/or the Class C Notes may be redeemed at less than their initial principal amount and, to the extent that any shortfall in the funds available to the Issuer exceeds the aggregate initial principal amount of the Class B Notes and the Class C Notes, Class A Noteholders may receive by way of principal repayment less than the initial principal amount of their Class A Notes.

Furthermore, if on any Determination Date (whether because of a reduction in the aggregate Current Principal Balances of the Performing Assets or otherwise) the Performing Assets Balance Test Ratio is:

(a) less than or equal to 0.915:1, then interest on the Class C Notes will not be payable on the next succeeding Interest Payment Date unless there is no Class A Note or Class B Note then outstanding or all the Class A Notes and Class B Notes are redeemed on such next succeeding Interest Payment Date; or

(b) less than or equal to 0.71:1, then, in addition to the consequence described at (a) above, interest on the Class B Notes will not be payable on the next succeeding Interest Payment Date unless there is no Class A Note then outstanding or all the Class A Notes are redeemed on such next succeeding Interest Payment Date,

with the consequence, in either case, that the Available Purchase Funds and the Available Redemption Funds on such Determination Date will be greater than they would otherwise have been had such interest been payable thus also potentially resulting on the next succeeding Interest Payment Date in a greater redemption of the Class A Notes (or, if there are no Class A Notes then outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes) than there would otherwise have been had such interest been payable.

The Issuer may receive an amount under a direct debit which subsequently has to be repaid to the bank making the payment. Such an amount may be repaid by applying funds standing to the credit of the Transaction Account at the time the repayment is required to be made.

Sources of payments upon enforcement of the security for the Notes

Upon enforcement of the security for the Notes, the Trustee will have recourse only to the Portfolio Assets and any other assets of the Issuer then in existence (as described above under the paragraph entitled "The Issuer's ability to meet its obligations under the Notes" above). The Issuer and the Trustee will have no recourse to any of CFUK, PFPLC, PPF, PCF, CMS9 or PGC other than, in the case of PFPLC's liability, as provided in the Secured Loan Sale Agreement (in the case of the Secured Loans) and in the Warranty Deed and the Repurchase Deed (in the case of the Unsecured Loans and the Car Finance Contracts) in respect of breaches of warranty and, in the case of CFUK Portfolio Unsecured Loans, any occurrence of a CCA Event (as more particularly described in the section entitled "Portfolio Assets" below).

Conflict of Interest Between Noteholders

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the Class C Noteholders and other persons entitled to the benefit of the Security (as defined in "Description of the Class A Notes, the Global Class A Notes and the Security" below) and subject thereto to have regard only to the interests of the Class B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders and other persons entitled to the benefit of the Security and subject further thereto to have regard only to the interests of the Class C Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class C Noteholders and the interests of any of the other persons entitled to the benefit of the Security.

Matters relating to the Portfolio Assets

Provisional Pool

The Provisional Pool includes Unsecured Loans having Current Principal Balances in aggregate of £27,611,837.42, Secured Loans having Current Principal Balances in aggregate of £32,833.93 and Car Finance Contracts having Current Principal Balances in aggregate of £52,711.99, in each case as at close of business on 30th April, 2001, in respect of which payments from Borrowers, Hirers or Lessees, as the case may be, were in arrears, as at such date, by an amount in excess of three current monthly payments.

Interest rates in respect of the Portfolio Assets

The hedging arrangements described in the sections entitled "Summary – Hedging Arrangements", "Issuer – Hedging Arrangements" and "Portfolio Asset Administration – Portfolio Asset Interest Rates" provide only limited protection for the Noteholders against a shortfall as between, on the one hand, the income of the Issuer and, on the other hand, the Issuer's floating rate interest payment obligations under the Notes.

Warranties

PFPLC will warrant to the Issuer and the Trustee in the Secured Loan Sale Agreement (in relation to Portfolio Secured Loans) and in the Warranty Deed (in relation to Portfolio Unsecured Loans and Portfolio Car Finance Contracts) in respect of certain matters relating to the Portfolio Assets (see the paragraph entitled "Warranties" in the section entitled "Portfolio Assets" below). The warranties will be given in relation to each Portfolio Asset as at its respective Cut-off Date (as defined in the paragraph entitled "Warranties" in the section entitled "Portfolio Assets" below). These warranties are limited in their scope and nature to, *inter alia*, the beneficial ownership of the Portfolio Assets and the validity of

Mortgages securing Portfolio Secured Loans before they were sold to the Issuer and are subject to certain limitations, as more particularly described in the section entitled "Portfolio Assets" below. Except as described in that section below, neither the Issuer, the Trustee nor any of the Managers has undertaken or will undertake any investigations, searches or other actions in relation to the Portfolio Assets and each will rely instead on the warranties given in the Secured Loan Sale Agreement (in relation to Portfolio Secured Loans) and in the Warranty Deed (in relation to Portfolio Unsecured Loans and Portfolio Car Finance Contracts). The Issuer's and the Trustee's sole remedy against PFPLC in respect of breach of warranty or, in the case of any CFUK Portfolio Unsecured Loan, the occurrence of a CCA Event, shall be to require PFPLC to remedy the breach (to the extent the same is remediable) within 30 days of receipt of a notice to that effect or to repurchase the relevant Portfolio Asset pursuant to the Secured Loan Sale Agreement or (as the case may be) the Repurchase Deed provided that this shall not limit any other remedies available to the Issuer and/or the Trustee if PFPLC fails to repurchase a Portfolio Asset when obliged to do so (see the paragraph entitled "Portfolio Assets – Repurchase of Portfolio Assets" in the section entitled "Portfolio Assets" below). The obligations of PFPLC to repurchase any CFUK Portfolio Unsecured Loans in relation to which a CCA Event has occurred are, however, subject to a minimum aggregate repurchase price of £1,000,000 before such obligation is triggered (whereupon PFPLC will be obliged to repurchase all CFUK Portfolio Unsecured Loans in relation to which a CCA Event has occurred that it would have been obliged to repurchase in the absence of such minimum threshold). Furthermore, PFPLC is not obliged to repurchase any CFUK Portfolio Unsecured Loans in relation to which a CCA Event has occurred after it has repurchased CFUK Portfolio Unsecured Loans in relation to which CCA Events have occurred in an aggregate amount of £20,000,000 or more. However, such restriction does not apply to Unsecured Loans acquired from Sellers other than CFUK at any time or to Further Unsecured Loans acquired by the Issuer from CFUK after 30th September, 2001 or to any Secured Loans or to Car Finance Contracts acquired at any time.

Administration of the Portfolio Assets

In the event of the termination of the appointment of the Administrator by reason of default by the Administrator or its insolvency, the Trustee will be entitled (but not obliged) to appoint a substitute administrator. There is no guarantee that an administrator could be found who would be willing to administer the Portfolio Assets and the Issuer's business on the terms of the Administration Agreement and the Deed of Charge (even though there is provision for the fees payable to a substitute administrator to be consistent with those commonly charged at that time for the provision of unsecured personal loans, secured personal loans and car finance administration services). The Trustee has no obligation to act as administrator. The ability of a substitute administrator fully to perform such services would depend on the information and records then available to it and it is possible that there could be an interruption in the administration during the course of the transition. Such person would not become bound by PFPLC's obligations under the Secured Loan Sale Agreement, the Warranty Deed or the Repurchase Deed. The fees and expenses of a substitute administrator performing services in this way would be payable under paragraph (ii) of "Summary – Pre-enforcement Priority of Payments" above.

In "Portfolio Asset Administration" below, the arrangements for collecting moneys relating to the Portfolio Assets are described, including the arrangements for the respective Collection Accounts of the Sellers to which payments in respect of the Portfolio Assets may be credited. That section also describes the arrangements for transferring amounts from the relevant Collection Account to the Transaction Account on the business day immediately following the date on which they were credited to the Collection Account, or as soon as practicable thereafter. Whilst standing to the credit of the relevant Collection Account, any money received in respect of Portfolio Assets may be commingled with other moneys of the Sellers and/or other beneficiaries of trusts declared in respect of those accounts. Therefore, those moneys may cease to be easily traceable. As a result, the Issuer may receive less than was due to it in respect of Portfolio Assets on any particular date and may be required to refund moneys paid to it in error out of the Collection Accounts. In addition, there may be some interruption in the transfer of funds to the Issuer if any Seller (or a liquidator or administrator in respect of any of them) attempted to freeze the operation of any of the Collection Accounts pending completion of any rights of tracing and there is a risk of payment to the relevant Seller of moneys to which the Issuer is beneficially entitled.

Transfer of ownership of, and security over, Portfolio Assets

The transfer to the Issuer by a Seller of the benefit of the Portfolio Assets governed by English law (excluding for the avoidance of doubt, Motor Vehicles) or, in the case of Unsecured Loans, the laws of Northern Ireland, will take effect in equity only. The benefit of any Portfolio Assets governed by, or otherwise subject to, Scots law (excluding for the avoidance of doubt, Motor Vehicles) will be held in trust

by the relevant Seller absolutely for the Issuer under declarations of trust or, as the case may be, supplemental declarations of trust in the forms set out as an appendix to the Bridge Standard Terms and Conditions (in the case of the Existing Portfolio Unsecured Loans), to the Standard Terms and Conditions (in the case of Portfolio Unsecured Loans (other than the Existing Portfolio Unsecured Loans) and Portfolio Car Finance Contracts) or in the form set out in the Secured Loan Sale Agreement (in the case of Portfolio Secured Loans) (the "Scottish Declarations of Trust") which result in the beneficial ownership of such assets being vested in the Issuer. References to the transfer of the benefit of such Portfolio Assets in the following paragraphs will be construed accordingly.

It is acknowledged by Hirers and Lessees that the relevant Seller remains (subject to the purchase rights and obligations of Hirers) the legal and beneficial owner of Motor Vehicles the subject of Car Finance Agreements notwithstanding the fact that the Hirer or the Lessee has possession. The terms of each Car Finance Sale Contract include an agreement that this legal and beneficial ownership should pass to the Issuer upon payment by it of the agreed purchase price (as described above under "Summary – Portfolio Car Finance Contracts") for the relevant Car Finance Contract and Motor Vehicle. The Issuer has been advised that as a matter of English and Scots law this provision of the Car Finance Sale Contracts should be effective to pass the relevant Seller's title to the relevant Motor Vehicles to the Issuer.

The Trustee will be granted a fixed charge over, among other things, the Issuer's beneficial interest in the Portfolio Assets (other than the Portfolio Motor Vehicles). The Trustee will be granted a floating charge over the Portfolio Motor Vehicles. A floating charge is a charge that is recognised by common law and statute but has certain disadvantages relative to a fixed charge. One disadvantage is that in an insolvent winding up of the Issuer a holder of a floating charge would rank behind certain creditors who are preferred by statute, whereas a holder of a fixed charge would rank ahead of these creditors. Another disadvantage is that an asset subject to a floating charge may, unlike a fixed charge, be transferred to a third party free of the security. This will facilitate the transfer of title to Portfolio Motor Vehicles (for example to Hirers or Lessees or in a default situation to third parties) by the Issuer, but will then result in Portfolio Motor Vehicles ceasing to be subject to the security in favour of the Trustee.

In the case of Portfolio Unsecured Loans and Portfolio Car Finance Contracts the giving of notice to the relevant Obligor of the transfer by the relevant Seller is required to perfect legal title of the Issuer to such Portfolio Assets. However, the Trustee, the relevant Seller and the Issuer will agree that notice will only be given to the relevant Obligor in certain circumstances (see "Portfolio Assets – Notice to Obligors" below).

The sales to the Issuer of Secured Loans and their related Mortgages will not be perfected unless, *inter alia*, there is a breach of the Administration Agreement that gives rise to the Trustee's rights to terminate it or the Trustee certifies that, in its opinion, the security for the Notes is in jeopardy or PFPLC is in breach of its repurchase obligations under the Secured Loan Sale Agreement. In the meantime, neither the Issuer nor the Trustee will acquire legal title to any of the Secured Loans secured by English Mortgages over English Properties which are registered or required to be registered at H.M. Land Registry or by Scottish Mortgages and they will not be applying to H.M. Land Registry, the Central Land Charges Registry or the Registers of Scotland to perfect (or, as the case may be, protect) their interests in the Portfolio Secured Loans and the related Mortgages. For further information, see "Portfolio Assets – Notice to Obligors, Perfection of Legal Title and Security" below. They will also not be giving notice to any Obligor in respect of any transfer of a Portfolio Secured Loan or its related security.

The holding of an equitable interest in the Portfolio Assets (other than Portfolio Motor Vehicles) where notice is not given to the relevant Obligors has several legal consequences, including (in England and Wales) the following:

(a) Unless and until an Obligor has notice of the transfer to the Issuer of the relevant Portfolio Asset, such Obligor is not bound to make payment to anyone other than the person to whom he or she made such payments before the transfer took place (being the relevant Seller) and can obtain a valid discharge from such person. However, each Seller will agree to hold all collections received by it in respect of Portfolio Assets on trust for the Issuer. Furthermore, in respect of Portfolio Assets transferred to the Issuer by PFPLC, whilst PFPLC remains the Administrator under the Administration Agreement, PFPLC will also be the agent of the Issuer for the purposes of collection of all moneys due under such Portfolio Assets and will be accountable to the Issuer accordingly for amounts paid to it in respect of such Portfolio Assets.

(b) Unless and until an Obligor has notice of the sale, equitable rights of set-off (such as those referred to in this section in relation to the CCA) may accrue in favour of such Obligor against his or her obligation to make payments under the relevant Portfolio Asset to the relevant Seller.

These rights may result in the Issuer receiving less money than anticipated from the Portfolio Assets. Pursuant to the Warranty Deed, PFPLC will warrant in respect of each Portfolio Asset as at its respective Cut-off Date, that no right of set-off (or analogous claim) has been created or has arisen or exists or has been asserted between the relevant Seller and the relevant Obligor which would entitle such Obligor to reduce the amount payable in respect of such Portfolio Asset. However, rights of set-off (or analogous claims) arising under Section 56 or Section 75 of the CCA (which would not apply to all Portfolio Assets – see below) are expressly excluded from that warranty.

(c) For so long as the Issuer holds only an equitable interest in the Portfolio Assets, the Issuer's interest therein may become subject to the interests of third parties (whether legal or equitable) created after the creation of the Issuer's equitable interest and before its legal interest is perfected or, as the case may be, protected by the giving of notice to the relevant Obligor and, in the case of an English Mortgage, the making of registrations at H.M. Land Registry or the Central Land Charges Registry. The Issuer's equitable interest may also be defeated by a subsequent purchaser or transferee for value of the legal ownership of the relevant Portfolio Asset who has not received notice of the Issuer's prior interest. In addition, the holding of an equitable interest does not enable the Issuer to prevent the relevant Seller from modifying the terms of any Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement. However, pursuant to the Secured Loan Sale Agreement and the Standard Terms and Conditions (as defined in "Portfolio Assets – Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts" below), the Sellers undertake not to amend any Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement.

(d) For so long as the Issuer holds only an equitable interest, it must join the relevant Seller as a party to any legal proceedings which it may take against any Obligor. In this regard, each Seller will undertake for the benefit of the Issuer in the Secured Loan Sale Agreement and the Standard Terms and Conditions that it will lend its name to, and take such other steps as may be reasonably required by the Issuer or the Trustee in relation to, any legal proceedings in respect of the Portfolio Assets.

In respect of any Scottish Unsecured Loans, Scottish Secured Loans or Scottish Car Finance Contracts, the holding of a beneficial interest in a Portfolio Asset pursuant to a Scottish Declaration of Trust where notice is not given to the relevant Obligor has similar consequences to those noted in sub-paragraphs (a) to (d) above. However, additional procedural steps would be required to be taken by the relevant Seller in order to vest full legal title to the Scottish Unsecured Loans, Scottish Secured Loans or Scottish Car Finance Contracts in the Issuer and thereby put it in the same position as it would have been in as regards Portfolio Assets governed by English law where notice had been given to the relevant Obligor and (in the case of Portfolio Secured Loans) registrations made in respect of related English Mortgages.

In respect of any Portfolio Unsecured Loans governed by the laws of Northern Ireland, the holding of an equitable interest in a Portfolio Unsecured Loan where notice has not been given to the relevant Obligor will have similar consequences to those noted in sub-paragraphs (a) to (d) above. The methods of enforcing judgments available to unsecured creditors in Northern Ireland are similar to those in England and Wales. However, to enforce a judgment obtained against a debtor resident in Northern Ireland, a creditor must make an application for enforcement through the Enforcement of Judgments Office in Northern Ireland (the "Enforcement of Judgments Office"). Such applications are dealt with in date order and afforded priority accordingly and the Enforcement of Judgments Office has an exclusive discretion to use whatever procedure it feels is appropriate to recover a judgment debt.

With respect to the Portfolio Unsecured Loans, the Issuer has only acquired the benefit of the loans themselves. These consist of unsecured monetary obligations of the Borrowers under the relevant Unsecured Loan Agreement. No security has been given by any Borrower for any such monetary obligation and no Seller has any interest (and therefore is unable to transfer the benefit of any interest) in any property acquired by a Borrower with the proceeds of any Portfolio Unsecured Loan.

As regards Portfolio Car Finance Contracts, these again are unsecured monetary obligations on the part of the Hirers or Lessees. However, the Issuer owns the Portfolio Motor Vehicles in question, subject as described above and subject in the case of Portfolio Car Finance Contracts to the Hirers'/Lessees' rights of possession and use and, in the case of hire purchase agreements and motor vehicle contract purchase

agreements to the Hirers' rights to purchase the relevant Portfolio Motor Vehicle on expiry of the relevant term or earlier settlement of the Car Finance Agreement. Such ownership rights will not, however, be specifically assigned or charged by the Issuer to the Trustee but they will fall within the floating charge created by the Issuer in favour of the Trustee. Such ownership rights may carry certain risks and liabilities, such as potential liability to the Hirer or Lessee and/or third parties if the car is defective. The Issuer will have the benefit of certain product liability insurance in respect of such liabilities which will be assigned to the Trustee by way of security under the Deed of Charge.

Creditor Insurance, Guaranteed Asset Protection and Payment Protection Issues

Some Obligors under Portfolio Unsecured Loans, Portfolio Secured Loans or Portfolio Car Finance Contracts have taken out creditor insurance to cover their payment obligations in the event of death, total disability or unemployment ("Creditor Insurance"). No Seller has any interest in any Creditor Insurance obtained by Obligors, even though the premium for such insurance may have been paid with part of the amount borrowed under a Portfolio Unsecured Loan, a Portfolio Secured Loan or otherwise financed under a Portfolio Car Finance Contract. In addition, some Hirers from PCF have taken out Guaranteed Asset Protection ("GAP") against an outstanding liability following a write off of the related Motor Vehicle and any subsequent insurance settlement. PCF does not have an interest in any such GAP obtained by Hirers, even though the premium for such GAP may have been financed under the Portfolio Finance Contract. Any insurer's obligation to pay moneys under such Creditor Insurance or GAP will be owed to the Obligor. However, the relevant Creditor Insurance policies or GAP provide for all insurance proceeds to be paid directly to the relevant Seller's collection account. Any insurance proceeds in respect of a Portfolio Asset paid into the relevant Seller's collection account would be held on trust for the Issuer, pending transfer of such proceeds to the Transaction Account (see "Portfolio Assets – Insurance" below).

Legal proceedings in relation to Portfolio Assets

As noted above, each Seller will undertake to lend its name to, and take such other steps as may be reasonably required by the Issuer or the Trustee in relation to any legal proceedings in respect of the Portfolio Assets. It should be noted however that it may be difficult to trace and repossess any particular Portfolio Motor Vehicle, which is likely to be in the physical possession of the relevant Hirer or Lessee (as the case may be). There is a general legal rule that a person who is not the legal and beneficial owner of an asset is not able effectively to transfer legal and beneficial ownership of that asset to a third party. This rule would prevent Hirers and Lessees from transferring legal and beneficial ownership in Portfolio Motor Vehicles to third parties. However, there are certain exceptions to this rule, including where a person in possession of a physical asset with the permission of its owner purports to transfer legal and beneficial ownership of it to a third party who accepts that ownership in good faith and for value. English law (but not that of Scotland, except in very limited circumstances) will then hold that the third party has acquired good title to the asset. There is therefore, a risk that the Issuer's title to the Motor Vehicles may be defeated by such a transfer by a Hirer or Lessee. Further, any proceeds arising on the disposal of a Portfolio Motor Vehicle may be less than the total amount outstanding under the relevant Portfolio Car Finance Contract. It should be noted that a Portfolio Motor Vehicle may be subject to an existing lien or similar right (for example, in respect of repairs carried out by a garage for which payment has not yet been made or unpaid rent for premises on which the relevant Portfolio Motor Vehicle is kept). Also any action to recover outstanding amounts under a Portfolio Car Finance Contract may not be pursued if to do so would be uneconomic. Each Car Finance Agreement requires the Hirer or Lessee (as the case may be) to take out vehicle accident insurance. However, there can be no certainty that such insurance has in fact been taken out or maintained or that any proceeds from such insurance (if taken out and maintained) will be available to the Issuer or the Trustee.

Timeshare Act 1992

The Timeshare Act 1992 (the "TA") provides that a Borrower may cancel a Portfolio Unsecured Loan used to finance the purchase of leisure accommodation rights where: (a) the agreement is to any extent governed by the law of the United Kingdom or of a part of the United Kingdom; or (b) one or both of the parties to the agreement was in the United Kingdom when it was entered into (a "Timeshare Loan"). The Borrower's right to cancel a Timeshare Loan under the TA is limited to a period of 14 days from the date the agreement was entered into unless there has been a failure to comply with certain provisions of the TA or regulations made under it, in which case the cancellation period will, depending upon the actions of the Borrower, be extended indefinitely. The Provisional Pool includes Timeshare Loans having Current Principal Balances in aggregate (as at the close of business on 30th April, 2001) of £1,380,044.80.

Consumer Credit Act 1974

Each Portfolio Unsecured Loan, Portfolio Secured Loan or Portfolio Car Finance Contract with an individual Borrower, Hirer or Lessee for an amount of £25,000 or less is regulated by the CCA. The Provisional Pool includes Unsecured Loans, Secured Loans and Car Finance Contracts that are regulated by the CCA having Current Principal Balances in aggregate (as at the close of business on 30th April, 2001) of £204,038,831.09.

In common with the loans of many other lenders in the consumer finance market, some of the Portfolio Assets do not and may continue not to comply in all respects with the requirements of the CCA or related or subordinate legislation. If a significant number of Obligors were to take the relevant legislative points this could, depending on the attitude of the courts, lead to a significant disruption, and shortfall, in the income of the Issuer. This risk is believed by the Issuer to be in part mitigated by the apparent rarity with which such points have historically been taken by consumer borrowers and the likelihood that most of the relevant Portfolio Assets which are non-compliant are non-compliant in ways which courts tend to regard as insufficient for them to decide not to enforce the relevant loan. The Issuer also has the benefit of the repurchase obligations of PFPLC under the Repurchase Deed, although this repurchase obligation is subject to a cap on PFPLC's liability in relation to the CFUK Portfolio Unsecured Loans, as described below.

If an Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement which is regulated by the CCA has not been executed in accordance with the provisions of the CCA, the CCA provides that such an agreement will be unenforceable without a court order being obtained and in certain circumstances will be completely unenforceable. Examples of improper execution in accordance with the CCA include a failure to comply with the provisions of the Consumer Credit (Agreements) Regulations 1983 which govern the form and content of agreements regulated by the CCA.

Mortgages on land securing an agreement regulated by the CCA may only be enforced on an order of the court. A court order is not necessary, however, where the relevant Borrower consents to enforcement at the time enforcement is sought. The CCA provides no sanction for enforcement of a mortgage without the requisite court order, but the court retains the power to grant an injunction restraining such action.

In certain circumstances (principally, except for Timeshare Loans, where antecedent negotiations have taken place in the presence of the Borrower and the relevant agreement is signed off the trade premises of the creditor or its agent for such negotiations), the CCA renders an agreement which is subject to it cancellable and regulations require certain related formalities to be observed. Certain deviations from these requirements can result in the agreement being completely unenforceable; the court has no jurisdiction to validate them. These rights to cancel do not apply to agreements secured on land. Other formalities are required to be observed if such agreements are to be enforceable without a court order.

An Obligor under an Unsecured Loan Agreement, a Secured Loan Agreement or Car Finance Agreement governed by the CCA is entitled at any time, by giving notice in writing, to pay all amounts payable by him/her under his or her Portfolio Unsecured Loan, Portfolio Secured Loan or Portfolio Car Finance Contract in full, less, where appropriate, a rebate at least equal to that calculated in accordance with the Consumer Credit (Rebate on Early Settlement) Regulations 1983.

If certain default or enforcement proceedings are taken or notice of early termination is served on an Obligor under an Unsecured Loan Agreement or Secured Loan Agreement or Car Finance Agreement governed by the CCA, the court may, on application by such Obligor or where any action is brought to enforce any security or recover possession of land to which a CCA-regulated agreement applies and, in each case if it appears to the court just to do so, to make a time order to permit such Obligor to make payments under the relevant Portfolio Unsecured Loan, Portfolio Secured Loan or Portfolio Car Finance Contract by such instalments, payable at such times, or to remedy any breach at such times as the court thinks reasonable, having regard to the means of such Obligor.

The court will also have regard to the prejudice caused to any person by the relevant contravention of the CCA and the degree of culpability of the relevant lender, creditor or owner for it. The court has powers to amend any agreement or security which is regulated by the CCA or impose conditions on the performance of, or suspend the operation of, an enforcement order made by it in relation to any such agreement.

However, on the occurrence of a CCA Event in relation to any CFUK Portfolio Unsecured Loan (which includes the unenforceability of a specified minimum amount payable under the relevant Portfolio Unsecured Loan), acquired by the Issuer from CFUK on or before 30th September, 2001, PFPLC will be

obliged to repurchase the relevant Portfolio Unsecured Loan, subject to a cap on PFPLC's liability of £20,000,000 and a minimum threshold for repurchase of £1,000,000 (as referred to below in "Portfolio Assets – Repurchase of Portfolio Assets").

Many of the Unsecured Loan Agreements (including those governing Retail Credit Loans and Timeshare Loans), the Secured Loan Agreements and all Car Finance Agreements (save for car leasing agreements where Creditor Insurance is not funded by PCF) constitute "DCS" (debtor/creditor/supplier) agreements for the purposes of the CCA. A DCS agreement is one where, *inter alia*, under pre-existing arrangements between creditor and supplier, the creditor provides finance for the purchase by the debtor of goods or services from the supplier. Certain Unsecured Loan Agreements, Secured Loan Agreements and Car Finance Agreements are DCS agreements only by virtue of the relevant Seller, as lender, advancing funds for the payment of the premiums under Creditor Insurance policies or GAP, the supplier in such case being the insurer. Certain Car Finance Agreements are DCS agreements by virtue of the relevant Seller, as owner of a Motor Vehicle, supplying that Motor Vehicle to the Hirer. In relation to a DCS agreement the relevant Seller may be liable, by virtue of Section 56 of the CCA, for any misrepresentations, acts, omissions or statements made by the supplier to the Borrower, Hirer or Lessee during negotiations prior to execution of the relevant Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement. In addition, pursuant to Section 75 of the CCA and in respect of any DCS agreements where the relevant Seller and supplier are different persons, the relevant Seller (as well as the supplier) may be liable to the Borrower, Hirer or Lessee for misrepresentation, breach of an express or implied warranty or breach of contract. Examples of possible liability of this sort which may attach to the relevant Seller include cases where goods or services to be supplied are not supplied at all or are supplied but, in the case of services, not supplied within a reasonable time or are supplied but not with reasonable care and skill. The requirement to supply services within a reasonable time and with reasonable care and skill can, in certain circumstances, be implied into a contract for the supply of services under the Supply of Goods and Services Act 1982. Other examples of possible liability include the application of the Supply of Goods (Implied Terms) Act 1973 to hire purchase agreements, the application of the Sale of Goods Act 1979 to conditional sale agreements and the application of the Supply of Goods and Services Act 1982 to leasing agreements, whereby an Obligor could make a claim for breach of contract against the relevant Seller if a Portfolio Motor Vehicle the subject of a Portfolio Car Finance Contract is not of satisfactory quality or reasonably fit for its intended purpose.

Where Sections 56 and 75 of the CCA are applicable, Obligors will have the right to claim directly against the relevant Seller and/or set off an amount in respect of that claim against their obligation to make payments under any loan or other financing agreement (including Portfolio Unsecured Loans and/or Portfolio Secured Loans and/or Portfolio Car Finance Contracts) made to them by the relevant Seller. These rights will continue to subsist notwithstanding the sale of the Portfolio Unsecured Loans and/or Portfolio Secured Loans and/or Portfolio Car Finance Contracts to the Issuer and may give rise to a number of consequences including the following:

(a) an Obligor, in certain circumstances, may make a direct claim against the relevant Seller or exercise a right of set-off against a loan or car finance agreement which is not a Portfolio Unsecured Loan, a Portfolio Secured Loan or Portfolio Car Finance Contract as a result of liabilities arising under an Unsecured Loan Agreement, a Secured Loan Agreement or Car Finance Agreement with that Obligor which is subject to Section 56 or Section 75 of the CCA; and

(b) an Obligor, in certain circumstances, may exercise a right of set-off against a Portfolio Unsecured Loan, a Portfolio Secured Loan or Portfolio Car Finance Contract as a result of liabilities arising under a different Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement with that Obligor which is subject to Section 56 or Section 75 of the CCA; and

(c) an Obligor may exercise a right of set-off in respect of his or her obligations under an Unsecured Loan Agreement or Secured Loan Agreement (if the relevant Portfolio Unsecured Loan or Portfolio Secured Loan is not a Scottish Unsecured Loan or Scottish Secured Loan) or a Car Finance Agreement (if the relevant Portfolio Car Finance Contract is not a Scottish Car Finance Contract) as a result of liabilities arising in relation to a loan agreement or other financing agreement with that Obligor which is subject to Section 56 or Section 75 of the CCA and which does not relate to a Portfolio Unsecured Loan, Portfolio Secured Loan or Portfolio Car Finance Contract but which is made by the relevant Seller to the same Obligor,

provided that any of the above rights of set-off will only be exercisable if, in the case of a set-off described in sub-paragraph (a) or (c), it arose prior to the date (if any) on which notice is given to the Obligor of the assignment to the Issuer of the benefit of the relevant Portfolio Unsecured Loan, Portfolio Secured Loan or Portfolio Car Finance Contract or, in the case of a set-off described in sub-paragraph (b), it arose before the date (if any) on which notice is given to the Obligor of the assignment to the Issuer of one but not the other of the relevant Portfolio Unsecured Loans, Portfolio Secured Loans or Portfolio Car Finance Contracts in favour of that Obligor.

Any Portfolio Unsecured Loans, Portfolio Secured Loans or Portfolio Car Finance Contracts which are Scottish Unsecured Loans or Scottish Secured Loans or Scottish Car Finance Contracts will be held on trust by the relevant Seller for the Issuer, rather than being equitably assigned. Therefore, the type of set-off claim described in sub-paragraph (a) or (c) above will probably not be available to the relevant Obligor if it derives from a DCS agreement entered into after the relevant Scottish Unsecured Loan, Scottish Secured Loan or Scottish Car Finance Contract is held on trust.

In the case of a claim brought by a Borrower, Hirer or Lessee under Section 75 of the CCA the relevant Seller has, subject to any agreement to the contrary, a statutory right under Section 75 of the CCA to be indemnified by the supplier for any loss suffered, including any costs reasonably incurred in defending an action by an Obligor. In addition, under the Civil Liability (Contribution) Act 1978 the relevant Seller has, subject to any agreement to the contrary, a statutory right to a contribution from the supplier.

Although the Supply of Goods and Services Act 1982 and the Civil Liability (Contribution) Act 1978 do not apply in Scotland, the position of the relevant Seller under Scots law is broadly similar to that stated in the preceding paragraph relating to the law of England and Wales and Northern Ireland.

Early settlement or termination of Portfolio Assets

It is possible that an Obligor may settle early (or terminate) the Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement to which it is a party. This may happen at any time, either by *ad hoc* agreement, pursuant to the terms of the relevant contract or in accordance with the provisions of the CCA (if the relevant contract is CCA-regulated). The commercial effect of any such early settlement or termination will differ according to whether or not the relevant Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement is regulated by the CCA.

Where the relevant agreement is CCA-regulated, the Obligor may complete the agreement by payment of all outstanding amounts due thereunder in advance of their scheduled payment dates less any statutory rebate of charges to which the Obligor may be entitled. In relation to Car Finance Agreements, which confer or impose on the Obligor an option or obligation to purchase the relevant Motor Vehicle early settlement and payment in this way will entitle the Obligor to acquire title to such Motor Vehicle.

As an alternative to early settlement of a CCA-regulated contract of hire-purchase or conditional sale, such as the Car Finance Agreements which are hire purchase or conditional sale agreements, the Hirer has a right to terminate without completing all payments which would otherwise have been due if the contract had run its course. In such circumstances, the Issuer is entitled to recover:

(a) all arrears of payments and damages for any other breach of the relevant Car Finance Agreement by the Hirer prior to termination;

(b) any sum payable by the Hirer arising from a failure of the Hirer's duty to take reasonable care of the relative Motor Vehicle;

(c) the amount (if any) by which one half of the total amount due under the relevant Car Finance Agreement exceeds the aggregate of sums already paid by the Hirer and amounts due from the Hirer under the Car Finance Agreement immediately before termination (unless a court determines that a lower sum should be paid); and

(d) the net proceeds of the sale of the Motor Vehicle.

The court may make an order for payment of a lesser sum if satisfied that the Issuer's/creditor's loss is less than the amount determined in the manner set out above.

Each of the above would affect the amount payable to the Issuer under the relevant Car Finance Agreement.

An Obligor under an Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement which is not CCA-regulated may also settle early in a similar way to that described above, except that the Obligor will not be entitled to a statutory rebate of credit, hire-purchase or hire charges (but they may be entitled to a contractual rebate in certain circumstances). Some such rebate is likely to be granted by the Issuer or the Administrator on its behalf. On termination of a Car Finance Agreement

which is a hire-purchase arrangement and which is not CCA-regulated, the Hirer will be obliged to pay all amounts which would otherwise have been due had the contract run its course. A discount for early receipt of these amounts is likely to be allowed by the Issuer or the Administrator on its behalf, together with an amount equal to the net proceeds of the sale of the related Motor Vehicle.

Other Matters

Stamp duty

Various documents which may be executed in connection with an Unsecured Loan Offer to Sell, a Car Finance Offer to Sell or an Unsecured Loan Sale Contract or Car Finance Sale Contract will, subject to certain exceptions, be executed outside the United Kingdom and will remain outside the United Kingdom unless required to be brought into the United Kingdom for the purposes of enforcement proceedings or for certain other limited purposes. The Issuer has undertaken to pay any stamp duty, stamp duty reserve tax and any other documentary or similar taxes, duties or levies which may arise in connection with the execution, performance or enforcement of any Unsecured Loan Sale Contract or Car Finance Sale Contract. The Issuer intends to seek, shortly after the Closing Date, an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer on the Closing Date (by means of the relevant Scottish Declarations of Trust) of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts and the Initial Portfolio Unsecured Loans which are Scottish Unsecured Loans.

European Monetary Union

It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State in Economic and Monetary Union and the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Notes and/or the Portfolio Assets may become payable in euros; (ii) applicable provisions of law may allow the Issuer to redenominate the Notes into euros and take additional measures in respect of the Notes and/or the Portfolio Assets to be redenominated into euros and/or additional measures to be taken in respect of the Portfolio Assets by one or both of the parties thereto; and (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes and/or the Portfolio Assets or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the ability of Obligors to make payments in respect of the Portfolio Assets as well as adversely affect investors. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes of any Class.

Proposed EU Withholding Tax Directive

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final, and they may be subject to further amendment and clarification. See the section entitled ''United Kingdom Taxation'' below.

Withholding tax under the Notes

In the event that withholding taxes are imposed by or in any jurisdiction in respect of payments to Noteholders of any amounts due under the Notes, the Issuer will not be obliged to gross up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of such withholding taxes. The Issuer will, in such event, have the option (but not the obligation) of redeeming all outstanding Notes in full. See ''Description of the Class A Notes, the Global Class A Notes and the Security'', ''Description of the Class B Notes, the Global Class B Notes and the Security'' and ''Description of the Class C Notes, the Global Class C Notes and the Security''.

Insolvency Act 2000

It should be noted that significant changes to the insolvency regime in England, Wales and Scotland have recently been enacted in the Insolvency Act 2000. Under this Act certain ''small'' companies (which are defined by reference to certain financial and other tests) proposing to put in place a company voluntary arrangement procedure may be able to obtain protection from their creditors by way of a moratorium for a

period of 28 days with the possibility for an extension for a further two months. These provisions have not yet been brought into force. The Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for a moratorium and can make different provisions for different cases. It is also possible that the Secretary of State may make regulations excluding special purpose companies such as the Issuer from being eligible for a moratorium. No assurance can be given that the moratorium provisions of the Insolvency Act 2000 described above will not be detrimental to the interests of Noteholders.

Change of Law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English law, tax, regulatory and administrative practice in effect as at the date of this Offering Circular and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to English law, tax, regulatory or administrative practice in the UK after the date of this Offering Circular.

USE OF PROCEEDS

The gross proceeds from the issue of the Class A Notes will be £178,210,000, those from the issue of the Class B Notes will be £51,450,000 and those from the issue of the Class C Notes will be £21,340,000. Commissions of 0.20% of the principal amount of the Class A Notes, of 0.40% of the principal amount of the Class B Notes and of 0.60% of the principal amount of the Class C Notes will be payable on the issue of the Notes. These commissions, together with certain other expenses of the Issuer, will be paid on behalf of or reimbursed to the Issuer by CMS9 as described in "The Issuer – Fee Letter" below. The net proceeds from the issue of the Notes will be approximately £250,000,000. Such net proceeds, together with the aforementioned payment or reimbursement, being £251,000,000 in aggregate, will be applied in repayment to (i) FFP10 of a loan made to the Issuer under the Bridge Facility Agreement and (ii) to CMS9 of a loan made to the Issuer under the CMS9 Subordinated Loan Agreement, in each case to assist in the acquisition of the Existing Portfolio Unsecured Loans and in acquiring Unsecured Loans, Secured Loans, Car Finance Contracts and the related Motor Vehicles on or (as described in the next sentence) during the four years immediately after the Closing Date. It is expected that approximately £59,000,000 of the proceeds of the Notes will not be applied in repayment of the Bridge Facility Agreement or the CMS9 Subordinated Loan Agreement or in acquiring Unsecured Loans, Secured Loans, Car Finance Contracts and the related Motor Vehicles on the Closing Date but may be applied in the acquisition of Unsecured Loans, Secured Loans, Car Finance Contracts and the related Motor Vehicles during the four years immediately after the Closing Date.

RATINGS

The Class A Notes are expected on issue to be assigned an Aaa rating by Moody's and an AAA rating by Standard & Poor's. The Class B Notes are expected, on issue, to be assigned an A2 rating by Moody's and an A rating by Standard & Poor's and the Class C Notes are expected, on issue, to be assigned a BBB rating by Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation.

THE ISSUER

Introduction

The Issuer was incorporated in England, with registered number 2173065, as a private limited company under the Companies Act 1985 on 1st October, 1987 under the name Notionthink Limited. It changed its name to Finance for Home Loans (16) Limited on 28th December, 1987, then to Collateralised Mortgage Securities (No 10) Limited on 5th December, 1989. It then re-registered as a public limited company and changed its name to Collateralised Mortgage Securities (YEN No 1) PLC on 13th August, 1990. The Issuer further changed its name to CMS (YEN No 1) PLC on 19th September, 1990, to Collateralised Mortgage Securities (No 6) PLC on 22nd October, 1990, to Paragon Unsecured, Secured and Auto Finance (No. 1) PLC on 8th May, 2001 and then finally to Paragon Personal and Auto Finance (No. 1) PLC on 15th May, 2001. The registered office of the Issuer is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE. The Issuer is a wholly owned subsidiary of PGC, whose registered office is at St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE. The ordinary share capital of PGC is listed on the Official List.

The Issuer has no subsidiaries.

The principal objects of the Issuer are set out in Clause 4 of its Memorandum of Association and are, *inter alia*, to borrow or raise money, to secure the repayment of such money upon its assets, to lend money and to invest in, deal in, acquire and dispose of consumer loans and other similar investments.

The Issuer has not engaged, since its incorporation, in any material activities other than: (i) those incidental to its registration and re-registration as a public company under the Companies Act 1985; (ii) the authorisation and the issue in October 1990 of £225,000,000 mortgage backed notes due 2027 (the "2027 Notes"); (iii) the subsequent redemption of the 2027 Notes on 31st October, 1996; (iv) the activities described in the report set out under "Accountants' Report" below; (v) the acquisition, sale and/or investment in unsecured consumer loans (including personal loans and retail credit loans) and mortgage loans, related assets and other investments; (vi) the borrowing or raising of money (with or without security), including the borrowing of funds from FFP10 and CMS9 under the Bridge Facility Agreement and the CMS9 Subordinated Loan Agreement, respectively, to assist in the acquisition of Unsecured Loans from CFUK; (vii) the acquisition of certain Existing Portfolio Unsecured Loans from CFUK; (viii) the authorisation of the issue of the Notes and the matters contemplated in this Offering Circular; (ix) obtaining a standard licence under the Consumer Credit Act 1974; (x) registering under the Data Protection Acts 1984 and 1998; (xi) applying to join and joining the Paragon VAT Group; and (xii) and the authorisation and execution of the other documents referred to in this Offering Circular to which it is a party and any other activities incidental to any of the foregoing.

Directors and Secretary

The Directors of the Issuer and their respective business addresses and other principal activities are:

Name	Business address	Other principal activities
John Gemmell	St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE	Secretary of PGC and Director and Secretary of PFPLC, PPF, PCF, PSFL, CMS9 and CFUK
Nicholas Keen	St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE	Finance Director of PGC, PFPLC, PPF, PCF, PSFL and CMS9 and Director of CFUK
Adem Mehmet	28 King Street, London EC2V 8EH	Director of PFPLC, PPF, PCF, PSFL, CFUK and CMS9
Richard Shelton	St. Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE	Solicitor and Director of PFPLC, PPF, PCF, PSFL, CMS9 and CFUK
Anthony Raikes	78 Cannon Street, London EC4P 5LN	Chairman of SPV Management Limited

Nicholas Keen is Chairman of the Issuer. John Gemmell is Secretary of the Issuer.

The Issuer has no employees.

Management and Activities

Pursuant to the Administration Agreement and a letter agreement from the Issuer to PFPLC to be dated on the Closing Date (the "Services Letter"), PFPLC will, unless and until certain events occur, undertake the day-to-day management and administration of the business of the Issuer. The Issuer will agree to pay to PFPLC, for the provision of the services provided pursuant to the Services Letter, a fee payable quarterly in arrear calculated on the basis of an apportionment, according to the average gross value of Portfolio Assets under management during the relevant period, of the direct costs incurred by PFPLC in respect of those services together with the central service and utility costs borne by PFPLC and together with such further amount as may from time to time be agreed between PFPLC and the Issuer. Amounts owing to PFPLC under the Services Letter will be subordinated in the manner described in "Summary – Pre-enforcement Priority of Payments" above. The fee payable by the Issuer under the Administration Agreement is referred to below in "Portfolio Asset Administration".

The Issuer will covenant to observe certain restrictions on its activities which are detailed in "Description of the Class A Notes, the Global Class A Notes and the Security – Covenants of the Issuer", "Description of the Class B Notes, the Global Class B Notes and the Security – Covenants of the Issuer" and "Description of the Class C Notes, the Global Class C Notes and the Security – Covenants of the Issuer" above.

Fee Letter

PFPLC has agreed to arrange the issue of the Notes on behalf of the Issuer. In particular, PFPLC has negotiated the terms of the issue of the Notes and of documents for approval by the Issuer and has liaised with professional advisers and the Managers. CMS9 will pay, on behalf of the Issuer, or reimburse to the Issuer, the management and underwriting commissions and selling commissions due to the Managers referred to in "Subscription and Sale" below and any expenses payable by the Issuer in connection with the issue of the Notes. Furthermore, PFPLC negotiated the terms (as set out in the Bridge Facility Agreement, the CMS9 Subordinated Loan Agreement and the FFP10 Facility Agreement) of the bridge financing from RBS, FFP10 and CMS9 for the acquisition of Unsecured Loans from CFUK (the "Bridging Facilities"). In particular, PFPLC negotiated the terms of the financing and of documents for approval by the Issuer and liaised with professional advisers. CMS9 paid, on behalf of the Issuer, or reimbursed to the Issuer, all fees, costs, commissions and expenses payable by the Issuer in connection with the Bridge Facility Agreement and the FFP10 Facility Agreement.

The Issuer will agree under the Fee Letter that it will pay PFPLC an arrangement fee of 0.4% of the sum of the aggregate principal amount of the Notes. It has also agreed under the Fee Letter that it will repay CMS9 all fees, costs, commissions and expenses paid by CMS9 in connection with the issue of the Notes, the Bridge Facility Agreement and the FFP10 Facility Agreement referred to in the preceding paragraph. Those amounts will be payable in instalments on each Interest Payment Date over a period of four years from the Closing Date.

Amounts to be paid under the Fee Letter will bear interest at a rate of 4% per annum above LIBOR (or such other rate which PFPLC, CMS9 and the Issuer agree to be a fair commercial rate at the time) payable in arrear on each Interest Payment Date. Amounts owing to PFPLC under the Fee Letter will be subordinated in the manner described in "Summary – Pre-enforcement Priority of Payments" above.

Subordinated Loan Facility

By the Subordinated Loan Agreement (which will be made between CMS9, the Issuer and the Trustee and dated on or before the Closing Date) CMS9 will agree to make available to the Issuer a loan facility, under which an amount or amounts will be drawn down by the Issuer on the Closing Date, (i) to repay amounts (and interest thereon) borrowed by the Issuer under the CMS9 Subordinated Loan Agreement; (ii) to establish the First Loss Fund on the Closing Date; (iii) to reimburse the relevant Seller of a Portfolio Asset on the Closing Date for any commissions ("Unamortised Commissions") that such Seller has paid but which have not been amortised under the relevant Unsecured Loan, Secured Loan or Car Finance Contract; (iv) to establish a fund of £400,000 in respect of the Issuer's potential liability (if any) to stamp duty in respect of the transfer to the Issuer on or after the Closing Date of the benefit of Portfolio Unsecured Loans that are Scottish Unsecured Loans and Portfolio Car Finance Contracts that are Scottish Car Finance Contracts; and (v) to achieve the initial ratings assigned to the Notes by the Rating Agencies. Under the terms of the Subordinated Loan Agreement, CMS9 will also agree to make advances available to the Issuer if and to the extent that the Issuer accepts an Offer to Sell and is required to reimburse the Seller of the relevant Portfolio Asset for any Unamortised Commission (other than on the Closing Date). In addition, CMS9 may, at its discretion, make available to the Issuer further amounts under the

Subordinated Loan Agreement if and to the extent that the relevant Substitution Amount is not such as to enable it to make any discretionary further advances in respect of Portfolio Secured Loans. The Issuer shall not be entitled to make a discretionary further advance where it is unable to fund such discretionary further advance accordingly.

In addition, further drawings may be made by the Issuer under the Subordinated Loan Agreement, with the prior consent of CMS9, (i) in order to fund (if necessary) purchases of interest rate swaps, caps or other hedging arrangements (and any related guarantee) as described in "The Issuer – Hedging Arrangements" below, (ii) for the purpose of establishing or increasing the Shortfall Fund or replenishing the First Loss Fund and (iii) to maintain the Performing Assets Balance Test Ratio at a level which equals or exceeds 1:1 and (iv) to fund payments of stamp duty (if any) arising on the transfer to the Issuer of the benefit of any Portfolio Assets (other than payments of stamp duty (if any) which are able to be funded from the £400,000 fund referred to in item (iv) of the preceding paragraph). The Issuer may from time to time borrow further sums from CMS9 or other Subordinated Lenders on the terms of the Subordinated Loan Agreement.

Amounts owing to CMS9 and any Subordinated Lenders under the Subordinated Loan Agreement will be subordinated in the manner described in "Summary – Pre-enforcement Priority of Payments" above.

Interest under the Subordinated Loan Agreement is payable by the Issuer on or after the business day falling next after each Interest Payment Date commencing with the Interest Payment Date falling in September 2001. Interest will accrue at the rate of 4% per annum above LIBOR (or such other rate which CMS9 and the Issuer agree to be a fair commercial rate at the relevant time). Principal will be repayable on the earlier of (i) the day following the Interest Payment Date falling in June 2048 and (ii) the first day on which there are no Notes outstanding except that (a) on any day on or after the day on which the Issuer receives an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer on the Closing Date of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts or on the transfer to the Issuer of the benefit of the Initial Portfolio Unsecured Loans which are Scottish Unsecured Loans, an amount equal to £400,000 may be repaid to the extent of funds available to the Issuer to do so; (b) on any day on or after the later of (i) the first Interest Payment Date on which there is no Class A Note outstanding and (ii) the Interest Payment Date falling in June 2006 provided that, in either case, on the Determination Date preceding such Interest Payment Date the Performing Assets Balance Test Ratio is equal to or in excess of 1:1 an amount equal to £5,396,500, being 2.15% of the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes at the Closing Date or such other amount which may from time to time be agreed between the Issuer and the Rating Agencies may be repaid to the extent of funds available to the Issuer to do so; and (c) on any Interest Payment Date sums borrowed under the Subordinated Loan Agreement will be repaid to the extent of the funds available to the Issuer to do so (see "Summary – Pre-enforcement Priority of Payments" above). The items in (a) and (b) above may be repaid to the extent of the funds in the Transaction Account on the relevant day. Payments of interest under the Subordinated Loan Agreement may only be made by the Issuer, if after applying Issuer Funds in making a number of other payments or provisions, the Issuer still has sufficient funds for the purpose as more particularly described in "Summary – Pre-enforcement Priority of Payments" above.

Hedging Arrangements

The purpose of all hedging arrangements to which the Issuer is or will become a party is to hedge the mismatch between its floating rate interest payment obligations under the Notes and its mainly fixed rate income under Portfolio Unsecured Loans and Portfolio Car Finance Contracts and under any fixed rate, capped rate or collared rate Portfolio Secured Loans. On 17th October, 2000 and 30th November, 2000 the Issuer entered into hedging arrangements (including interest rate swap agreements) with the Swap Counterparty in accordance with the requirements of the Rating Agencies in order to hedge the Existing Portfolio Unsecured Loans acquired by the Issuer from CFUK on 16th October, 2000 and 30th November, 2000. On or about the Closing Date the Issuer will enter into further and/or replacement hedging arrangements under the Swap Agreement each in accordance with the requirements of the Rating Agencies.

It is a continuing requirement of the Rating Agencies in order to maintain the ratings of the Notes that hedging arrangements are maintained in relation to the Portfolio Assets. Such hedging arrangements may be amended or added to in accordance with the Administration Agreement on the acquisition of Further Unsecured Loans, Further Secured Loans or Further Car Finance Contracts and in relation to any

fixed rate, capped rate or collared rate Converted Loan arising upon conversion of any Portfolio Secured Loan which was not prior to such conversion a fixed rate, capped rate or collared rate Portfolio Secured Loan. Any amendment or addition must always meet the requirements of the Rating Agencies.

Any Further Secured Loan will be acquired on the basis that on acquisition hedging arrangements are entered into in relation thereto, where necessary, so that the weighted average interest rate applicable to all Portfolio Secured Loans including such Further Secured Loans, taking account of all hedging arrangements entered into by the Issuer and all income expected to be received by the Issuer from Authorised Investments, is at least 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above LIBOR applicable to the Notes at that time unless and to the extent that there is a credit balance in the Shortfall Fund (if any) (net of all provisions previously made during the then current Interest Period) at least equal to the shortfall which would arise at that time and it makes a provision in such Shortfall Fund equal to such shortfall.

On or about the Closing Date, the Issuer will enter into hedging arrangements in accordance with the requirements of the Rating Agencies, such that the weighted average of the interest rates used to calculate the payments under Car Finance Contracts to be acquired on the Closing Date will be at least 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) higher than the rate payable by the Issuer under such hedging arrangements.

Any Further Car Finance Contract will be acquired on the basis that on acquisition hedging arrangements are entered into in relation thereto, where necessary, so that the weighted average of the interest rates used to calculate the payments under such Further Car Finance Contracts is, at least 5% higher (or such other percentage as the Rating Agencies shall agree from time to time) than the rate payable by the Issuer under such hedging arrangements.

On or about the Closing Date, the Issuer will enter into further hedging arrangements in accordance with the requirements of the Rating Agencies, such that the weighted average of the interest rates used to calculate the payments made under Unsecured Loans to be acquired on the Closing Date will be at least 5% higher (or such other percentage as may be agreed from time to time by the Rating Agencies) than the rate payable by the Issuer under such hedging arrangements.

Any Further Unsecured Loan will be acquired on the basis that on acquisition hedging arrangements are entered into in relation thereto, where necessary, so that the weighted average of the interest rates used to calculate the payments under such Further Unsecured Loans is, at least 5% higher (or such other percentage as the Rating Agencies shall agree from time to time) than the rate payable by the Issuer under such hedging arrangements.

These hedging arrangements may, but need not, include one or more interest rate swaps, caps and/or floors made available to the Issuer by means of one or more swap, cap or floor agreements entered into with a Cap Provider or a Permitted Hedge Provider as appropriate or may comprise other interest rate hedging arrangements entered into with the Swap Provider under the Swap Agreement.

Termination of any such arrangements which are entered into may occur independently of an Event of Default. Such termination may amount to a partial termination of such hedging arrangements and be effected by the Issuer in order to reflect the changing characteristics of the Portfolio Assets and the weighted average rate of return on the Portfolio Unsecured Loans, the Portfolio Secured Loans and the Portfolio Car Finance Contracts. This may give rise to a payment due either to or from the Issuer, which payment obligations (if an obligation of the Issuer) will rank in order of priority as described in ''Summary – Pre-enforcement Priority of Payments'' above.

Hedging arrangements may be provided by any Permitted Hedge Provider 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 Notes. After payment of or provision for items (i) to (x) in ''Summary – Pre-enforcement Priority of Payments'' above, the Issuer may make a provision for funds on an Interest Payment Date to enable it to enter into other hedging arrangements (and related guarantees as necessary) in the succeeding Interest Period.

Each of the Swap Agreement and any other hedging arrangement entered into by the Issuer will contain downgrade protection for the Issuer. In the event that either the long-term unsecured and unguaranteed debt obligations of the Swap Counterparty or other Permitted Hedge Provider cease to be rated AA- by Standard & Poor's and Aa3 by Moody's or the short-term unsecured and unguaranteed debt obligations of the Swap Counterparty or other Permitted Hedge Provider cease to be rated A-1 by Standard & Poor's and P-1 by Moody's (the ratings referred to above being hereafter referred to as the ''Relevant Required Ratings'') and as a result the then current rating assigned by Standard & Poor's or

Moody's to the Notes of any class would, in the opinion of the Issuer, be downgraded or placed under review for possible downgrade then, within 30 days following that event, the Swap Counterparty or Permitted Hedge Provider will be required to take one of the following steps:

(a) put in place appropriate mark-to market collateral arrangements in accordance with the requirements of the Rating Agencies in order to maintain the then current ratings of the Notes; or

(b) transfer all of its rights and obligations under the Swap Agreement or any other hedging arrangement to a replacement Permitted Hedge Provider and which has the Relevant Required Ratings or such other rating as is commensurate with the ratings assigned to the Notes by Standard & Poor's and Moody's from time to time; or

(c) put in place an appropriate guarantee from a guarantor which has the Relevant Required Ratings or such other rating as is commensurate with the ratings assigned to the Notes by Standard & Poor's and Moody's from time to time; or

(d) take any other steps for the purpose of ensuring that the then current ratings of the Notes by each of Standard & Poor's and Moody's are not adversely affected by the relevant downgrade.

Determination of Assumed Residual Values

In relation to Portfolio Car Finance Contracts, the assumed residual value of the relevant Portfolio Motor Vehicle will have been determined by the relevant Seller in accordance with a method that each of the Rating Agencies has or will confirm would not, if applied, adversely affect the rating assigned to any class of Notes.

Accountants' Report

The following is the text of a report received from the board of directors of the Issuer from Deloitte & Touche:

"The Directors
Paragon Personal and Auto Finance (No. 1) PLC
St. Catherine's Court
Herbert Road
Solihull
West Midlands B91 3QE

The Directors,
The Royal Bank of Scotland plc
135 Bishopsgate,
London, EC2M 3UR
(for and on behalf of itself and the other Managers of the Issue)

26th June, 2001

Dear Sirs

Paragon Personal and Auto Finance (No. 1) PLC (the "Issuer")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 26th June, 2001 (the "Offering Circular"), relating to the issue of £178,210,000 Class A Asset Backed Floating Rate Notes due 2021, £51,450,000 Class B Asset Backed Floating Rate Notes due 2032 and £21,340,000 Class C Asset Backed Floating Rate Notes due 2048 (the "Issue").

Basis of preparation

The financial information set out in this report is based on the audited financial statements of the Issuer for the years ended 30th September, 1999 and 30th September, 2000, to which no adjustments were considered necessary.

This information does not constitute statutory financial statements.

The Issuer was incorporated and registered as a private limited company in England and Wales on 1st October, 1987 under the name of Notionthink Limited. The name of the Issuer was changed to Finance for Home Loans (16) Limited on 28th December, 1987, and to Collateralised Mortgage Securities (No 10) Limited on 5th December, 1989. The Issuer was re-registered as a public company and changed its name to Collateralised Mortgage Securities (YEN No 1) PLC on 13th August, 1990. The Issuer further changed its name to CMS (YEN No 1) PLC on 19th September, 1990, and to Collateralised Mortgage Securities (No 6) PLC on 22nd October, 1990. On 8th May 2001, the Issuer changed its name to Paragon Unsecured, Secured and Auto Finance (No. 1) PLC, and then finally the Issuer changed its name to Paragon Personal and Auto Finance (No. 1) PLC on 15th May, 2001.

The Issuer commenced trading on 31st October, 1990 following the issue of £225,000,000 Mortgage Backed Floating Rate Notes due 2027, as detailed in the Offering Circular dated 24th October, 1990. These notes were repaid in full on 31st October, 1996 following the sale of the balance of the mortgages to another group company on 28th October, 1996.

We have been auditors of the Issuer since our appointment on 11th June, 1990.

Responsibility

The financial statements referred to above are the responsibility of the Directors of the Issuer who approved their issue.

The Directors of the Issuer are responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the statutory financial statements for the years ended 30th September, 1999 and 30th September, 2000, underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Issuer as at the dates stated and of the losses for the periods then ended.

PROFIT AND LOSS ACCOUNTS

Years ended 30th September, 1999 and 30th September, 2000

	Notes	*1999* *£'000*	*2000* *£'000*
Operating expenses		(1)	(1)
Operating loss on ordinary activities before taxation	3	(1)	(1)
Tax charge on loss on ordinary activities	4	—	—
Retained Loss	8	(1)	(1)

All material activities derive from continuing operations.

There are no recognised gains and losses, or other movements in shareholders' funds, other than the loss for the current and preceding years.

BALANCE SHEETS

As at 30th September, 1999 and 30th September, 2000

ASSETS EMPLOYED	*Notes*	*1999* *£'000*	*2000* *£'000*
Current Assets			
Debtors	6	77	31
Cash at bank and in hand		5	5
		82	36
FINANCED BY			
Equity Shareholders' Surplus			
Called up share capital	7	12	12
Profit and loss account	8	24	23
		36	35
CREDITORS			
Amounts falling due within one year	9	46	1
		82	36

NOTES TO THE FINANCIAL INFORMATION

Years ended 30th September, 1999 and 30th September, 2000

1. ACCOUNTING POLICIES

The financial information set out in this report has been prepared in accordance with applicable accounting standards generally accepted in the United Kingdom. The particular accounting policies are set out below:

Accounting convention

The financial statements are prepared under the historical cost convention.

Transactions with other group companies

The Issuer has taken advantage of the exemption granted by Financial Reporting Standard 8 – 'Related Party Disclosures' and does not therefore provide details of transactions with other group companies.

2. DIRECTORS AND EMPLOYEES

None of the three directors received any remuneration from the Issuer during the year (1999: £nil).

There were no other employees during the years.

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999	*2000*
	£'000	*£'000*
Loss on ordinary activities before taxation is after charging:		
Auditors' remuneration – audit services	1	1

4. TAXATION

There is a nil tax charge for the year due to losses being surrendered to fellow group companies for which no payment was received.

There has been no provided or unprovided deferred tax at either of the above balance sheet dates.

5. DIVIDEND

No interim dividend was paid during the year (1999: £nil per share). The directors do not propose a final dividend.

6. DEBTORS

	1999	*2000*
	£'000	*£'000*
Amounts falling due within one year:		
Amounts due from group companies	77	31

7. CALLED UP SHARE CAPITAL

	1999 *£'000*	*2000* *£'000*
Authorised:		
50,000 ordinary shares of £1 each	50,000	50,000
1 special share of £1	1	1
	50,001	50,001
Allotted:		
50,000 ordinary shares of £1 each (25p paid)	12,500	12,500
1 special share of £1 each (fully paid)	1	1
	12,501	12,501

8. RESERVES

Profit and loss account	*2000* *£'000*
Balance at 1st October	24
Retained loss for the year	(1)
Balance at 30th September	23

9. CREDITORS

	1999 *£'000*	*2000* *£'000*
Amounts falling due within one year:		
Amounts due to group companies	44	—
Accruals	2	1
	46	1

10. POST BALANCE SHEET EVENT

On 16th October, 2000 the Issuer purchased unsecured consumer loans having an aggregate current principal balance, as at close of business on 30th September, 2000 (in the case of personal loans) and 25th September, 2000 (in the case of retail credit loans) of £184,012,764.46 from Colonial Finance (UK) Limited (''CFUK'') (a related company). Further pools of unsecured consumer loans, the aggregate current principal balances of which as at 28th November, 2000, 10th January, 2001 and 12th March, 2001, respectively, were £15,267,138.59, £7,922,466.73 and £11,928,120.29, were acquired by the Issuer from CFUK on 30th November, 2000, 11th January, 2001 and 13th March, 2001. These transactions were financed using a £200,000,000 facility agreement between the Issuer, The Royal Bank of Scotland plc and Finance for People (No. 10) PLC (a related company) and a subordinated loan facility agreement between the Issuer and Collateralised Mortgage Securities (No. 9) PLC (a related company). Since that time the Issuer has managed those assets in the normal course of business.

11. ULTIMATE PARENT COMPANY

The Issuer's ultimate parent company is The Paragon Group of Companies PLC, a company registered in England and Wales.

Yours faithfully

Deloitte & Touche
Chartered Accountants''

Capitalisation

The capitalisation of the Issuer as at the date of this Offering Circular, adjusted for the issue on the Closing Date of the Notes and the prepayment of the Issuer's existing indebtedness, is as follows:

Share capital

Authorised	
50,000 Ordinary Shares of £1 each	
1 Special Share of £1[(1)]	
Issued	
50,000 Ordinary Shares of £1 each (25 pence paid)	£12,500
1 Special Share of £1 (£1 paid)	£1
Total Share Capital	£12,501
Secured Loan Capital[(5)]	
£178,210,000 Class A Asset Backed Floating Rate Notes due 2021 (now being issued)	£ 178,210,000
£51,450,000 Class B Asset Backed Floating Rate Notes due 2032 (now being issued)	£ 51,450,000
£21,340,000 Class C Asset Backed Floating Rate Notes due 2048 (now being issued)	£ 21,340,000
Total Loan Capital	£ 251,000,000
Total Capitalisation	£ 251,012,501

1. The Special Share carries identical dividend rights to those of an Ordinary Share. On a winding-up the Special Share carries the right to the repayment of the capital paid up on it in priority to any repayment of capital on the Ordinary Shares. The Special Share is also redeemable at par at the option of the Issuer in certain circumstances. The Special Share carries certain rights on the occurrence of a change of control or winding-up insolvency of certain members of the Paragon Group including PGC (each a "Trigger Event"). After the occurrence of a Trigger Event the holder of the Special Share has the right to receive notice of and attend any general meeting of the Issuer, to vote on any resolution to amend the Memorandum and Articles of Association of the Issuer or to wind up the Issuer (such vote carrying a majority of the votes of the Company) and to appoint such number of Directors of the Issuer so as to give the holder a majority of the Directors of the Issuer.
2. In addition an advance under the Subordinated Loan Agreement will be made on the Closing Date in an amount, *inter alia*, to enable the Issuer to achieve the initial ratings to be assigned by the Rating Agencies to the Notes. The amount of this advance is expected to be approximately £20,000,000.
3. The current financial period of the Issuer will end on 30th September, 2001.
4. Save as disclosed in this document, at the date of this document, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.
5. The loan capital of the Issuer is unguaranteed.

THE PARAGON VAT GROUP

The Issuer is a member of the Paragon VAT Group (consisting of PFPLC and certain of its related companies, as will be more particularly described in the Administration Agreement). At present, PFPLC as representative member of the Paragon VAT Group is the entity primarily responsible for the VAT affairs of the Paragon VAT Group. However, for such period as the Issuer is a member of the Paragon VAT Group it will be, under current VAT legislation, jointly and severally liable with the other members of the Paragon VAT Group for any amount of VAT due from the Paragon VAT Group to H.M. Customs & Excise. PFPLC has established a VAT fund held in an account at National Westminster Bank Plc (the "VAT Account") to be used to pay amounts owing to H.M. Customs & Excise if the company primarily responsible fails to pay the relevant amount. Morgan Guaranty Trust Company of New York is the trustee of the fund which currently amounts to approximately £120,000. The Issuer is one of the beneficiaries of the trust over the VAT Account such trust being constituted by a declaration of trust dated 19th March, 1993 as subsequently amended and restated (the "VAT Declaration of Trust").

THE ROYAL BANK OF SCOTLAND GROUP PLC

The Royal Bank of Scotland Group plc ("RBSG") together with its subsidiaries is a diversified financial services group (the "Group") engaged in a wide range of banking, financial or finance related activities in the UK and internationally. The Group's operations are principally centred in the UK.

RBSG has two principal operating subsidiaries – RBS and National Westminster Bank Plc ("NatWest") each of which controls and promotes the operations of various subsidiary companies.

RBS is a major clearing bank, the predecessors of which date back to 1727. RBS was created by the merger on 30th September, 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn's Bank plc.

NatWest was incorporated in England in 1968 and was formed from the merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back as far as the seventeenth century.

As at 31st December, 2000 the Group had total assets of £320,004 million (including total net loans and advances of £200,137 million); and total liabilities of £320,004 million (including total deposits of £212,432 million and shareholders' equity of £23,116 million).

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A1+ by Standard & Poor's and P-1 by Moody's. The long-term unsecured and unguaranteed debt obligations of RBS are currently rated AA- by Standard & Poor's and Aa2 by Moody's.

A. PORTFOLIO ASSETS

Origination of the Portfolio Assets

All of the Secured Loans and Unsecured Loans that are expected to form part of the initial security for the Notes have been or will have been originated by PPF or CFUK and any Further Unsecured Loans and Further Secured Loans have or will have been originated by a Seller who at the time of the sale of such Further Unsecured Loans or Further Secured Loans to the Issuer will be a member of the Paragon Group. All Portfolio Unsecured Loans are currently, will be or were immediately prior to their acquisition by the Issuer, legally owned by the relevant Seller or another member of the Paragon Group and beneficially owned by the relevant Seller or another member of the Paragon Group. All Portfolio Secured Loans are currently, or will immediately prior to their acquisition by the Issuer be, legally owned by the relevant Seller or another member of the Paragon Group and beneficially owned by the Seller, PSFL or another member of the Paragon Group. Each Seller of Unsecured Loans and Secured Loans is or will be a wholly owned subsidiary of PGC. The ordinary share capital of PGC is listed on the Official List. The principal activities of PPF and CFUK and each other Seller of Unsecured Loans and/or Secured Loans are (or will be), *inter alia*, to originate, and acquire from third parties, secured and/or unsecured consumer loans.

Both PPF and CFUK currently distribute personal loans through more than one distribution channel. PPF currently distributes loans through the United Kingdom finance broker market and via direct channels including arrangements with affinity partners and timeshare developers. Under an affinity programme, PPF's unsecured loan products are marketed in conjunction with an introducer (to date, PPF has worked with approximately 20 such partners) which already has an extensive customer data base for its business. Prior to its acquisition by PGC, CFUK distributed loans through affinity channels, through credit brokers and through other intermediaries and also via direct channels, for example, mail order catalogues and shops offering credit facilities.

All of the Car Finance Contracts that are expected to form part of the initial security for the Notes have been or will have been originated by PCF and any Further Car Finance Contracts have or will have been originated by a Seller who at the time of the sale of such Further Car Finance Contracts to the Issuer will be a member of the Paragon Group. All Portfolio Car Finance Contracts are currently, or will immediately prior to their acquisition by the Issuer be, legally owned by the relevant Seller or another member of the Paragon Group and beneficially owned by the relevant Seller or another member of the Paragon Group. Each Seller of Car Finance Contracts is or will be a wholly owned subsidiary of PGC. The principal activities of PCF and each other Seller of Car Finance Contracts are (or will be) to originate, and acquire from third parties, car finance contracts.

PCF currently distributes car finance contracts through the car dealer network and also via direct channels.

For a description of the acquisition of Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts, see ''Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts'' below.

Acquisition of Portfolio Assets

Unsecured Loans and Secured Loans

On 16th October, 2000, the Issuer acquired from CFUK a pool of unsecured consumer loans. On each of 30th November, 2000, 11th January, 2001 and 13th March, 2001, the Issuer acquired from CFUK a further pool of unsecured consumer loans (for a description of the loans, see ''Information on the Portfolio Assets'' below). The Unsecured Loans acquired on these dates were acquired pursuant to unsecured loan sale contracts made between the Issuer and CFUK which incorporated the Bridge Standard Terms and Conditions. These unsecured loan sale contracts were concluded as a result of the acceptance by the Issuer of written offers issued to it by CFUK to sell the benefit of those Unsecured Loans.

On the Closing Date, the Issuer is expected to acquire an additional pool of unsecured consumer loans from PPF and CFUK, pursuant to Unsecured Loan Sale Contracts.

From time to time on or before the fourth anniversary of the Closing Date the Issuer may acquire Further Unsecured Loans from CFUK, PPF or other members of the Paragon Group pursuant to additional Unsecured Loan Sale Contracts.

On the Closing Date, the Issuer is expected to acquire a pool of secured consumer loans, pursuant to a Secured Loan Sale Contract, entered into in accordance with the terms of the Secured Loan Sale Agreement, with PPF. For a description of these Secured Loans, see ''Information on the Portfolio Assets''

below. From time to time on or before the fourth anniversary of the Closing Date the Issuer may acquire Further Secured Loans from PPF or other members of the Paragon Group pursuant to additional Secured Loan Sale Contracts.

Under any Unsecured Loan Sale Contracts and Secured Loan Sale Contracts which the Issuer has entered into or may enter into in relation to Unsecured Loans, Secured Loans, Further Unsecured Loans and Further Secured Loans, the Issuer has acquired or would acquire the relevant Seller's right, title, interest and benefit in and to each Unsecured Loan or, as the case may be, Secured Loan the subject thereof and the corresponding Unsecured Loan Agreement or, as the case may be, Secured Loan Agreement, which include, without limitation:

(a) all sums of principal (or principal equivalent), interest (or equivalent revenue charges) and any other sum payable by the Borrower under the corresponding Unsecured Loan Agreement or Secured Loan Agreement and the right to demand, sue for, recover, receive and give receipts for any such amounts payable thereunder; and

(b) the benefit of and the right to sue on all covenants, obligations and undertakings on the part of the relevant Obligor in respect of such Unsecured Loan or Secured Loan and any Mortgage related thereto and the right to exercise all rights, powers and discretions of each Seller thereunder.

Pursuant to these Unsecured Loan Sale Contracts and Secured Loan Sale Contracts, the Issuer also acquired (or will acquire, as the case may be):

(a) all causes and rights of action of the relevant Seller against any person arising in connection with each Unsecured Loan or, as the case may be, Secured Loan the subject thereof (including without limitation in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any Secured Loan) or affecting any decision to make the relevant Unsecured Loan or Secured Loan;

(b) all causes and rights of action of the relevant Seller against any person arising in connection with particular claims or rights exercised by each Borrower under the CCA in connection with each Unsecured Loan or, as the case may be, Secured Loan the subject thereof;

(c) in the case of each Secured Loan, all the estate and interest of the relevant Seller in the property on which the Secured Loan is secured; and

(d) the benefit of all guarantees, indemnities, insurance and security interests given to or held by the relevant Seller in connection with the discharge of the relevant Obligor's obligations under each Unsecured Loan or, as the case may be, Secured Loan the subject thereof.

In relation to Unsecured Loans and Secured Loans and Further Unsecured Loans and Further Secured Loans which are Scottish Unsecured Loans or Scottish Secured Loans and in accordance with the relevant Unsecured Loan Sale Contract or, as the case may be, Secured Loan Sale Contract, the relevant Seller has executed or will execute a declaration of trust or supplemental declaration of trust in favour of the Issuer, pursuant to which the relevant Seller holds or will hold all of its right, title, interest and benefit in and to each such Unsecured Loan or, as the case may be, Secured Loan and any Mortgage related thereto and the corresponding Unsecured Loan Agreement or Secured Loan Agreement and all other rights and causes of action therein and all amounts received by it in respect of such Unsecured Loan or Secured Loan in trust absolutely for the Issuer.

The Scottish Mortgages securing the Scottish Secured Loans comprise standard securities, being the only means of creating a fixed charge or security over heritable property (i.e. land and buildings) in Scotland. A statutory set of "Standard Conditions" is automatically imported into all standard securities, although the majority of these Standard Conditions may be varied by agreement between the parties. Most lenders in the residential mortgage market vary and extend the Standard Conditions by a "Deed of Variation", the terms of which are in turn imported into each standard security. PPF has executed a Deed of Variation of Standard Conditions with a view to conforming as far as possible its Scottish Mortgages and English Mortgages from an operational viewpoint (subject to such limitations as are inherent to the differences between Scots and English law).

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement. Generally, where a breach by a borrower entitles the lender to require repayment an appropriate statutory notice must first be served. First, the lender may serve a "calling up notice", in which event the borrower has two months to comply and in default the lender may enforce its rights under the standard security by sale or the other remedies provided by statute (court application only being necessary where the borrower fails to vacate the property). Alternatively, in the case of remediable breaches, the

lender may serve a ''notice of default'', in which event the borrower has only one month in which to comply, but also has the right to object to the notice by court application within fourteen days of the date of service. In addition, the lender may in certain circumstances make direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement will therefore depend on the circumstances of each case.

Car Finance Contracts

On the Closing Date, the Issuer is expected to acquire a pool of motor vehicle hire purchase agreements, motor vehicle conditional sale agreements, motor vehicle leasing agreements and motor vehicle contract purchase agreements (together, in each case, with the relative Motor Vehicles) from PCF. For a description of these agreements, see ''Information on the Portfolio Assets'' below. From time to time on or before the fourth anniversary of the Closing Date the Issuer may acquire Further Car Finance Contracts from PCF or other members of the Paragon Group pursuant to additional Car Finance Sale Contracts.

Any Car Finance Contracts and Further Car Finance Contracts and the Motor Vehicles relative thereto would be acquired by the Issuer pursuant to Car Finance Sale Contracts made between the Issuer and the relevant Seller which would incorporate the Standard Terms and Conditions. Any such Car Finance Sale Contracts to be entered into by the Issuer would be concluded as a result of the acceptance by the Issuer of a written offer issued to it by the relevant Seller to sell the benefit of specified Car Finance Contracts, together with the relative Motor Vehicles.

Under any Car Finance Sale Contract which the Issuer may enter into, the Issuer would acquire all of the relevant Seller's right, title, interest and benefit in and to the specified Car Finance Contracts and the corresponding Motor Vehicles, which would include, without limitation:

(a) all sums of principal (or principal equivalent), interest (or equivalent revenue charges) and any other sum payable by the Hirer or Lessee under the relevant Car Finance Contract and the right to demand, sue for, receive, recover and give receipts for any such amounts payable thereunder and the benefit of and right to sue on all covenants, obligations and undertakings on the part of the relevant Hirer or Lessee thereunder; and

(b) the right to exercise all rights, powers and discretions of the relevant Seller thereunder.

Pursuant to such a Car Finance Sale Contract, the Issuer would also acquire:

(a) all causes and rights of action of the relevant Seller against any person arising in connection with each specified Car Finance Contract or affecting any decision to enter into the specified Car Finance Contract;

(b) all causes and rights of action of the relevant Seller against any person arising in connection with particular claims or rights exercised by the relevant Hirer or Lessee under the CCA in connection with each specified Car Finance Contract;

(c) the benefit of all guarantees, indemnities, insurance and security interests given to or held by the relevant Seller in connection with the discharge of the relevant Obligor's obligations under each specified Car Finance Contract; and

(d) all legal and beneficial ownership rights, title and interest of the relevant Seller in and to the related Motor Vehicles, including without limitation the benefit of all manufacturer's or other warranties in relation to the related Motor Vehicle.

In relation to Car Finance Contracts and Further Car Finance Contracts which are Scottish Car Finance Contracts, the relevant Seller will execute a declaration of trust or supplemental declarations of trust in favour of the Issuer, pursuant to which the relevant Seller will hold all of its right, title, interest and benefit in and to each such Scottish Car Finance Contract and all other rights and causes of action therein and all amounts received by it in respect of such Scottish Car Finance Contract (but not in relation to the related Motor Vehicle, legal title to which will have passed to the Issuer pursuant to the relevant Car Finance Sale Contract) in trust absolutely for the Issuer.

Information on the Portfolio Assets

Portfolio Unsecured Loans

No Portfolio Unsecured Loan has or will have an original maturity later than June 2020. There are no obligations to make further advances under any of the Portfolio Unsecured Loans. All of the Portfolio Unsecured Loans will be governed by English, Scottish or Northern Irish law. Since the acquisition of CFUK by PGC on 16th October, 2000, the majority of CFUK's lending is now undertaken by PPF on its behalf.

Particular Types of Unsecured Loans

Retail Credit

Retail Credit is finance offered for, amongst other things, furniture, carpeting and electrical goods. To market this product CFUK established strong relationships with independent retailers operating at the higher quality end of the market. Following the acquisition of CFUK, PPF now offers this product trading under the name of Paragon Retail Finance. Certain of these loans (''Deferred Payment Loans'') have a period in the initial stages of the loan (the ''Deferred Period'') during which the borrower is not required to make any payments. No Portfolio Unsecured Loan that is a Retail Credit Loan has or will have a Deferred Period which exceeds twelve months. It is a condition to the purchase by the Issuer of any Further Unsecured Loan that is a Retail Credit Loan that the aggregate amount of all payments that are deferred in respect of all Deferred Payment Loans that are Portfolio Unsecured Loans will not as a result of such purchase exceed an amount equal to 25% of the aggregate Current Balances of all Portfolio Unsecured Loans that are Retail Credit Loans at that time (see ''Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts'' below).

Timeshare

Timeshare loans are marketed, generally at the point of sale, to United Kingdom customers wishing to acquire a timeshare week or weeks. PPF has established links with developers of timeshare properties in the United Kingdom and the Mediterranean (predominantly Spain and Portugal). PPF's strategy has been to focus on developing strong relationships with developers selected because of the quality of their operations.

Affinity/Direct

Under an Affinity programme, PPF's unsecured loan products are marketed in conjunction with an introducer who already has an extensive customer database for its business. CFUK has also offered unsecured loan products through an Affinity programme.

Unsecured Personal Loans

PPF offers a single unsecured personal loan product. This is an unsecured loan which is not made for any specified purpose. CFUK has also offered this product.

Portfolio Secured Loans

Portfolio Secured Loans with aggregate Current Balances of not more than £5,000,000 have or will have an original maturity later than June 2030. No Portfolio Secured Loan has or will have an original maturity later than June 2045. There are no obligations to make further advances under any of the Portfolio Secured Loans. The Issuer, however, may grant discretionary further advances subject to certain conditions as described below under ''Portfolio Asset Administration – Further Advances in respect of the Portfolio Secured Loans''. All of the Portfolio Secured Loans will be governed by either English or Scots law.

PPF currently offers a single Secured Loan product. This is a loan secured against owner occupied residential property which can be borrowed for any purpose on either a fixed or a floating interest rate basis.

Car Finance Contracts

No Portfolio Car Finance Contract has or will have an original maturity later than June 2010. There are no obligations on PCF to enter into further Car Finance Contracts with any Hirer or Lessee under any of the Portfolio Car Finance Contracts. All of the Portfolio Car Finance Contracts will be governed by either English or Scots law.

The Portfolio Car Finance Contracts will be of four types: motor vehicle hire purchase agreements; motor vehicle conditional sale agreements; motor vehicle leasing agreements; and motor vehicle contract purchase agreements:-

(a) motor vehicle conditional sale agreements are a form of sale agreement where the purchase price is payable in instalments and the final payment is payable mandatorily (rather than at the option of the hirer) at the end of a contract term, in order to take ownership of the vehicle;

(b) motor vehicle contract purchase agreements are a form of hire purchase agreement where the final payment is a balloon payment (instead of a nominal amount) payable at the option of the hirer at the end of the contract term, in order to take ownership of the vehicle;

(c) motor vehicle hire purchase agreements are a form of sale agreement where the purchase price is payable in instalments and the final payment is a nominal amount payable at the option of the hirer at the end of the contract term in order to take ownership of the vehicle; and

(d) motor vehicle leasing agreements are bailments or (in Scotland) hire agreements where the lessee takes possession, but not ownership, of the vehicle for an agreed contract term subject to paying the agreed instalments, and where at the end of the contract term the vehicle is returned by the person to whom they were bailed or hired.

It is a condition to the purchase by the Issuer of any Car Finance Contract that is a motor vehicle contract purchase agreements or a motor vehicle leasing agreement that the aggregate Current Balances of the Portfolio Car Finance Contracts that are motor vehicle contract purchase agreements and/or motor vehicle leasing agreements will not as a result of such purchase exceed £500,000.

Car Finance Contracts are currently marketed by PCF to individuals, partnerships and corporate bodies in the United Kingdom, subject to their ability to satisfy the relevant credit criteria outlined below under "Credit Assessment".

Warranties

Portfolio Unsecured Loans

Under a Warranty Deed (the "Warranty Deed") to be made on or about the Closing Date initially between PFPLC, the Issuer and the Trustee, PFPLC will give certain representations and warranties in favour of the Issuer and the Trustee in relation to the Existing Portfolio Unsecured Loans as at their respective Cut-off Dates. These warranties will also be given in relation to the Portfolio Unsecured Loans to be sold to the Issuer by any Seller on the Closing Date and any Further Unsecured Loans to be sold to the Issuer by any Seller after the Closing Date. Each such warranty will be given as at the Cut-off Date in respect of each relevant Unsecured Loan. The warranties to be given by PFPLC to the Issuer and the Trustee under the Warranty Deed as at the relevant Cut-off Dates include, *inter alia*, warranties as to the following:

(i) that the terms of each Unsecured Loan Agreement as to payment of principal and/or interest are valid and binding obligations of the relevant Borrowers subject, in the case of CFUK Portfolio Unsecured Loans, to certain statutory and regulatory provisions;

(ii) that no right of set-off has arisen under any Portfolio Unsecured Loan (except for any set-off exercisable by virtue of claims arising under Section 56 or 75 of the CCA or by operation of law);

(iii) that the relevant Seller held the appropriate licences and registrations at all material times;

(iv) as to any information provided in respect of the Portfolio Unsecured Loans as part of the relevant Offer to Sell;

(v) as to the records maintained by each relevant Seller;

(vi) as to the unfettered beneficial entitlement and rights to assign of each relevant Seller in respect of each Portfolio Unsecured Loan; and

(vii) that no Borrower is a company.

Subject to certain conditions, PFPLC will be required pursuant to the Warranty Deed to perform its purchase obligations under the Repurchase Deed (see "Repurchase of Portfolio Assets" below) in the event of, *inter alia*, any of the warranties given by PFPLC to the Issuer therein being untrue or incorrect when given in any material respect or the occurrence of a CCA Event in relation to a CFUK Portfolio Unsecured Loan. In the case of the occurrence of a CCA Event in relation to a CFUK Portfolio Unsecured Loan, these obligations are subject to the minimum and maximum thresholds described below.

"Cut-off Date" means:-

(i) in respect of an Existing Portfolio Unsecured Loan that is a Personal Loan acquired by the Issuer on 16th October, 2000, 30th September, 2000;

(ii) in respect of an Existing Portfolio Unsecured Loan that is a Retail Credit Loan acquired by the Issuer on 16th October, 2000, 25th September, 2000;

(iii) in respect of an Existing Portfolio Unsecured Loan acquired by the Issuer on 30th November, 2000, 24th November, 2000;

(iv) in respect of an Existing Portfolio Unsecured Loan acquired by the Issuer on 11th January, 2001, 9th January, 2001;

(v) in respect of an Existing Portfolio Unsecured Loan acquired by the Issuer on 13th March, 2001, 9th March, 2001;

(vi) in respect of a Portfolio Unsecured Loan that is a Retail Credit Loan that is acquired by the Issuer on or after the Closing Date, a date no more than twenty three business days before the date on which the Issuer acquires such Retail Credit Loan;

(vii) in respect of a Portfolio Unsecured Loan that is a Personal Loan, a Portfolio Secured Loan or, as the case may be, a Portfolio Car Finance Contract, that is acquired by the Issuer on the Closing Date, a date no more than fourteen business days before the Closing Date; and

(viii) in respect of a Portfolio Unsecured Loan that is a Personal Loan, a Portfolio Secured Loan or, as the case may be, a Portfolio Car Finance Contract, that is acquired by the Issuer after the Closing Date, a date no more than five business days before the date on which the Issuer acquires such Portfolio Asset.

Portfolio Secured Loans

Under the Secured Loan Sale Agreement to be made on or about the Closing Date initially between PPF, PSFL, PFPLC, the Issuer and the Trustee, PFPL will give certain representations and warranties in favour of the Issuer and the Trustee in relation to the Portfolio Secured Loans to be sold to the Issuer by PPF on the Closing Date and any Further Secured Loans to be sold to the Issuer by any Seller after the Closing Date. Each such warranty will be given as at the Cut-off Date in respect of each relevant Secured Loan. The warranties to be given by PFPLC to the Issuer and the Trustee under the Secured Loan Sale Agreement as at the relevant Cut-off Dates include, *inter alia*, warranties as to the following:

(i) that the Secured Loan and Mortgage are valid and binding obligations of the relevant Borrower;

(ii) that each Secured Loan (including any further advance) is secured by a Mortgage;

(iii) that, subject to the completion of any registration or recording of the Mortgage which may be pending at H.M. Land Registry or the Registers of Scotland, each Mortgage constitutes a valid and subsisting legal mortgage (in the case of an English Mortgage) or standard security (in the case of a Scottish Mortgage) over the relevant property;

(iv) that all necessary steps with a view to perfecting the title of the mortgagee to the Mortgage are being or have been taken without undue delay and with all due diligence on the part of the mortgagee;

(v) that, subject to the foregoing, the relevant Seller was, is or will be at the date of the relevant sale, the absolute beneficial owner of each Mortgage free and clear of security interests;

(vi) that, prior to making the original advance or any further advance, the lending criteria of the originator were satisfied so far as applicable;

(vii) that, before the Secured Loan was advanced, the mortgagee carried out such written searches and investigations of the title to the relevant property which a reasonably prudent provider of secured consumer finance would carry out, which searches and investigations disclosed nothing which would cause a reasonably prudent provider of secured consumer finance to decline to proceed with the Secured Loan on the proposed terms;

(viii) that, before the Secured Loan was advanced, the relevant property was valued by a valuer acting for the mortgagee or on an indexation basis which might be used by a reasonably prudent provider of secured consumer finance, which valuation disclosed nothing which would cause a reasonably prudent provider of secured consumer finance to decline to proceed with the Secured Loan on the proposed terms;

(ix) that no lien or right of set-off or counterclaim is exercisable against the relevant Seller by any Obligor which would entitle such Obligor to reduce the amount of any payment otherwise due under his Secured Loan;

(x) that where any agreement for a Secured Loan is in whole or in part a regulated agreement or a consumer credit agreement (as defined in Section 8 of the CCA) or, to the extent that any Secured Loan is in whole or in part a regulated agreement or consumer credit agreement, the relevant Seller has not done anything which would cause the Secured Loan to be invalid or irrecoverable;

(xi) as to the records maintained by each relevant Seller;

(xii) that each Secured Loan Agreement is in a form which would be acceptable to a reasonably prudent mortgage lender; and

(xiii) that no Borrower is a company.

Subject to certain conditions, PFPLC will be required pursuant to the Secured Loan Sale Agreement to perform its purchase obligations under the Secured Loan Sale Agreement (see ''Repurchase of Portfolio Assets'' below) in the event of, *inter alia*, any of the warranties given by PFPLC to the Issuer therein being untrue or incorrect when given in any material respect.

Portfolio Car Finance Contracts

Under the Warranty Deed, PFPLC will also give certain representations and warranties in favour of the Issuer and the Trustee in relation to the Portfolio Car Finance Contracts and the related Motor Vehicles to be sold to the Issuer by PCF on the Closing Date and any Further Car Finance Contracts and related Motor Vehicles sold to the Issuer by any Seller after the Closing Date. Each such warranty will be given as at the Cut-off Date in respect of each relevant Car Finance Contract. Each such warranty will be given as at the Cut-off Date in respect of each relevant Car Finance Contract. The warranties to be given by PFPLC to the Issuer and the Trustee under the Warranty Deed as at the relevant Cut-off Dates include, *inter alia*, warranties as to the following:

(i) that the Portfolio Car Finance Contracts constitute the valid and binding obligations of the relevant Obligor;

(ii) that, except for any such rights arising in respect of claims by Obligors under or by virtue of Sections 56 and 75 of the CCA, no lien or right of set-off or analogous right (other than a set-off right arising by operation of law) is exercisable under any Portfolio Car Finance Contract;

(iii) that no Portfolio Car Finance Contract that is regulated by the CCA is subject to rights of cancellation under the CCA and that the relevant Seller has not done anything that would cause any Portfolio Car Finance Contract to be invalid or revocable;

(iv) that each Portfolio Car Finance Contract that is regulated by the CCA complies with the CCA and the delegated legislation made thereunder;

(v) that the terms of each Car Finance Agreement would be acceptable to a reasonably prudent provider of motor vehicle finance;

(vi) as to the information provided in relation to each Portfolio Car Finance Contract;

(vii) as to the records maintained by each relevant Seller;

(viii) as to any warranties given in respect of any related Portfolio Motor Vehicle to a Hirer or Lessee;

(ix) that the terms of each Portfolio Car Finance Contract require the Hirer or Lessee to insure the Portfolio Motor Vehicle the subject thereof;

(x) as to the unfettered ownership and rights to assign of the relevant Seller in respect of each Portfolio Car Finance Contract; and

(xi) that Portfolio Car Finance Contracts in favour of any single company (or group of companies) or partnership will not exceed £250,000 in aggregate and that such steps were taken as the relevant Seller considers reasonably prudent prior to the making of a Car Finance Contract with such an Obligor to verify that such Car Finance Contract would be a binding obligation of such Hirer or Lessee (as the case may be).

Subject to certain conditions, PFPLC will be required pursuant to the Warranty Deed to perform its purchase obligations under the Repurchase Deed (see ''Repurchase of Portfolio Assets'' below) in the event of, *inter alia*, any of the warranties given therein by PFPLC to the Issuer in respect of Portfolio Car Finance Contracts being untrue or incorrect when given in any material respect.

Repurchase of Portfolio Assets

Under the Secured Loan Sale Agreement (in the case of Portfolio Secured Loans) or the Repurchase Deed (in the case of Portfolio Unsecured Loans and Portfolio Car Finance Contracts), PFPLC will agree to purchase, or procure that another purchaser purchases, a Portfolio Asset if, on any date after the Closing Date:

(a) in the case of a CFUK Portfolio Unsecured Loan, a CCA Event occurs in relation to that CFUK Portfolio Unsecured Loan; or

(b) it becomes apparent that any warranty given by PFPLC under the Secured Loan Sale Agreement (in the case of Portfolio Secured Loans) or under the Warranty Deed (in the case of the Portfolio Car Finance Contracts and the Portfolio Unsecured Loans) in relation to or affecting that Portfolio Asset was untrue or incorrect when given in any material respect,

and such matter is not capable of remedy or is not remedied within 30 days of notice from the Issuer (which notice the Trustee can require the Issuer to give). PFPLC will be required to repurchase the relevant Portfolio Asset (or procure its repurchase) subject to the following paragraph, two business days after the expiry of such 30 day period.

PFPLC will not be required to repurchase any of the CFUK Portfolio Unsecured Loans in respect of which a CCA Event has occurred:

(a) unless and until the aggregate of the Repurchase Prices of all CFUK Portfolio Unsecured Loans in respect of which a CCA Event has occurred to be repurchased exceeds £1,000,000 (whereupon PFPLC will be obliged to repurchase all of the CFUK Portfolio Unsecured Loans in respect of which CCA Events have occurred that it would, but for such minimum threshold, have been obliged to repurchase); nor

(b) if the aggregate of Repurchase Prices of all CFUK Portfolio Unsecured Loans in respect of which CCA Events have occurred that it has already repurchased exceeds £20,000,000.

This limitation will not apply to Unsecured Loans acquired from Sellers other than CFUK at any time or to Further Unsecured Loans acquired by the Issuer from CFUK after 30th September, 2001 or to Secured Loans or Car Finance Contracts acquired at any time.

The Repurchase Price of a Portfolio Asset will be the aggregate (avoiding double counting) of:

(a) the Current Balance on the date it is repurchased (including, without limitation, any amount that is irrecoverable due to a CCA Event); and

(b) any Unamortised Commission on the date it is repurchased; and

(c) any accrued interest (or its equivalent) on the Portfolio Asset that is not then due and payable,

less (other than in the case of an Existing Portfolio Unsecured Loan) the aggregate (avoiding double counting) of:

(i) the amount (if any) of interest (or, in relation to Portfolio Car Finance Contracts, its equivalent) accrued on that Portfolio Asset as at the Effective Date of its purchase by the Issuer which was not then payable which the relevant Seller specified at such time as being excluded from the sale (the excluded amount being "Excluded Accruals" and the net amount included in the sale being the "Purchased Accruals") to the extent that such Excluded Accruals have not been received and/or retained by the relevant Seller on or before the date on which such Portfolio Asset is repurchased; and

(ii) that part of the Current Balance of the Portfolio Asset at its Effective Date which was then due but unpaid but which the relevant Seller specified at such time as being excluded from the sale ("Excluded Arrears") to the extent that such Excluded Arrears have not been received and/or retained by the relevant Seller on or before the date on which such Portfolio Asset is repurchased.

PFPLC will pay, or procure the payment of, the Repurchase Prices directly to the Transaction Account.

Any sale of a Portfolio Asset by the Issuer in accordance with the Secured Loan Sale Agreement (in the case of a Portfolio Secured Loan) or the Repurchase Deed (in the case of a Portfolio Unsecured Loan or a Portfolio Car Finance Contract) will be free from all security created by the Deed of Charge and will be performed pursuant to a repurchase memorandum in the form attached to the Secured Loan Sale Agreement or (as the case may be) the Repurchase Deed. The repurchase memorandum will, if it relates to Portfolio Unsecured Loans or Portfolio Car Finance Contracts having Repurchase Prices of £60,000 or more in aggregate, and if PFPLC so requests be executed and retained by or on behalf of the parties in Jersey.

PFPLC will appoint the Issuer and the Trustee jointly and severally as its attorney to execute any repurchase memorandum, if PFPLC fails to do so when required.

Further Unsecured Loans, Further Secured Loans and Further Car Finance Contracts

In accordance with the Secured Loan Sale Agreement (in the case of Further Secured Loans) and in accordance with the Standard Terms and Conditions (in the case of Further Unsecured Loans and Further Car Finance Contracts), any member of the Paragon Group which is or has become a Seller may, but is not obliged to, from time to time after the Closing Date, make offers to sell Further Unsecured Loans, Further Secured Loans or Further Car Finance Contracts, as the case may be, to the Issuer. The Issuer may, but is not obliged to, accept such offers on any business day on or before the fourth anniversary of the Closing Date.

However, any purchase of a Further Unsecured Loan, Further Secured Loan or Further Car Finance Contract (and (other than in respect of paragraphs (d), (e), (f), (g) and (m) below) the purchase of any Unsecured Loan, Secured Loan or Car Finance Contract to be purchased on the Closing Date) will be conditional on, *inter alia*, none of the following events having occurred or being about to occur as a result of the proposed purchase:

(a) the relevant Seller being unable to repay its debts within the meaning of Section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986;

(b) the relevant Seller defaulting in repayment of any financial indebtedness of £250,000 or more in aggregate;

(c) the Administrator having notified the Rating Agencies at any time on or after the Closing Date that PGC and/or PFPLC is unable to repay its debts within the meaning of Section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 and/or PGC or PFPLC defaulting in repayment of any financial indebtedness of £250,000 or more in aggregate;

(d) in the case of the sale of a Further Unsecured Loan which is a Personal Loan, on the day on which such sale is to take place (taking into account the effect on the aggregate Current Balances of the Portfolio Assets of such sale, and the acceptance of any other offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day), the sum of the aggregate Current Balances of the Portfolio Unsecured Loans that are Personal Loans exceeding 30% of (a) the aggregate Current Balances of the Portfolio Assets on such day, plus (b) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances, purchased or made by the Issuer on such day;

(e) in the case of the sale of a Further Secured Loan, on the day on which such sale is to take place (taking into account the effect on the aggregate Current Balances of the Portfolio Assets of such sale, and the acceptance of any other offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day), the sum of the aggregate Current Balances of the Portfolio Secured Loans exceeding 30% of (a) the aggregate Current Balances of the Portfolio Assets on such day, plus (b) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances, purchased or made by the Issuer on such day;

(f) in the case of the sale of a Further Car Finance Contract, on the day on which such sale is to take place (taking into account the effect on the aggregate Current Balances of the Portfolio Assets of such sale, and the acceptance of any other offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day), the sum of the aggregate Current Balances of the Portfolio Car Finance Contracts exceeding 30% of (a) the aggregate Current Balances of the Portfolio Assets on such day, plus (b) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances, purchased or made by the Issuer on such day;

(g) in the case of any sale of a Further Unsecured Loan that is a Retail Credit Loan, the aggregate Current Balances of all Deferred Payment Loans that are Portfolio Unsecured Loans whose Deferred Periods are then current exceeding an amount equal to 25% of the aggregate Current Balances of all Portfolio Unsecured Loans that are Retail Credit Loans at such time;

(h) in the case of any sale of a Car Finance Contract that is a motor vehicle contract purchase agreement or a motor vehicle leasing agreement, the aggregate Current Balances of all Portfolio Car Finance Contracts that are motor vehicle contract purchase agreements or motor vehicle leasing agreements exceeding £500,000;

(i) (taking into account the effect on the aggregate Current Balances of such Portfolio Assets of such sale and the acceptance of any other offers by Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day) not only the aggregate of the then Current Balances of Portfolio Unsecured Loans that are Personal Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets and which are more than three months in arrears representing more than 10% (or such other percentage as may be agreed with the Rating Agencies from time to time) of the aggregate of the then Current Balances of all of the Portfolio Unsecured Loans that are Personal Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets but also the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Unsecured Loans that are Personal Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets during the period of three months ending on the immediately preceding Determination Date or, in the case of any sale of Unsecured Loans that are Personal Loans proposed to take place prior to the first Determination Date, ending on the Closing Date, being less than 95% (or such other percentage as may be agreed with the Rating Agencies from time to time) of the aggregate of interest or its equivalent which fell due for payment by Obligors in respect of all Portfolio Unsecured Loans that are Personal Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets in such period. A Portfolio Asset for this purpose and for the purpose of paragraphs (j), (k) and (l) below will be more than three months in arrears at any time if at such time amounts totalling in aggregate more than three times the then current monthly payment due from the Obligor under such Portfolio Asset have not been paid when due and/or have been capitalised within the three months immediately preceding such time;

(j) (taking into account the effect on the aggregate Current Balances of such Portfolio Assets of such sale and the acceptance of any other offers by Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day) not only the aggregate of the then Current Balances of Portfolio Secured Loans which are Performing Assets and which are more than three months in arrears representing more than 10% (or such other percentage as may be agreed with the Rating Agencies from time to time) of the aggregate of the then Current Balances of all of the Portfolio Secured Loans which are Performing Assets but also the aggregate of payments of interest received from Obligors in respect of all Portfolio Secured Loans which are Performing Assets during the period of three months ending on the immediately preceding Determination Date or, in the case of any sale of Secured Loans proposed to take place prior to the first Determination Date, ending on the Closing Date, being less than 95% (or such other percentage as may be agreed with the Rating Agencies from time to time) of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Secured Loans which are Performing Assets in such period;

(k) (taking into account the effect on the aggregate Current Balances of such Portfolio Assets of such sale and the acceptance of any other offers by Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day) not only the aggregate of the then Current Balances of Portfolio Car Finance Contracts which are Performing Assets and which are more than three months in arrears representing more than 4% (or such other percentage as may be agreed with the Rating Agencies from time to time) of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts which are Performing Assets but also the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts which are Performing Assets during the period of three months ending on the immediately preceding Determination Date or, in the case of any sale of Car Finance Contracts proposed to take place prior to the first Determination Date, ending on the Closing Date, being less than 96% (or such other percentage as may be agreed

with the Rating Agencies from time to time) of the aggregate of interest or its equivalent which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts which are Performing Assets in such period;

(l) (taking into account the effect on the aggregate Current Balances of such Portfolio Assets of such sale and the acceptance of any other offers by Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any further advances in respect of any Secured Loans on the same day) not only the aggregate of the then Current Balances of Portfolio Unsecured Loans that are Retail Credit Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets and which are more than three months in arrears representing more than 4% (or such other percentage as may be agreed with the Rating Agencies from time to time) of the aggregate of the then Current Balances of all of the Portfolio Unsecured Loans that are Retail Credit Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets but also the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Unsecured Loans that are Retail Credit Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets during the period of three months ending on the immediately preceding Determination Date or, in the case of any sale of Unsecured Loans that are Retail Credit Loans proposed to take place prior to the first Determination Date, ending on the Closing Date, being less than 96% (or such other percentage as may be agreed with the Rating Agencies from time to time) of the aggregate of interest or its equivalent which fell due for payment by Obligors in respect of all Portfolio Unsecured Loans that are Retail Credit Loans (other than Initial Portfolio Unsecured Loans sold or to be sold by CFUK to the Issuer on or prior to the Closing Date) which are Performing Assets in such period; and

(m) in the case of the sale of a Secured Loan, the product of the weighted average foreclosure frequency (''WAFF'') and the weighted average loss severity (''WALS'') for the Portfolio Secured Loans (taking into account the effect on the Portfolio Secured Loans of such sale, and the acceptance of any other offers by any Sellers to sell Secured Loans to the Issuer on the same day and the making of any further advances in respect of Secured Loans on the same day), calculated on the same basis as applied to the WAFF and WALS which Standard & Poor's required to be calculated for the Portfolio Secured Loans on the Closing Date (or otherwise as agreed with Standard & Poor's from time to time) exceeding the product of the WAFF and WALS for the Portfolio Secured Loans as calculated on the Closing Date, by more than 0.25% (or such other percentage as may be agreed with the Rating Agencies from time to time).

and will be further conditional on, *inter alia*:

(i) neither of the Rating Agencies having notified the Issuer that the rating assigned to any class of Notes by the Rating Agencies will be adversely affected as a result of the Issuer accepting any such offer; and

(ii) compliance with the requirements in respect of hedging arrangements in relation to such purchase described in ''The Issuer – Hedging Arrangements'' above and ''Portfolio Asset Administration – Portfolio Asset Interest Rates'' below.

Until the Issuer has received an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer on the Closing Date of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts and the Initial Portfolio Unsecured Loans which are Scottish Unsecured Loans, the Issuer will not purchase any Scottish Unsecured Loan or any Scottish Car Finance Contract if, as a result of such purchase, the aggregate of the purchase prices of all Scottish Unsecured Loans and all Scottish Car Finance Contracts which are then Portfolio Assets and which in either case were acquired by the Issuer on or after the Closing Date would exceed £10,000,000.

The purchase price for a Further Unsecured Loan, Further Secured Loan or Further Car Finance Contract (and the relevant Motor Vehicle) (and any Unsecured Loan or Secured Loan or Car Finance Contract (and the relevant Motor Vehicle) acquired on the Closing Date) will be the aggregate of:

(a) its Current Balance on its Effective Date;

(b) any Purchased Accruals; and

(c) any Unamortised Commission,

less the aggregate of:

(i) any provision in respect of unpaid amounts; and

(ii) any Excluded Arrears.

The Issuer, or the Administrator on the Issuer's behalf, may withdraw amounts from the Transaction Account to pay the purchase price for a Further Unsecured Loan, Further Secured Loan or Further Car Finance Contract (and the relevant Motor Vehicle), as the case may be. Such withdrawals may be made on any business day but only to the extent of the Substitution Amount on such date.

Any Further Unsecured Loan or Further Car Finance Contract (and the relevant Motor Vehicle), as the case may be, will be transferred on completion of an offer and acceptance in Jersey by payment of the purchase price. The transfer of any Secured Loan will be completed in England on acceptance of an offer incorporating the terms of the Secured Loan Sale Agreement and payment of the purchase price.

Such offer and acceptance in respect of a Car Finance Contract or an Unsecured Loan or a Secured Loan will constitute an Asset Sale Contract (being a Car Finance Sale Contract, a Secured Loan Sale Contract or, as the case may be, an Unsecured Loan Sale Contract) which, in the case of a Car Finance Sale Contract or an Unsecured Loan Sale Contract, will incorporate the Standard Terms and Conditions by reference or, in the case of a Secured Loan Sale Contract, will be upon and subject to the terms and conditions in the Secured Loan Sale Agreement. Simultaneously with the offer and acceptance in Jersey in relation to a Car Finance Contract or an Unsecured Loan Sale Contract the relevant Seller will deliver certain documentation confirming the calculation of the purchase price to the Issuer. That delivery will take place in the United Kingdom.

If the aggregate of the purchase prices of Further Unsecured Loans or Further Car Finance Contracts (and the relevant Motor Vehicles), as the case may be, that are the subject of an offer is equal to or less than £60,000, the offer and acceptance may take place in the United Kingdom.

Any Scottish Unsecured Loans, Scottish Secured Loans or Scottish Car Finance Contracts will, on conclusion of the relevant sale contract, be held on trust for the Issuer, pursuant to a declaration of trust or, as the case may be, supplemental declaration of trust by the relevant Seller, substantially in the relevant form specified in the Secured Loan Sale Agreement or the Standard Terms and Conditions, as applicable (each, a "Scottish Declaration of Trust").

Each relevant Seller is under a duty to account to the Issuer for any amounts received in respect of a Further Unsecured Loan, Further Secured Loan or Further Car Finance Contract, as the case may be (including amounts received between its Effective Date and the date it is acquired by the Issuer), once it has been acquired by the Issuer. Such amounts will be held on trust for the Issuer by the relevant Seller.

Notice to Obligors, Perfection of Legal Title and Security

Although notice to the relevant Obligor of assignment to the Issuer is required to perfect the Issuer's title in any Portfolio Asset (other than Portfolio Motor Vehicles) and registration at H.M. Land Registry, or, as the case may be, the Registers of Scotland is required to effect the transfer of the Mortgages to the Issuer or to the Trustee and, in the case of English Mortgages which are not required to be registered at H.M. Land Registry, registration is required at the Central Land Charges Registry to protect the priority of such Mortgages, no such notice will be given or application for such registration made unless, *inter alia*:

(a) the Administrator has failed to make any payment on its due date (subject to a grace period of two business days) under the Administration Agreement, the Administrator defaults in performance of an obligation under the Administration Agreement and the default is materially prejudicial to the Noteholders or the Administrator, PGC or PFPLC is unable to pay its debts within the meaning of that term in the Insolvency Act 1986 or becomes subject to certain insolvency proceedings; or

(b) the Trustee has given notice that it intends to enforce its security for the Notes; or

(c) the Trustee certifies to the Issuer and PFPLC that the security for the Notes is in jeopardy; or

(d) PFPLC is in breach of its repurchase obligations under the Secured Loan Sale Agreement or the Repurchase Deed but in this case notice will only be given to the Obligor under each Portfolio Asset which should have been, but was not, repurchased.

Until the Issuer's title to a Portfolio Asset is perfected, the Obligor may continue making payments to the relevant Seller. Perfecting the Issuer's title would mean that the Obligor would no longer be entitled to obtain a good receipt in respect of the Portfolio Asset from the relevant Seller. Each relevant Seller will undertake that if at any time it receives or there is received to its order any property, interest, right, title or benefit or the proceeds of any of them, it will hold the same on trust for the Issuer.

B. INSURANCE

Creditor Insurance

Some, but not all, of the Borrowers from PPF and CFUK and Hirers or Lessees from PCF have the benefit of insurance with London and Edinburgh Insurance Company Limited, Norwich Union Life and Pensions Limited and the National Insurance & Guarantee Corporation Plc trading as NIG and Criterion Life Assurance Limited under which the relevant insurer is required to make payment in the event of the death, total disability or unemployment of any such Borrower, Hirer or Lessee. PPF, CFUK and PCF (as the case may be) do not have an interest in any of these policies. Nevertheless, under each policy the insurer has provided an undertaking to the assured that it will pay the benefit of any claims made by the assured directly to PPF, CFUK or PCF (as the case may be).

The proceeds of any claims received by PPF, PCF and CFUK are applied by them in reducing (respectively) the relevant Borrower's, Hirer's or Lessee's liability to PPF, PCF and CFUK (as the case may be).

Any Seller other than PPF or PCF will put in place the same arrangements in relation to any assets which it originates and sells to the Issuer.

Product Liability Insurance

PCF has the benefit of insurance which covers it against claims made by third parties following accidental bodily injury, illness and/or accidental loss of or damage to property for which PCF may be held legally liable. This includes liability arising from defects in anything sold, supplied, repaired, tested, serviced or processed by PCF.

The Issuer is included as an additional assured in respect of this insurance and the insurers will be notified of the assignment of the Issuer's interest in the relevant policy to the Trustee by way of security on the Closing Date. Any claim made under such insurance will be made by the Administrator on behalf of the Issuer and the Trustee pursuant to the Administration Agreement.

Guaranteed Asset Protection

The Hirers from PCF have the option of purchasing Guaranteed Asset Protection against an outstanding liability following a write off of the related Motor Vehicle and any subsequent insurance settlement. GAP is provided to the Hirers by National Insurance & Guarantee Corporation Plc trading as NIG. The premium is payable in full at the completion of the Car Finance Agreement and is financed by PCF. The Hirers repay the cost of the insurance as part of the monthly instalment. PCF does not have an interest in this insurance. Nevertheless, under each policy the insurer has provided an undertaking to the assured that it will pay the benefit of any claims made directly to PCF.

Other Miscellaneous Insurances

PPF, PCF, PFPLC and CFUK have the benefit of insurance which covers them against loss arising from negligent acts, errors or omissions and dishonesty or fraud by the assured's staff, negligence or breach of duty by its directors and officers and fraudulent interference with computer systems or data.

The Issuer is included as an assured under these policies and the insurers will be notified of the assignment of the Issuer's interest in the policies to the Trustee by way of security on the Closing Date. Any claim made under such insurances will be made by the Administrator on behalf of the Issuer and the Trustee pursuant to the Administration Agreement.

C. CREDIT ASSESSMENT

This section aims to give a broad understanding of the various methods used by PPF, CFUK and PCF to assess an applicant's creditworthiness. The procedures outlined are not the only assessment methods employed by PPF, CFUK and PCF and are subject to change in line with the then current practice of PPF, CFUK and PCF. PPF, CFUK and PCF may have used and may in the future use one of or a combination of the methods described below in coming to the decision as to whether to enter into an

Unsecured Loan Agreement, Secured Loan Agreement or Car Finance Agreement with an applicant. Any Seller other than PPF, PCF or CFUK will use similar methods of credit assessment to those used by PPF, PCF and CFUK from time to time.

Credit Search

A credit search may be made on an applicant to try to establish their credit profile using information recorded against current and previous addresses. Information revealed on the search may include electoral information which will confirm current and previous residency, court information such as County Court Judgments and Administration Orders, Credit Industry Fraud Avoidance System information, Council of Mortgage Lenders Possessions Register information (which will give details of house repossessions) and payment history on current and completed credit agreements.

Bureau Score

This is a score which is intended to indicate creditworthiness. It is provided by a credit reference agency.

Income Tests

The relevant Seller may, having enquired about the applicant's income, carry out analysis in order to ascertain the likelihood that the applicant will be able to discharge all obligations under the proposed agreement.

Other Information

The relevant Seller may request references and/or any other information deemed necessary in connection with an application. These may include employer's or bank references, bank statements, credit card details, company accounts, searches of the registers maintained by the Registrars of Companies in England and Wales and in Scotland, the computerised index of winding up petitions, a search of the manual index of High Court petitions for administration orders at the Central Registry of Winding Up Petitions, and searches in the Register of Inhibitions and Adjudications in Scotland.

D. THE PROVISIONAL POOL

The information given in this section relates to the Provisional Pool. It is stated as at the Provisional Pool Date. The Unsecured Loans included in the Provisional Pool (the "Provisional Unsecured Loan Pool") had an aggregate Current Principal Balance of £165,730,858.47 as at close of business on the Provisional Pool Date comprising £152,384,841.66, (£95,456,766.40 in respect of Personal Loans and £56,928,075.26 in respect of Retail Credit Loans) in respect of Unsecured Loans originated by CFUK and £13,346,016.81 (£6,418,537.58 in respect of Personal Loans and £6,927,479.23 in respect of Retail Credit Loans) in respect of Unsecured Loans originated by PPF. The Secured Loans included in the Provisional Pool (the "Provisional Secured Loan Pool") had an aggregate Current Principal Balance of £21,246,778.58 as at close of business on the Provisional Pool Date in respect of Secured Loans originated by PPF. These aggregate Current Principal Balances will have been reduced by repayments and redemptions of such Unsecured Loans and Secured Loans during the period from the Provisional Pool Date to the Closing Date. The Car Finance Contracts in the Provisional Pool (the "Provisional Car Finance Contract Pool") had an aggregate Current Principal Balance of £26,062,507.12 as at the Provisional Pool Date. This aggregate Current Principal Balance will have been reduced by payments of principal equivalent, and possibly early termination or settlement, of such Car Finance Contracts during the period from the Provisional Pool Date to the Closing Date.

All of the Existing Portfolio Unsecured Loans included in the Provisional Unsecured Loan Pool as at the Provisional Pool Date will have been sold to the Issuer with the benefit of the warranties given by PFPLC in the warranty deed entered into on 16th October, 2000 between PFPLC, the Issuer and RBS as at their respective Cut-off Dates. In addition, on the Closing Date PFPLC will give the warranties in the Warranty Deed in respect of the Existing Portfolio Unsecured Loans as at such dates (see "Portfolio Assets – Warranties" above).

Assets to be purchased by the Issuer on the Closing Date will be selected from the Provisional Pool having regard to any disposals by the Sellers of such assets, and any repayments and redemptions, between the Provisional Pool Date and the Closing Date. Since the Provisional Pool Date, PPF has disposed of most of the Personal Loans comprised in the Provisional Pool and such Personal Loans will, therefore, not be sold to the Issuer on the Closing Date. Assets to be purchased by the Issuer on the Closing Date may also contain other Unsecured Loans and Secured Loans and Car Finance Contracts which, because they

were originated since 30th April, 2001, are not comprised in the respective provisional pools but in respect of which the warranties in the Warranty Deed or (as the case may be) in the Secured Loan Sale Agreement will be given on the Closing Date if the Issuer acquires them.

The following statistical information is given in relation to the provisional pools as at the Provisional Pool Date. All percentages have been taken to two decimal places.

PROVISIONAL POOL KEY FEATURES

	Provisional Pool Assets	*CFUK Retail Credit Loans*	*PPF Retail Credit Loans*	*CFUK Personal Loans*	*PPF Personal Loans*	*Secured Loans*	*Car Finance Contracts*
Current Principal Balance	213,040,144.17	56,928,075.26	6,927,479.23	95,456,766.40	6,418,537.58	21,246,778.58	26,062,507.12
Number of loans/car finance contracts	103,336	73,624	6,394	17,517	764	1,514	3,523
Weighted average seasoning (months)	12.76	7.74	0.37	23.24	0.64	1.03	1.15
Weighted average remaining term (years)	4.08	1.68	1.90	3.68	8.58	11.50	4.17
Average Current Principal Balance	2,061.63	773.23	1,083.43	5,449.38	8,401.23	14,033.54	7,397.82
Weighted average loan to value	86.19%	n/a	n/a	n/a	n/a	86.19%	n/a
Weighted average annual yield	13.02%	15.74%	16.42%	11.48%	14.28%	11.70%	12.62%
Weighted average annual yield*	12.28%	13.43%	12.41%	11.48%	14.28%	11.70%	12.62%

*Inclusive of retailer discount. Assumption made that borrowers with a deferred or option period repay loan at the end of deferred or option period.

Provisional Pool Asset Distribution by Geographical Region

Distribution By Geographic Region	Current Principal Balance £	% of total	No. of loans/car finance contracts	% of total
North	17,710,630.03	8.31%	9,719	9.41%
North West	22,951,324.07	10.77%	8,012	7.75%
Yorkshire & Humberside	20,794,686.63	9.76%	6,762	6.54%
East Midlands	12,944,000.73	6.08%	4,350	4.21%
West Midlands	18,513,971.84	8.69%	8,966	8.68%
East Anglia	7,025,512.30	3.30%	3,416	3.31%
South East (excl. Greater London)	44,478,984.08	20.88%	24,272	23.49%
South West	13,921,869.74	6.53%	6,955	6.73%
Greater London	6,917,817.63	3.25%	3,582	3.47%
Wales	12,681,635.02	5.95%	8,274	8.01%
Scotland	26,698,700.54	12.53%	15,079	14.59%
Northern Ireland	3,656,541.69	1.72%	1,057	1.02%
Unallocated*	4,744,469.87	2.23%	2,892	2.80%
	213,040,144.17		103,336	

Provisional Pool Asset Distribution by Interest Rate

Distribution By Interest Rate	Current Principal Balance £	% of total	No of loans/car finance contracts	% of total
<=8.00%	734,890.60	0.34%	127	0.12%
>8.00%<=9.00%	2,640,801.21	1.24%	2,143	2.07%
>9.00%<=10.00%	41,864,697.65	19.65%	12,051	11.66%
>10.00%<=11.00%	31,480,632.30	14.78%	15,270	14.78%
>11.00%<=12.00%	32,422,159.24	15.22%	10,387	10.05%
>12.00%<=13.00%	39,381,233.33	18.49%	10,692	10.35%
>13.00%<=14.00%	13,033,965.59	6.12%	6,422	6.21%
>14.00%<=15.00%	13,810,225.64	6.48%	6,829	6.61%
>15.00%<=16.00%	6,911,105.38	3.24%	6,503	6.29%
>16.00%<=17.00%	3,227,272.85	1.51%	3,842	3.72%
>17.00%<=18.00%	5,067,555.16	2.38%	5,042	4.88%
>18.00%<=19.00%	2,476,224.65	1.16%	3,622	3.51%
>19.00%<=20.00%	1,339,080.90	0.63%	1,810	1.75%
>20.00%	18,650,299.67	8.75%	18,596	18.00%
	213,040,144.17		103,336	

Provisional Pool Asset Distribution by Remaining Term

Distribution By Remaining Term	Current Principal Balance £	% of total	No. of loans/car finance contracts	% of total
<=1 year	31,172,164.63	14.63%	51,976	50.30%
>1<=2 years	32,620,577.35	15.31%	20,603	19.94%
>2<=3 years	32,635,032.09	15.32%	13,979	13.53%
>3<=4 years	28,687,956.63	13.47%	7,411	7.17%
>4<=5 years	40,772,089.25	19.14%	5,624	5.44%
>5<=6 years	19,758,702.86	9.27%	1,809	1.75%
>6<=7 years	6,753,468.97	3.17%	571	0.55%
>7<=8 years	1,885,888.67	0.89%	150	0.15%
>8<=9 years	170,020.18	0.08%	13	0.01%
>9<=10 years	10,344,932.54	4.86%	824	0.80%
>10<=15 years	4,137,505.53	1.94%	203	0.20%
>15<=20 years	2,637,541.83	1.24%	111	0.11%
>20<=25 years	1,464,263.64	0.69%	62	0.06%
>25<=30 years	—	0.00%	—	0.00%
>30 years	—	0.00%	—	0.00%
	213,040,144.17		103,336	

Provisional Pool Asset Distribution by Current Principal Balance

Distribution By Current Principal Balance	Current Principal Balance £	% of total	No. of loans/car finance contracts	% of total
0-2,000	53,420,050.14	25.08%	80,063	77.48%
2,000.01-4,000	24,933,516.30	11.70%	8,997	8.71%
4,000.01-6,000	20,928,708.52	9.82%	4,214	4.08%
6,000.01-8,000	19,850,455.18	9.32%	2,847	2.76%
8,000.01-10,000	20,321,105.35	9.54%	2,256	2.18%
10,000.01-12,000	18,146,874.48	8.52%	1,651	1.60%
12,000.01-14,000	15,945,822.90	7.48%	1,234	1.19%
14,000.01-16,000	11,834,793.48	5.56%	792	0.77%
more than 16,000	27,658,817.82	12.98%	1,282	1.24%
	213,040,144.17		103,336	

Provisional Pool Asset Distribution by Seasoning

Distribution By Seasoning	Current Principal Balance £	% of total	No. of loans/car finance contracts	% of total
1996	1,012,373.41	0.48%	442	0.43%
1997	7,914,219.63	3.71%	2,718	2.63%
1998	23,451,154.80	11.01%	8,090	7.83%
1999	48,986,507.68	22.99%	20,495	19.83%
2000	57,059,328.39	26.78%	45,185	43.73%
2001	74,616,560.26	35.02%	26,406	25.55%
	213,040,144.17		103,336	

Provisional Pool Asset Distribution by Months in Arrears

Distribution By Months In Arrears	Current Principal Balance £	% of total	No. of loans/car finance contracts	% of total	Arrears
up to 1	179,562,409.69	84.29%	94,907	91.84%	217,093.63
>1<=2	3,302,264.10	1.55%	1,081	1.05%	230,605.47
>2<=3	2,478,087.04	1.16%	781	0.76%	255,868.92
>3<=4	2,234,384.36	1.05%	626	0.61%	283,919.33
>4<=5	1,979,046.56	0.93%	565	0.55%	325,158.05
>5<=6	1,962,016.28	0.92%	543	0.53%	391,448.58
>6<=7	1,687,822.48	0.79%	451	0.44%	353,351.98
>7<=8	1,546,522.04	0.73%	414	0.40%	370,054.22
>8<=9	1,539,156.77	0.72%	433	0.42%	443,686.83
>9<=10	1,606,113.42	0.75%	439	0.42%	513,533.97
>10<=11	1,492,018.62	0.70%	345	0.33%	466,484.76
>11<=12	1,298,962.42	0.61%	377	0.36%	490,501.29
>12	12,351,340.39	5.80%	2,374	2.30%	6,929,723.83
	213,040,144.17		103,336		11,271,430.86

* This represents loans which have no recorded borrower postcode and/or car finance contracts made with British Forces' personnel.

BREAKDOWN OF PROVISIONAL POOL ASSET DISTRIBUTION BY GEOGRAPHIC REGION

	CFUK Retail Credit Loans				*CFUK Personal Loans*				*Secured Loans*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*
North	5,310,179.92	9.33%	6,970	9.47%	6,415,342.41	6.72%	1,181	6.74%	876,450.73	4.13%	77	5.09%
North West	3,957,569.90	6.95%	4,637	6.30%	12,211,152.59	12.79%	2,129	12.15%	1,720,946.94	8.10%	142	9.38%
Yorkshire & Humberside	2,690,400.65	4.73%	3,591	4.88%	12,410,022.25	13.00%	2,135	12.19%	1,401,210.49	6.59%	120	7.93%
East Midlands	2,038,786.62	3.58%	2,455	3.33%	7,015,704.62	7.35%	1,277	7.29%	1,780,809.19	8.38%	141	9.31%
West Midlands	5,589,890.35	9.82%	6,493	8.82%	8,146,337.45	8.53%	1,564	8.93%	1,872,112.12	8.81%	129	8.52%
East Anglia	1,830,287.71	3.22%	2,405	3.27%	3,355,266.73	3.51%	603	3.44%	1,094,305.82	5.15%	71	4.69%
South East (excl. Greater London)	14,613,664.50	25.67%	18,679	25.37%	17,740,049.95	18.58%	3,386	19.33%	6,786,492.09	31.94%	403	26.62%
South West	3,294,614.19	5.79%	4,799	6.52%	6,006,817.42	6.29%	1,168	6.67%	2,159,222.35	10.16%	155	10.24%
Greater London	2,454,260.94	4.31%	2,778	3.77%	2,859,974.27	3.00%	561	3.20%	899,178.43	4.23%	52	3.43%
Wales	5,000,167.26	8.78%	6,632	9.01%	4,584,709.39	4.80%	841	4.80%	1,237,586.76	5.82%	98	6.47%
Scotland	8,180,891.20	14.37%	11,435	15.53%	9,525,695.96	9.98%	1,686	9.62%	1,418,463.66	6.68%	126	8.32%
Northern Ireland	343,690.30	0.60%	395	0.54%	3,150,157.98	3.30%	618	3.53%	—	0.00%	—	0.00%
Unallocated*	1,623,671.72	2.85%	2,355	3.20%	2,035,535.38	2.13%	368	2.10%	—	0.00%	—	0.00%
	56,928,075.26		73,624		95,456,766.40		17,517		21,246,778.58		1,514	

	PPF Retail Credit Loans				*PPF Personal Loans*				*Car Finance Contracts*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of car finance contracts*	*% of total*
North	959,130.58	13.85%	903	14.12%	541,651.77	8.44%	65	8.51%	3,607,874.62	13.84%	523	14.85%
North West	690,563.17	9.97%	563	8.81%	1,164,189.34	18.14%	127	16.62%	3,206,902.13	12.30%	414	11.75%
Yorkshire & Humberside	395,373.16	5.71%	374	5.85%	676,735.82	10.54%	75	9.82%	3,220,944.26	12.36%	467	13.26%
East Midlands	292,190.37	4.22%	239	3.74%	496,374.87	7.73%	52	6.81%	1,320,135.06	5.07%	186	5.28%
West Midlands	604,597.16	8.73%	489	7.65%	544,994.88	8.49%	60	7.85%	1,756,039.88	6.74%	231	6.56%
East Anglia	277,998.09	4.01%	279	4.36%	320,068.18	4.99%	42	5.50%	147,585.77	0.57%	16	0.45%
South East (excl. Greater London)	1,555,876.77	22.46%	1,345	21.04%	868,050.67	13.52%	111	14.53%	2,914,850.10	11.18%	348	9.88%
South West	535,067.22	7.72%	549	8.59%	481,906.36	7.51%	69	9.03%	1,444,242.20	5.54%	215	6.10%
Greater London	211,215.81	3.05%	152	2.38%	137,283.53	2.14%	15	1.96%	355,904.65	1.37%	24	0.68%
Wales	541,310.34	7.81%	509	7.96%	511,478.67	7.97%	71	9.29%	806,382.60	3.09%	123	3.49%
Scotland	748,562.74	10.81%	876	13.70%	548,282.78	8.54%	60	7.85%	6,276,804.20	24.08%	896	25.43%
Northern Ireland	35,172.70	0.51%	27	0.42%	127,520.71	1.99%	17	2.23%	—	0.00%	—	0.00%
Unallocated*	80,421.12	1.16%	89	1.39%	—	0.00%	—	0.00%	1,004,841.65	3.86%	80	2.27%
	6,927,479.23		6,394		6,418,537.58		764		26,062,507.12		3,523	

* This represents loans which have no recorded borrower postcode and/or car finance contracts made with British Forces' personnel.

BREAKDOWN OF PROVISIONAL POOL ASSET DISTRIBUTION BY SEASONING

	CFUK Retail Credit Loans				*CFUK Personal Loans*				*Secured Loans*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*
1996	—	0.00%	—	0.00%	1,012,373.41	1.06%	442	2.52%	—	0.00%	—	0.00%
1997	25,237.52	0.04%	58	0.08%	7,888,982.11	8.26%	2,660	15.19%	—	0.00%	—	0.00%
1998	1,505,619.47	2.64%	3,192	4.34%	21,945,535.33	22.99%	4,898	27.96%	—	0.00%	—	0.00%
1999	9,471,962.19	16.64%	14,361	19.51%	39,514,545.49	41.40%	6,134	35.02%	—	0.00%	—	0.00%
2000	30,813,447.95	54.13%	41,701	56.64%	25,095,330.06	26.29%	3,383	19.31%	629,579.79	2.96%	45	2.97%
2001	15,111,808.13	26.55%	14,312	19.44%	—	0.00%	—	0.00%	20,617,198.79	97.04%	1,469	97.03%
	56,928,075.26		73,624		95,456,766.40		17,517		21,246,778.58		1,514	

	PPF Retail Credit Loans				*PPF Personal Loans*				*Car Finance Contracts*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of car finance contracts*	*% of total*
1996	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
1997	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
1998	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
1999	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
2000	—	0.00%	—	0.00%	—	0.00%	—	0.00%	520,970.59	2.00%	56	1.59%
2001	6,927,479.23	100.00%	6,394	100.00%	6,418,537.58	100.00%	764	100.00%	25,541,536.53	98.00%	3,467	98.41%
	6,927,479.23		6,394		6,418,537.58		764		26,062,507.12		3,523	

BREAKDOWN OF PROVISIONAL POOL ASSET DISTRIBUTION BY CURRENT PRINCIPAL BALANCE

	CFUK Retail Credit Loans				*CFUK Personal Loans*				*Secured Loans*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*
0-2,000	44,022,492.73	77.33%	69,163	93.94%	4,463,684.96	4.68%	5,089	29.05%	—	0.00%	—	0.00%
2,000.01-4,000	10,367,155.53	18.21%	4,020	5.46%	10,613,676.07	11.12%	3,625	20.69%	221,000.90	1.04%	64	4.23%
4,000.01-6,000	1,501,994.87	2.64%	318	0.43%	12,340,397.49	12.93%	2,503	14.29%	1,152,821.08	5.43%	217	14.33%
6,000.01-8,000	535,011.46	0.94%	78	0.11%	11,649,059.85	12.20%	1,669	9.53%	1,237,672.88	5.83%	172	11.36%
8,000.01-10,000	229,151.18	0.40%	26	0.04%	12,577,168.96	13.18%	1,401	8.00%	1,909,750.57	8.99%	203	13.41%
10,000.01-12,000	41,900.99	0.07%	4	0.01%	12,912,116.44	13.53%	1,175	6.71%	1,828,894.72	8.61%	163	10.77%
12,000.01-14,000	36,954.80	0.06%	3	0.00%	12,406,616.27	13.00%	961	5.49%	1,472,837.25	6.93%	113	7.46%
14,000.01-16,000	89,326.41	0.16%	6	0.01%	7,879,114.47	8.25%	527	3.01%	1,559,437.76	7.34%	104	6.87%
more than 16,000	104,087.29	0.18%	6	0.01%	10,614,931.89	11.12%	567	3.24%	11,864,363.42	55.84%	478	31.57%
	56,928,075.26		73,624		95,456,766.40		17,517		21,246,778.58		1,514	

	PPF Retail Credit Loans				*PPF Personal Loans*				*Car Finance Contracts*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of car finance contracts*	*% of total*
0-2,000	4,673,999.20	67.47%	5,644	88.27%	55,346.48	0.86%	36	4.71%	204,526.77	0.78%	131	3.72%
2,000.01-4,000	1,727,312.48	24.93%	656	10.26%	377,840.61	5.89%	123	16.10%	1,626,530.71	6.24%	509	14.45%
4,000.01-6,000	305,322.77	4.41%	66	1.03%	737,327.58	11.49%	142	18.59%	4,890,844.73	18.77%	968	27.48%
6,000.01-8,000	127,048.16	1.83%	19	0.30%	834,676.21	13.00%	117	15.31%	5,466,986.62	20.98%	792	22.48%
8,000.01-10,000	60,819.80	0.88%	7	0.11%	843,747.66	13.15%	92	12.04%	4,700,467.18	18.04%	527	14.96%
10,000.01-12,000	—	0.00%	—	0.00%	698,278.28	10.88%	64	8.38%	2,665,684.05	10.23%	245	6.95%
12,000.01-14,000	—	0.00%	—	0.00%	702,102.99	10.94%	54	7.07%	1,327,311.59	5.09%	103	2.92%
14,000.01-16,000	14,771.95	0.21%	1	0.02%	1,100,789.60	17.15%	74	9.69%	1,191,353.29	4.57%	80	2.27%
more than 16,000	18,204.87	0.26%	1	0.02%	1,068,428.17	16.65%	62	8.12%	3,988,802.18	15.30%	168	4.77%
	6,927,479.23		6,394		6,418,537.58		764		26,062,507.12		3,523	

BREAKDOWN OF PROVISIONAL POOL ASSET DISTRIBUTION BY REMAINING TERM

	CFUK Retail Credit Loans				*CFUK Personal Loans*				*Secured Loans*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*
<=1 year	21,731,189.01	38.17%	44,124	59.93%	6,053,700.86	6.34%	3,875	22.12%	—	0.00%	—	0.00%
>1<2 years	16,361,915.91	28.74%	15,533	21.10%	14,090,612.84	14.76%	4,032	23.02%	—	0.00%	—	0.00%
>2<=3 years	11,686,537.46	20.53%	9,151	12.43%	14,613,286.44	15.31%	2,872	16.40%	89,995.33	0.42%	18	1.19%
>3<=4 years	5,522,198.41	9.70%	3,953	5.37%	16,406,813.86	17.19%	2,331	13.31%	11,337.60	0.05%	3	0.20%
>4<=5 years	1,626,234.47	2.86%	863	1.17%	18,359,801.24	19.23%	2,088	11.92%	5,073,587.49	23.88%	602	39.76%
>5<=6 years	—	0.00%	—	0.00%	19,470,853.19	20.40%	1,778	10.15%	191,647.88	0.90%	18	1.19%
>6<=7 years	—	0.00%	—	0.00%	5,270,217.67	5.52%	451	2.57%	1,125,701.88	5.30%	85	5.61%
>7<=8 years	—	0.00%	—	0.00%	1,191,480.30	1.25%	90	0.51%	580,846.90	2.73%	45	2.97%
>8<=9 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	127,603.76	0.60%	8	0.53%
>9<=10 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	5,806,746.74	27.33%	359	23.71%
>10<=15 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	4,137,505.53	19.47%	203	13.41%
>15<=20 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	2,637,541.83	12.41%	111	7.33%
>20<=25 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	1,464,263.64	6.89%	62	4.10%
>25<=30 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
>30	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
	56,928,075.26		73,624		95,456,766.40		17,517		21,246,778.58		1,514	

	PPF Retail Credit Loans				*PPF Personal Loans*				*Car Finance Contracts*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of car finance contracts*	*% of total*
<=1 year	3,249,994.92	46.91%	3,921	61.32%	11,815.90	0.18%	6	0.79%	125,463.94	0.48%	50	1.42%
>1<=2 years	1,103,825.38	15.93%	778	12.17%	43,384.82	0.68%	19	2.49%	1,020,838.40	3.92%	241	6.84%
>2<=3 years	1,864,147.72	26.91%	1,317	20.60%	174,608.55	2.72%	49	6.41%	4,206,456.59	16.14%	572	16.24%
>3<=4 years	400,988.19	5.79%	215	3.36%	129,521.60	2.02%	24	3.14%	6,217,096.97	23.85%	885	25.12%
>4<=5 years	308,523.02	4.45%	163	2.55%	911,291.81	14.20%	133	17.41%	14,492,651.22	55.61%	1,775	50.38%
>5<=6 years	—	0.00%	—	0.00%	96,201.79	1.50%	13	1.70%	—	00.0%	—	00.00%
>6<=7 years	—	0.00%	—	0.00%	357,549.42	5.57%	35	4.58%	—	00.0%	—	00.00%
>7<=8 years	—	0.00%	—	0.00%	113,561.47	1.77%	15	1.96%	—	00.0%	—	00.00%
>8<=9 years	—	0.00%	—	0.00%	42,416.42	0.66%	5	0.65%	—	00.0%	—	00.00%
>9<=10 years	—	0.00%	—	0.00%	4,538,185.80	70.70%	465	60.86%	—	00.0%	—	00.00%
>10<=15 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	00.0%	—	00.00%
>15<=20 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	00.0%	—	00.00%
>20<=25 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	00.0%	—	00.00%
>25<=30 years	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	00.0%	—	00.00%
>30	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	00.0%	—	00.00%
	6,927,479.23		6,394		6,418,537.58		764		26,062,507.12		3,523	

PROVISIONAL POOL ASSET DISTRIBUTION BY MONTHS IN ARREARS

	CFUK Retail Credit Loans					*CFUK Personal Loans*					*Secured Loans*				
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Arrears*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Arrears*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Arrears*
up to 1	53,353,605.98	93.72%	70,041	95.13%	91,524.33	66,099,053.20	69.25%	12,720	72.62%	106,454.70	20,945,025.48	98.58%	1,491	98.48%	5,684.01
>1<=2	458,079.42	0.80%	553	0.75%	76,958.56	2,517,919.80	2.64%	500	2.85%	142,255.37	205,475.55	0.97%	16	1.06%	5,248.11
>2<=3	363,885.69	0.64%	410	0.56%	86,045.79	1,980,460.15	2.07%	360	2.06%	162,723.01	63,443.62	0.30%	3	0.20%	2,221.29
>3<=4	285,943.30	0.50%	305	0.41%	83,315.32	1,877,704.14	1.97%	313	1.79%	193,841.43	27,019.93	0.13%	3	0.20%	1,766.04
>4<=5	263,990.86	0.46%	296	0.40%	101,065.54	1,700,246.70	1.78%	267	1.52%	222,102.71	5,814.00	0.03%	1	0.07%	338.60
>5<=6	273,054.91	0.48%	284	0.39%	126,875.13	1,688,961.37	1.77%	259	1.48%	264,573.45	—	0.00%	—	0.00%	—
>6<=7	225,510.30	0.40%	231	0.31%	97,255.12	1,462,312.18	1.53%	220	1.26%	256,096.86	—	0.00%	—	0.00%	—
>7<=8	177,528.67	0.31%	200	0.27%	87,373.16	1,368,993.37	1.43%	214	1.22%	282,681.06	—	0.00%	—	0.00%	—
>8<=9	238,844.00	0.42%	229	0.31%	129,682.87	1,300,312.77	1.36%	204	1.16%	314,003.96	—	0.00%	—	0.00%	—
>9<=10 ..	222,534.59	0.39%	218	0.30%	140,620.80	1,383,578.83	1.45%	221	1.26%	372,913.17	—	0.00%	—	0.00%	—
>10<=11	158,183.26	0.28%	147	0.20%	96,258.05	1,333,835.36	1.40%	198	1.13%	370,226.71	—	0.00%	—	0.00%	—
>11<=12	205,370.84	0.36%	206	0.28%	149,689.89	1,093,591.58	1.15%	171	0.98%	340,811.40	—	0.00%	—	0.00%	—
>12	701,543.44	1.23%	504	0.68%	470,109.13	11,649,796.95	12.20%	1,870	10.68%	6,459,614.70	—	0.00%	—	0.00%	—
	56,928,075.26		73,624		1,736,773.69	95,456,766.40		17,517		9,488,298.53	21,246,778.58		1,514		15,258.05

	PPF Retail Credit Loans					*PPF Personal Loans*					*Car Finance Contracts*				
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Arrears*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Arrears*	*Current Principal Balance £*	*% of total*	*No. of car finance contracts*	*% of total*	*Arrears*
up to 1	6,927,479.23	100.00	6,394	100.00%	9,119.97	6,418,537.58	100.00%	764	100.00%	—	25,818,708.22	99.06%	3,497	99.26%	4,310.62
>1<=2		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	120,789.33	0.46%	12	0.34%	6,143.43
>2<=3		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	70,297.58	0.27%	8	0.23%	4,878.83
>3<=4		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	43,716.99	0.17%	5	0.14%	4,996.54
>4<=5		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	8,995.00	0.03%	1	0.03%	1,651.20
>5<=6		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
>6<=7		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
>7<=8		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
>8<=9		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
>9<=10 ..		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
>10<=11		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
>11<=12		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
>12		0.00%	—	0.00%	—	—	0.00%	—	0.00%	—	—	0.00%	—	0.00%	
	6,927,479.23		6,394		9,119.97	6,418,537.58		764		—	26,062,507.12		3,523		21,980.62

BREAKDOWN OF PROVISIONAL POOL ASSET DISTRIBUTION BY INTEREST RATE

	CFUK Retail Credit Loans				*CFUK Personal Loans*				*Secured Loans*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*
<=8.00%	8,602.88	0.02%	44	0.06%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
>8.00%<=9.00%	1,404,436.09	2.47%	1,995	2.71%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
>9.00% <=10.00%	9,329,543.52	16.39%	8,385	11.39%	25,794,285.89	27.02%	2,393	13.66%	2,381,786.71	11.21%	77	5.09%
>10.00%<=11.00%	8,954,204.39	15.73%	12,472	16.94%	11,556,437.63	12.11%	1,211	6.91%	5,247,486.41	24.70%	271	17.90%
>11.00%<=12.00%	4,134,330.73	7.26%	5,264	7.15%	24,448,758.93	25.61%	4,418	25.22%	123,316.14	0.58%	8	0.53%
>12.00%<=13.00%	4,532,526.54	7.96%	5,294	7.19%	18,217,877.49	19.08%	3,544	20.23%	12,648,644.82	59.53%	1,061	70.08%
>13.00%<=14.00%	2,864,051.68	5.03%	3,643	4.95%	6,327,913.65	6.63%	1,949	11.13%	33,185.94	0.16%	3	0.20%
>14.00%<=15.00%	3,341,577.01	5.87%	4,950	6.72%	2,840,536.76	2.98%	663	3.78%	812,358.56	3.82%	94	6.21%
>15.00%<=16.00%	1,622,583.89	2.85%	3,991	5.42%	3,471,146.28	3.64%	1,812	10.34%	—	0.00%	—	0.00%
>16.00%<=17.00%	1,151,237.56	2.02%	2,950	4.01%	162,141.12	0.17%	132	0.75%	—	0.00%	—	0.00%
>17.00%<=18.00%	1,874,387.66	3.29%	3,472	4.72%	1,276,736.84	1.34%	937	5.35%	—	0.00%	—	0.00%
>18.00%<=19.00%	1,724,627.78	3.03%	3,193	4.34%	159,878.28	0.17%	90	0.51%	—	0.00%	—	0.00%
>19.00%<=20.00%	978,409.48	1.72%	1,592	2.16%	31,899.75	0.03%	38	0.22%	—	0.00%	—	0.00%
>20.00%	15,007,556.05	26.36%	16,379	22.25%	1,169,153.78	1.22%	330	1.88%	—	0.00%	—	0.00%
	56,928,075.26		73,624		95,456,766.40		17,517		21,246,778.58		1,514	

	PPF Retail Credit Loans				*PPF Personal Loans*				*Car Finance Contracts*			
	Current Principal Balance £	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of loans*	*% of total*	*Current Principal Balance £*	*% of total*	*No. of car finance contracts*	*% of total*
<=8.00%	3,285.33	0.05%	4	0.06%	—	0.00%	—	0.00%	723,002.39	2.77%	79	2.24%
>8.00%<=9.00%	82,450.97	1.19%	34	0.53%	—	0.00%	—	0.00%	1,153,914.15	4.43%	114	3.24%
>9.00%<=10.00%	1,163,458.52	16.79%	879	13.75%	168,725.78	2.63%	12	1.57%	3,026,897.23	11.61%	305	8.66%
>10.00%<=11.00%	821,976.99	11.87%	686	10.73%	63,125.76	0.98%	6	0.79%	4,837,401.12	18.56%	624	17.71%
>11.00%<=12.00%	384,266.69	5.55%	234	3.66%	399,864.29	6.23%	42	5.50%	2,931,622.46	11.25%	421	11.95%
>12.00%<=13.00%	503,159.47	7.26%	351	5.49%	211,205.50	3.29%	27	3.53%	3,267,819.51	12.54%	415	11.78%
>13.00%<=14.00%	498,465.62	7.20%	356	5.57%	1,353,046.45	21.08%	222	29.06%	1,957,302.25	7.51%	249	7.07%
>14.00%<=15.00%	319,516.19	4.61%	342	5.35%	3,554,628.33	55.38%	306	40.05%	2,941,608.79	11.29%	474	13.45%
>15.00%<=16.00%	334,524.59	4.83%	483	7.55%	—	0.00%	—	0.00%	1,482,850.62	5.69%	217	6.16%
>16.00%<=17.00%	262,410.06	3.79%	463	7.24%	667,941.47	10.41%	149	19.50%	983,542.64	3.77%	148	4.20%
>17.00%<=18.00%	312,116.83	4.51%	380	5.94%	—	0.00%	—	0.00%	1,604,313.83	6.16%	253	7.18%
>18.00%<=19.00%	217,727.48	3.14%	277	4.33%	—	0.00%	—	0.00%	373,991.11	1.43%	62	1.76%
>19.00%<=20.00%	95,619.30	1.38%	136	2.13%	—	0.00%	—	0.00%	233,152.37	0.89%	44	1.25%
>20.00%	1,928,501.19	27.84%	1,769	27.67%	—	0.00%	—	0.00%	545,088.65	2.09%	118	3.35%
	6,927,479.23		6,394		6,418,537.58		764		26,062,507.12		3,523	

CFUK RETAIL CREDIT LOANS – PRODUCT TYPES

Product Type	Current Principal Balance £	% of total	No. of loans	% of total
Deferred Payment Loans	2,682,294.41	4.71%	1,696	2.30%
Non Deferred	54,245,780.85	95.29%	71,928	97.70%
	56,928,075.26		73,624	

CFUK RETAIL CREDIT LOANS – GOODS CATEGORIES

Goods Category	Current Principal Balance £	% of total	No. of loans	% of total
Brown Electrical	1,171,070.77	2.06%	1,628	2.21%
Carpets	2,463,828.76	4.33%	4,308	5.85%
Electronics incl. Computers	1,291,621.64	2.27%	1,452	1.97%
Furniture	48,828,419.68	85.77%	62,203	84.49%
Other	2,849,300.25	5.01%	3,569	4.85%
Photographic	31,281.49	0.05%	91	0.12%
Plastic surgery	197,598.11	0.35%	114	0.15%
White electrical	94,954.56	0.17%	259	0.35%
	56,928,075.26		73,624	

PPF RETAIL CREDIT LOANS – PRODUCT TYPES

Product Type	Current Principal Balance £	% of total	No. of loans	% of total
Deferred Payment Loans	752,639.62	10.86%	553	8.65%
Non Deferred	6,174,839.61	89.14%	5,841	91.35%
	6,927,479.23		6,394	

PPF RETAIL CREDIT LOANS – GOODS CATEGORIES

Goods Category	Current Principal Balance £	% of total	No. of loans	% of total
Brown Electrical	374,790.69	5.41%	312	4.88%
Carpets	572,255.56	8.26%	660	10.32%
Electronics incl. Computers	174,526.16	2.52%	140	2.19%
Furniture	5,205,235.98	75.14%	4,733	74.02%
Other	556,641.56	8.04%	467	7.30%
Photographic	7,823.81	0.11%	13	0.20%
Plastic surgery	10,446.60	0.15%	5	0.08%
White electrical	25,758.87	0.37%	64	1.00%
	6,927,479.23		6,394	

SECURED LOANS – LOAN TO VALUE RATIOS

Loan to value ratios	Current Principal Balance £	% of total	No. of loans	% of total
<=25%	253,440.56	1.19%	26	1.72%
>25%<=50%	859,912.07	4.05%	81	5.35%
>50%<=55%	339,697.52	1.60%	26	1.72%
>55%<=60%	545,877.44	2.57%	55	3.63%
>60%<=65%	592,158.57	2.79%	47	3.10%
>65%<=70%	697,521.16	3.28%	66	4.36%
>70%<=75%	1,151,500.12	5.42%	86	5.68%
>75%<=80%	1,202,292.94	5.66%	96	6.34%
>80%<=85%	1,844,280.54	8.68%	131	8.65%
>85%<=90%	2,580,844.53	12.15%	186	12.29%
>90%<=95%	3,834,125.45	18.05%	265	17.50%
>95%<=100%	3,964,907.52	18.66%	261	17.24%
over 100%	3,380,220.16	15.91%	188	12.42%
	21,246,778.58		1,514	

SECURED LOANS – RATE FIXING METHODS

Rate Fixing Method	Current Principal Balance £	% of total	No. of loans	% of total
Fixed	4,437,908.41	20.89%	307	20.28%
Standard Variable	16,808,870.17	79.11%	1,207	79.72%
	21,246,778.58		1,514	

CAR FINANCE CONTRACTS – CONTRACT TYPES

Contract Type	Current Principal Balance £	% of total	No. of car finance contracts	% of total
Motor Vehicle Hire Purchase Agreements	23,432,715.25	89.91%	3,371	95.69%
Motor Vehicle Conditional Sale Agreements	2,629,791.87	10.09%	152	4.31%
	26,062,507.12		3,523	

PORTFOLIO ASSET ADMINISTRATION

Introduction

PFPLC will be appointed by, *inter alios*, each of the Issuer and the Trustee under the Administration Agreement to be their agent (according to their respective interests) to administer the Portfolio Assets. PFPLC will administer the Portfolio Assets with the same diligence and skill as would a reasonably prudent lender or financier administering its own unsecured consumer loans, secured consumer loans and car finance products, subject to the provisions of the Administration Agreement. PFPLC will undertake that in its role as administrator, it will comply with any proper directions, orders and instructions which the Issuer or the Trustee may from time to time give to PFPLC in accordance with the provisions of the Administration Agreement. The services to be provided by PFPLC under the Administration Agreement include, in addition to those duties more fully described below, the sale on behalf of the Issuer of Portfolio Motor Vehicles which are (a) subject to Car Finance Contracts which are motor vehicle hire-purchase agreements or motor vehicle contract purchase agreements in respect of which the option to purchase of the Hirer is not exercised or subject to motor vehicle contract purchase agreements where the final payment is not made; or (b) repossessed upon default by the Hirer/Lessee. Save as provided therein, the Administration Agreement is conditional upon the issue of the Notes taking place. PFPLC's appointment as administrator can be terminated by the Trustee in the event of, *inter alia*, a breach by PFPLC of the terms of the Administration Agreement which, in the opinion of the Trustee, is materially prejudicial to the interests of the Noteholders (subject, in the case of conflict between the interests of Noteholders of different classes, to the provisions of the Trust Deed which require the Trustee to have regard first to the interests of the Class A Noteholders, then to the interests of the Class B Noteholders and then to the interests of the Class C Noteholders) or in the event of PFPLC's insolvency.

Portfolio Asset Interest Rate

After the issue of the Notes and pursuant to the Administration Agreement, PFPLC (on behalf of the Issuer and the Trustee) will set or calculate the rates of interest (or other equivalent revenue charges) applicable to the Portfolio Assets, except in certain limited circumstances. In those limited circumstances, the Trustee, the Issuer or a substitute administrator will be entitled to do so.

If at any time the Administrator on behalf of the Issuer wishes to set (or does not wish to change) the rate of interest applicable to the Portfolio Secured Loans (or any of them) or to purchase any Further Secured Loans with, in any case, the result that the weighted average of the interest rates applicable to the Portfolio Secured Loans (taking account of all hedging arrangements entered into by the Issuer and all income expected to be received by the Issuer from any Authorised Investments in the then current Interest Period) would be less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above LIBOR applicable to the Notes at that time, it will be entitled to do so only if and to the extent that there is a credit balance in the Shortfall Fund (if any) (net of all provisions previously made during the then current Interest Period) at least equal to the shortfall which would arise at that time and it makes a provision in such Shortfall Fund equal to such shortfall.

On each Determination Date, the Shortfall Fund (if any) to the extent standing to the credit of the Transaction Account will be taken into account when determining the Issuer Funds in respect of the next following Interest Payment Date.

Furthermore, the weighted average of the interest rates used to calculate payments made under any portfolio of Unsecured Loans being acquired by the Issuer at any time may not on the relevant sale date be less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above the rate payable by the Issuer under the hedging arrangements entered into by it in relation to that acquisition. Similarly, the weighted average of the interest rates used to calculate the payments under any portfolio of Car Finance Contracts being acquired by the Issuer at any time may not on the relevant sale date be less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above the rate payable by the Issuer under the hedging arrangements entered into by it in relation to that acquisition.

Debtor Ledger/Current Balance/Current Principal Balance

Pursuant to the Administration Agreement, the Administrator will establish and maintain a separate Debtor Ledger for each Portfolio Asset. The Administrator will record on each Debtor Ledger: (i) all amounts from time to time due and payable by the Obligor in respect of the relevant Portfolio Asset, as

debits; (ii) the Current Balance of that Portfolio Asset as a debit balance (which includes the part of the Current Balance that represents Current Principal Balance); and (iii) all amounts from time to time received from the Obligor in respect of that Portfolio Asset, as credits.

The Current Balance of a Portfolio Unsecured Loan that is a Personal Loan (other than one sold by CFUK to the Issuer) or a Portfolio Secured Loan on any date will be the aggregate outstanding amount of principal, interest and other amounts due and payable by the Borrower thereunder on that date as shown in the Debtor Ledger less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement.

The Current Balance of a Portfolio Car Finance Contract, a Portfolio Unsecured Loan that is a Retail Credit Loan or, as the case may be, a Portfolio Unsecured Loan that is a Personal Loan sold by CFUK to the Issuer on any date will be the aggregate amount of those parts of each monthly payment payable by the relevant Obligor that is attributable to principal in accordance with the Administration Agreement throughout the remaining term of such Portfolio Car Finance Contract, Retail Credit Loan or, as the case may be, Personal Loan (including amounts then due and payable but not paid) (and in the case of a Portfolio Car Finance Contract which comprises a conditional sale agreement, a lease agreement or a motor vehicle contract purchase agreement plus the assumed residual value of the relevant Portfolio Motor Vehicle) plus the aggregate outstanding amount of interest (or its equivalent), and other amounts due and payable by the Obligor on that date thereunder each as shown in the Debtor Ledger less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement.

The Current Principal Balance of a Portfolio Unsecured Loan that is a Personal Loan (other than one sold by CFUK to the Issuer) or a Portfolio Secured Loan on any date will be the aggregate outstanding amount of principal due and payable by the Borrower thereunder other than, for the avoidance of doubt, any arrears of interest which have been capitalised.

The Current Principal Balance of a Portfolio Car Finance Contract, a Portfolio Unsecured Loan that is a Retail Credit Loan or, as the case may be, a Portfolio Unsecured Loan that is a Personal Loan sold by CFUK to the Issuer on any date will be the aggregate amount of those parts of each monthly payment payable by the relevant Obligor that is attributable to principal in accordance with the Administration Agreement throughout the remaining term of such Portfolio Car Finance Contract, Retail Credit Loan or, as the case may be, Personal Loan other than, for the avoidance of doubt, any arrears of interest which have been capitalised (including amounts then due and payable but not paid) (and, in the case of a Portfolio Car Finance Contract with comprises a conditional sale agreement, a lease agreement or a motor vehicle contract purchase agreement plus the assumed residual value of the relevant Portfolio Motor Vehicle) on that date thereunder each as shown in the Debtor Ledger for the relevant Portfolio Asset less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement.

On receipt of a payment from an Obligor, or upon any amount becoming payable by that Obligor, in relation to a Portfolio Asset, the Administrator will apportion such amounts as either principal or interest (or their respective equivalents) receipts.

In apportioning receipts in respect of Portfolio Assets, the Administrator will assume that any payment by an Obligor is made first against outstanding interest (or its equivalent) and thereafter against principal (or its equivalent).

Payments from Obligors

All direct debit payments made by Obligors will be paid either (i) directly into the Transaction Account or (ii) if such payments cannot be made directly to the Transaction Account without a change of instructions from the relevant Obligor, to the Collection Account of the Seller from whom the Issuer acquired the relevant Portfolio Asset. The Administrator will give the instructions necessary for amounts to be debited from Obligors in accordance with the direct debiting scheme into either the Transaction Account or any one of the Collection Accounts. However, the Administrator may agree with certain Obligors that the direct debiting scheme need not apply to such Obligors, provided that alternative arrangements apply that are intended to ensure timely payment of amounts due in respect of the relevant Portfolio Assets.

All moneys in respect of Portfolio Assets that are credited directly to a Collection Account will be transferred on the first business day after being credited to such account, or as soon as practicable thereafter, to the Transaction Account.

CFUK executed declarations of trust over its two collection accounts at Barclays Bank PLC on 16th October, 2000 under which it declared that any credit balance on such collection accounts representing direct debit payments, cheque payments and certain other sums of money in respect of the Portfolio Unsecured Loans are held on trust for the Issuer until they are applied in the manner described above. CFUK will execute on or before the Closing Date a declaration of trust over its collection account at National Westminster Bank Plc (this declaration of trust, together with the two declarations of trust in respect of CFUK's Collection Accounts with Barclays Bank PLC being the "CFUK Collection Account Declarations of Trust") under which it will declare, *inter alia*, that any credit balance on such collection account representing direct debit payments, cheque payments and certain other sums of money in respect of Portfolio Unsecured Loans will be held on trust for the Issuer until they are applied in the manner described above.

PPF executed a declaration of trust over its collection account at National Westminster Bank Plc on 5th May, 1998, which declaration of trust has been or will be amended or supplemented from time to time including by way of a supplemental declaration of trust to be executed on or before the Closing Date. PPF will also execute on or before the Closing Date a declaration of trust over its collection account at Barclays Bank PLC. Each such initial declaration of trust and all such supplemental declarations of trust are herein together referred to as the "PPF Collection Account Declaration of Trust"). Pursuant to the PPF Collection Account Declaration of Trust, PPF will declare, *inter alia*, that any credit balance on such collection accounts representing direct debit payments, cheque payments and certain other sums of money in respect of Portfolio Unsecured Loans and the Portfolio Secured Loans will be held on trust for the Issuer until they are applied in the manner described above.

PCF executed a declaration of trust over its collection account at National Westminster Bank Plc on 16th June, 1998, which declaration of trust has been or will be amended or supplemented from time to time including by way of a supplemental declaration of trust to be executed on or before the Closing Date (such initial declaration of trust and all such supplemental declarations of trust are herein referred to as the "PCF Collection Account Declaration of Trust") under which it will declare, *inter alia*, that any credit balance on such collection account representing direct debit payments, cheque payments and certain other sums of money in respect of Portfolio Car Finance Contracts will be held on trust for the Issuer until they are applied in the manner described above.

PFPLC executed a declaration of trust over its collection account at National Westminster Bank Plc and its two collection accounts at HSBC Bank Plc in August 1992, which declaration of trust has been or will be amended and supplemented from time to time including by way of a supplemental declaration of trust to be executed on or before the Closing Date (such initial and supplemental declarations of trust are herein refered to as the "PFPLC Collection Account Declarations of Trust") under which it will declare, *inter alia*, that any credit balance on such collection accounts representing direct debit payments, cheque payments and certain other sums of money in respect of Portfolio Assets will be held on trust for the Issuer until they are applied in the manner described above.

Any Seller (other than PPF, CFUK, PFPLC and PCF) will execute on or before it sells any Unsecured Loans, Secured Loans or Car Finance Contracts to the Issuer a declaration of trust over any collection account which it operates (together with the PPF Collection Account Declaration of Trust, the PCF Collection Account Declaration of Trust, the PFPLC Collection Account Declarations of Trust and the CFUK Collection Account Declarations of Trust, the "Collection Account Declarations of Trust" and each a "Collection Account Declaration of Trust") under which it will declare, *inter alia*, that any credit balance on such collection account(s) representing direct debit payments, cheque payments and certain other sums of money in respect of Portfolio Unsecured Loans, Portfolio Secured Loans or Portfolio Car Finance Contracts will be held on trust for the Issuer until they are applied in the manner set out above.

Arrears and Default Procedures

The Administrator will endeavour to collect all payments due under or in connection with the Portfolio Assets in accordance with its own standard procedures but having regard to the circumstances of the Obligor in each case. The Administrator may exercise such discretion as would be exercised by a reasonably prudent lender (or, as the case may be, provider of motor vehicle finance) in applying the enforcement procedures which may include making arrangements whereby an Obligor's payments may be varied to be payable beyond the original maturity of the Portfolio Asset but only if the Administrator reasonably believes that such Obligor is unable otherwise to meet his or her payment obligations.

In the case of a Portfolio Secured Loan, the enforcement procedures may also include taking legal action for possession of the relevant Property and the subsequent sale of that Property by the mortgagee holding first ranking security over the relevant Property or by the Administrator on behalf of the Issuer.

The Court has discretion as to whether on application by the lender it orders a Borrower to vacate the Property after a default. A lender will usually apply for such an order so that it can sell the Property with vacant possession. The net proceeds of sale of any Property (after payment of the costs and expenses of the sale) would be applied against the sums owing from the Borrower to the extent necessary to repay the Secured Loan and discharge the related Mortgage.

Following completion of the enforcement procedures in relation to a Portfolio Asset, on the earliest to occur of: (i) the day on which the Administrator certifies that in its opinion the prospects of any further recovery from the relevant Obligor are not sufficiently good to merit further action or proceedings, (ii) the first day on which the arrears in respect of such Portfolio Asset exceed twelve times the then current monthly instalment and (iii) in the case of a Portfolio Car Finance Contract, the day on which the relevant Motor Vehicle is sold, the Current Balance of the relevant Portfolio Asset will be written off in accordance with the Administration Agreement.

The Administrator will be responsible for all litigation relating to Portfolio Assets, whether via its in-house litigation department or via an external panel of solicitors, on those accounts where a balance remains outstanding after the sale of any related Property (in the case of Secured Loans) or of the related Motor Vehicle (in the case of Car Finance Contracts) or where enforcement via litigation on Portfolio Assets becomes necessary. The Administrator's collections department will, if appropriate, instruct its in-house litigation department to obtain a money judgement for the balance outstanding, following which the appropriate method of enforcement (such as attachment of earnings) will be considered.

Further Advances in respect of the Portfolio Secured Loans

In relation to the Portfolio Secured Loans, neither PPF nor the Issuer nor any other Seller is or will be under any obligation mandatorily to advance any further sums to the Borrowers pursuant to the terms of the related Secured Loan Agreements. The Administrator on behalf of the Issuer may, however, at its discretion, but subject to certain conditions in the Administration Agreement described below, decide to make a discretionary further advance, in respect of a Portfolio Secured Loan, on the security of the Property subject to the related Mortgage on the request of a Borrower. Such discretionary further advance may only be made if it is secured on the relevant property owned by the relevant Borrower but subject to the related Mortgage. In addition, the Issuer may make a discretionary further advance in respect of a Portfolio Secured Loan to a Borrower as part of its arrears and default procedures by capitalising outstanding arrears of interest payable by a Borrower. The capitalisation of outstanding arrears constituting a capitalisation for these purposes if the capitalised amount is added to the principal balance of the Portfolio Secured Loan and the relevant Borrower's arrears are discharged.

The Issuer may make a further advance on any day if and to the extent that the amount of such further advance when added to the aggregate purchase prices of all Portfolio Assets to be purchased, and the aggregate amount of all other further advances to be made, on the same day does not exceed the Substitution Amount on such day and, where the Substitution Amount is so exceeded, the Issuer will be entitled to request a further drawdown under the Subordinated Loan Agreement to fund such further advance, although CMS9 shall be under no obligation to make available any such advance so requested. The Issuer is not entitled to agree to make any discretionary further advance in respect of a Portfolio Secured Loan unless the Substitution Amount is such that the further advance may be made or unless CMS9 has agreed, at its discretion, to make available an advance under the Subordinated Loan Agreement for such purpose.

The Administration Agreement will provide that discretionary further advances may only be made by the Issuer on a Portfolio Secured Loan if, *inter alia*, (a) the relevant Seller's lending criteria as far as applicable are satisfied at the relevant time subject to such waivers as might be within the discretion of a reasonably prudent lender, (b) the effect of making any such further advance would not be that Portfolio Secured Loans with aggregate Current Balances of more than £5,000,000 would have an original maturity later than June 2030 or that any Portfolio Secured Loan would have an original maturity later than June 2045, (c) as a result of making any such further advance, the aggregate Current Balances of the Portfolio Secured Loans would not exceed 30% of (x) the aggregate Current Balances of the Portfolio Assets on such day (taking into account the effect on the aggregate Current Balances of the Portfolio Assets of the making of such further advance, the acceptance of any offers by any Sellers to sell Unsecured Loans, Secured Loans and/or Car Finance Contracts to the Issuer on the same day and the making of any other further advances on the same day) plus (y) the excess of the Substitution Amount on such day over the aggregate of (A) the aggregate purchase prices of all Portfolio Assets and (B) the aggregate amount of all further advances,

purchased or made by the Issuer on such day and (d), neither of the Rating Agencies has notified the Issuer that any rating assigned by it to any class of Notes would be adversely affected as a result of such further advance.

If the Administrator on behalf of the Issuer does not wish, or is unable, to make a discretionary further advance, the relevant Seller may (but is not obliged to) make that further advance on the security of a mortgage or standard security over the Property in question (postponed to the relevant Mortgage securing the Portfolio Secured Loan concerned).

Conversion of Portfolio Secured Loans

The Administrator may agree or elect to convert a Portfolio Secured Loan from one type of secured loan into another. If, and to the extent that, the Converted Loan would comprise a fixed rate, capped rate or collared rate Secured Loan the Issuer will, on or before the date of conversion, have entered into one or more interest rate swaps, interest rate caps, interest rate floors or other hedging arrangements together with any related guarantees in respect of the Converted Loans if to do so is necessary to meet the requirements of the Rating Agencies (see "The Issuer – Hedging Arrangements" above). The ability of the Issuer to convert a Portfolio Secured Loan to another type is subject to certain further conditions to be set out in the Administration Agreement including, *inter alia*, that the effect of such conversion would not be that Portfolio Secured Loans with aggregate Current Balances of more than £5,000,000 would have an original maturity later than June 2030 or that any Portfolio Secured Loan would have an original maturity later than June 2045.

Insurance

The Administrator will, on behalf of the Issuer, administer and maintain all arrangements for insurance in respect of, or in connection with, the Issuer's business and will make claims on behalf of the Issuer under any such insurance policies when necessary.

Reinvestment of Income

The Transaction Account will at all times be maintained with a bank located in the United Kingdom either whose long-term unsecured and unguaranteed debt is rated Aaa by Moody's and AAA by Standard & Poor's or whose short-term debt is rated P-1 by Moody's and A-1 by Standard and Poor's or any of the long-term unsecured and unguaranteed debt of which is rated by each of the Rating Agencies as high as or higher than the then current ratings of the Class A Notes or, if no Class A Notes are outstanding, the Class B Notes or, if there are no Class B Notes then outstanding, the Class C Notes, and shall not be changed without the prior written consent of the Trustee. If such bank ceases to satisfy the criteria mentioned above, the Administration Agreement will contain provisions requiring the Administrator to arrange for the transfer of the Transaction Account to another bank which does satisfy such criteria.

Sums held to the credit of the Transaction Account (to which payments of interest and interest equivalent and repayments of principal and principal equivalent in respect of Portfolio Assets are to be credited and into and out of which all other payments to and by the Issuer are to be made) must be invested in Authorised Investments provided that moneys invested in entities rated A-1 by Standard & Poor's may not be invested for a period of more than 30 days and such investments may not exceed 20% of the Principal Amount Outstanding of the Notes. Such investments and deposits must be denominated in sterling and must always mature on or before the Interest Payment Date immediately following acquisition or deposit.

Such investments will be charged to the Trustee and form part of the security for the payment of principal and interest on the Notes.

Until such time as the Notes are redeemed in full, an amount equal to the First Loss Fund must be invested in accordance with the criteria applicable to cash held in the Transaction Account specified above, save that the relevant short-term debt rating by Standard & Poor's of the entity in which the investment or investments is or are made must, in such case, be A-1+.

Delegation by the Administrator

The Administrator may, in certain circumstances, with the consent of the Issuer and the Trustee, subcontract or delegate its obligations under the Administration Agreement. The Administrator may not subcontract or delegate all or substantially all of its obligations under the Administration Agreement if any of the then current ratings of the Notes would be adversely affected.

Administration Fee

The Administration Agreement makes provision for payments to be made to the Administrator. On each Interest Payment Date the Issuer will pay to PFPLC as Administrator an administration fee of not more than 0.85% (inclusive of VAT) per annum on the Current Balances of the Portfolio Assets on the Determination Date immediately preceding such Interest Payment Date (or, in relation to the first Interest Payment Date, those Current Balances on the Closing Date). That fee will be payable in arrear on each Interest Payment Date. A higher fee at a rate agreed by the Trustee (but which does not exceed the rate then commonly charged by providers of administration services for unsecured consumer loans, secured consumer loans and motor vehicle finance agreements) may be payable to any substitute administrator appointed following termination of PFPLC's appointment.

Each Seller will be entitled to receive from the Issuer for its own account any commissions due to it from insurers out of premiums paid by Obligors as a result of it having placed insurance in relation to the Portfolio Assets of which it is the relevant Seller with such insurers.

The administration fee and all costs and expenses of the Administrator (including those of any substitute administrator) and the aforesaid commissions are to be paid in priority to payments due on the Notes. This order of priority has been agreed with a view to procuring the continuing performance by the Administrator of its duties in relation to the Issuer, the Portfolio Assets and the Notes.

Redemption of Mortgages

Under the Administration Agreement, the Administrator will be responsible for handling the procedures connected with the redemption of Mortgages. In order to enable the Administrator to do this, the Trustee and the Issuer will be required to execute powers of attorney in favour of the Administrator which will enable it to discharge the Mortgages from the security to be created over them in favour of the Trustee under the Deed of Charge, without reference to the Trustee or the Issuer.

Termination of Administrator's Appointment

If, at any time, *inter alia*: (i) the Administrator fails to make any payment when due under the Administration Agreement (subject to a two business day grace period); or (ii) the Administrator defaults in performance of any of its obligations under the Administration Agreement which, in the opinion of the Trustee, is materially prejudicial to the interests of the Noteholders (subject to a 14 day remedy period, if the breach is remediable); or (iii) the Administrator becomes insolvent or is wound up or proceedings are initiated against it under any applicable insolvency legislation (except where such proceedings are being contested in good faith); or (iv) an administrator or administrative receiver is appointed in respect of the Administrator or its assets, then the Trustee may (but is not obliged to) terminate the Administration Agreement and the appointment of the Administrator. The Trustee has no obligation to act as Administrator.

Upon termination in accordance with the previous paragraph, the Administrator will deliver all relevant data and information relating to the Portfolio Assets to the Trustee, who may appoint a substitute administrator substantially on the terms of the Administration Agreement.

The Administrator may resign from its appointment on the expiry of not less than 12 months' notice, provided that: (i) the Trustee consents to such resignation; (ii) a substitute administrator is appointed with effect from a date that is no later than the date of expiry of such notice; (iii) such substitute administrator is capable of administering unsecured consumer loans and secured consumer loans to, and motor vehicle finance agreements with, Obligors in England, Wales, Scotland and (in the case of unsecured consumer loans) Northern Ireland and is approved by the Trustee; and (iv) each of the Rating Agencies confirms that such resignation will not adversely affect the then current ratings of the Notes. The Administrator will continue to be liable to perform its obligations under the Administration Agreement until the substitute administrator has entered into an administration agreement substantially on the terms of the Administration Agreement.

DESCRIPTION OF THE CLASS A NOTES, THE GLOBAL CLASS A NOTES AND THE SECURITY

The issue of the £178,210,000 Class A Asset Backed Floating Rate Notes due 2021 (the "Class A Notes") will be authorised by a resolution or resolutions of the Board of Directors of Paragon Personal and Auto Finance (No. 1) PLC (the "Issuer") passed on or before the Closing Date (as defined in Class A Condition 4(a) below). The Class A Notes are constituted by a trust deed (the "Trust Deed") to be dated the Closing Date between the Issuer and Citicorp Trustee Company Limited (the "Trustee", which expression shall include its successors as trustee under the Trust Deed) as trustee for the holders for the time being of the Class A Notes (the "Class A Noteholders"), the holders for the time being of the Class B Notes (as defined in Class A Condition 2 below) (the "Class B Noteholders") and the holders for the time being of the Class C Notes (as defined in Class A Condition 2 below) (the "Class C Noteholders"). The net proceeds from the issue of the Notes will be applied, amongst other things, in repayment to Finance for People (No. 10) PLC and Collateralised Mortgage Securities (No. 9) PLC of borrowings made by the Issuer to assist in the acquisition of certain Portfolio Assets (as defined in the master definitions schedule to be dated the Closing Date between and signed by, *inter alios*, the Issuer and the Trustee (the "Master Definitions Schedule")), and in the purchase, either on or during the period of four years after the Closing Date, of additional Portfolio Assets (as defined in the Master Definitions Schedule).

The statements set out below include summaries of, and are subject to, the detailed provisions of the Trust Deed and a deed of charge and assignment (the "Deed of Charge") to be dated the Closing Date between, *inter alios*, the Issuer, the Trustee, Colonial Finance (UK) Limited ("CFUK"), Paragon Finance PLC ("PFPLC"), Paragon Personal Finance Limited ("PPF"), Paragon Car Finance Limited ("PCF"), PFPLC in its capacity as administrator and The Royal Bank of Scotland plc in its capacity as swap provider (the "Swap Provider"). The Trust Deed will include the form of the temporary global note (the "Temporary Global Class A Note") and the permanent global note (the "Permanent Global Class A Note") for the Class A Notes and the definitive Class A Notes and coupons and talons relating thereto. Certain words and expressions used above and below have the meanings defined in the Trust Deed or the Master Definitions Schedule. In accordance with an agency agreement (the "Agency Agreement") to be dated the Closing Date between the Issuer, the Trustee and Citibank, N.A. as principal paying agent (the "Principal Paying Agent", which expression shall include its successors as principal paying agent under the Agency Agreement) and as reference agent (the "Reference Agent", which expression shall include its successors as reference agent under the Agency Agreement) (and the Agency Agreement shall include provision for the appointment of further paying agents (together with the Principal Paying Agent, the "Paying Agents", which expression shall include the successors of each paying agent appointed as such under the Agency Agreement and any additional paying agent appointed)), payments in respect of the Class A Notes will be made by the Paying Agents and the Reference Agent will make the determinations therein specified. The Class A Noteholders will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge and will be deemed to have notice of all the provisions of the Administration Agreement, the Secured Loan Sale Agreement, the Standard Terms and Conditions, the Bridge Standard Terms and Conditions, the Master Definitions Schedule, the Warranty Deed, the Repurchase Deed (each as defined in the Master Definitions Schedule) and the Agency Agreement. Copies of such documents will be available for inspection at the principal London office of the Trustee, being at the date hereof Third Floor, Cottons Centre, Hay's Lane, London SE1 2QT, and at the specified offices for the time being of the Paying Agents.

Class A Notes and Coupons (as defined in Class A Condition 1 below) will bear the following legend: *"Any United States Person (as defined in the Internal Revenue Code) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code"*. The sections referred to in the legend provide that a United States Person (as defined in the Internal Revenue Code) will not, with certain exceptions, be permitted to deduct any loss, and will not be eligible for favourable capital gains treatment with respect to any gain, realised on a sale, exchange or redemption of a Class A Note or Coupon.

Global Class A Notes

The Class A Notes (which shall be in the denomination of £10,000 each) will be initially represented by a Temporary Global Class A Note in bearer form, without coupons or talons, in the principal amount of £178,210,000. The Temporary Global Class A Note will be deposited on behalf of the subscribers of the Class A Notes with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") on the Closing Date. Upon deposit of the Temporary Global Class A Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Class A Notes with the principal amount of Class A Notes for which it has subscribed and paid. Interests in the Temporary Global Class A Notes will be

exchangeable 40 days after the Closing Date (provided certification of non-U.S. beneficial ownership by the Class A Noteholders has been received) for interests in the Permanent Global Class A Note, in bearer form, without coupons or talons, in an equivalent principal amount to the Temporary Global Class A Note (the expression "Global Class A Notes" and "Global Class A Note" meaning, respectively, (i) both of the Temporary Global Class A Note and the Permanent Global Class A Note or (ii) either of the Temporary Global Class A Note or the Permanent Global Class A Note, as the context may require). On the exchange of the Temporary Global Class A Note for the Permanent Global Class A Note, the Permanent Global Class A Note will also be deposited with the Common Depositary. The Global Class A Notes will be transferable by delivery. The Permanent Global Class A Note will be exchangeable for definitive Class A Notes in bearer form in certain circumstances described below. Interest and principal on each Global Class A Note will be payable against presentation of that Global Class A Note by the Common Depositary to the Principal Paying Agent provided certification of non-U.S. beneficial ownership by the Class A Noteholders has been received by Euroclear or Clearstream, Luxembourg. Each of the persons appearing from time to time in the records of Euroclear or of Clearstream, Luxembourg, as the holder of a Class A Note will be entitled to receive any payment so made in respect of that Class A Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Class A Notes, which must be made by the holder of the relevant Global Class A Note, for so long as such Global Class A Note is outstanding. Each such person must give a certificate as to non-U.S. beneficial ownership as of the earlier of (i) the date on which the Issuer is obliged to exchange the Temporary Global Class A Note for the Permanent Global Class A Note, which date shall be no earlier than the Exchange Date (as defined in the Temporary Global Class A Note) and (ii) the first Interest Payment Date, in order to obtain any payment due on the Class A Notes.

For so long as the Class A Notes are represented by a Global Class A Note, such Class A Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or, as the case may be, of Clearstream, Luxembourg.

For so long as the Class A Notes are represented by a Global Class A Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Class A Notes will be entitled to be treated by the Issuer and the Trustee as a holder of such principal amount of Class A Notes and the expression "Class A Noteholder" shall be construed accordingly, but without prejudice to the entitlement of the bearer of the Global Class A Note to be paid principal and interest thereon in accordance with its terms.

Principal and interest on a Global Class A Note will be payable against presentation of such Global Class A Note at the specified office of the Principal Paying Agent or, at the option of the holder, at any specified office of any Paying Agent provided that no payment of interest on a Global Class A Note may be made by, or upon presentation of such Global Class A Note to, any Paying Agent in the United States of America. A record of each payment made on a Global Class A Note, distinguishing between any payment of principal and payment of interest, will be endorsed on such Global Class A Note by the Paying Agent to which such Global Class A Note was presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

If (i) the principal amount of the Class A Notes becomes immediately due and payable by reason of default or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after 26th June, 2001, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Class A Notes which would not be required were the Class A Notes in definitive form, then the Issuer will (at the Issuer's expense) issue definitive Class A Notes represented by the Permanent Global Class A Note in exchange for the whole outstanding interest in the Permanent Global Class A Note within 30 days of the occurrence of the relevant event, but in any event not prior to the expiry of 40 days after the Closing Date.

Security

The security for the Class A Notes will be created pursuant to, and on the terms set out in, the Deed of Charge, which creates in favour of the Trustee on trust for, *inter alios*, the Class A Noteholders:

(1) a sub-charge over the Mortgages which comprise English Mortgages and an assignation in security of the Issuer's interest in the Mortgages which comprise Scottish Mortgages, in each case purchased by the Issuer under the Secured Loan Sale Agreement;

(2) a conveyance, transfer and assignment by way of first fixed security of:

(a) subject, where applicable, to the subsisting rights of the Obligors (as defined in the Master Definitions Schedule) all present and future right, title, interest and benefit of the Issuer in and under the Portfolio Assets (including Scottish Unsecured Loans, Scottish Secured Loans or Scottish Car Finance Contracts) other than the Portfolio Motor Vehicles which will be subject to a floating charge only (all as defined in the Master Definitions Schedule) to which it is or becomes beneficially entitled, including for the avoidance of doubt:

(i) all sums of principal (or sums equivalent to principal), interest (or revenue charges equivalent to interest) or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal (or equivalent) moneys payable or to become payable under such Portfolio Assets or the unpaid part thereof and the interest (or revenue charges equivalent to interest) due or to become due thereon;

(ii) the benefit of and the right to sue on all covenants with, or vested in, the Issuer in respect of each such Portfolio Asset and the right to exercise all powers of the Issuer in relation to each such Portfolio Asset;

(iii) all causes and rights of action of the Issuer against any person in connection with any report, opinion, certificate, consent or other statement of fact or opinion given in connection with such Portfolio Asset or affecting any decision to enter into the relevant Financing Agreement (as defined in the Master Definitions Schedule); and

(iv) the benefit of any guarantee, indemnity or surety vested in the Issuer relating to each such Portfolio Asset; and

(b) subject to any subsisting rights of redemption, all right, title, interest and benefit of the Issuer (whether present or future) in any insurances of which the Issuer may have the benefit or may acquire in the future;

(3) a charge, conveyance, transfer and assignment by way of first fixed security of:

(a) all the rights, title, interest and benefit, present and future, of the Issuer in to and under the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts and the Car Finance Scottish Trusts (each as defined in the Master Definitions Schedule); and

(b) all the rights, title, interest and benefit, present and future, of the Issuer in and to all moneys, rights and property whatsoever which, from time to time and at any time, may be distributed under, or derived from, or accrue on, the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property or the Car Finance Scottish Trust Property or in respect of the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts in any way whatsoever including all rights to receive payment of any amounts which may become payable to the Issuer under the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts and all payments received by the Issuer thereunder and also including, without limitation, all rights to serve notices and/or make demands thereunder, all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof and all rights of the Issuer arising under or in respect of the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts;

(4) a conveyance, transfer and assignment by way of first fixed security of all the right, title, interest and benefit, present and future, of the Issuer in the Secured Loan Sale Agreement, each Asset Sale Contract, the Repurchase Deed, the Warranty Deed, the Administration Agreement, the Agency Agreement, the Subordinated Loan Agreement, the VAT Declaration of Trust, the Services Letter, the Fee Letter, the Swap Agreement, any other hedging arrangements entered into by the Issuer, the Collection Account Declarations of Trust (each as defined in the Master Definitions Schedule) and all other contracts, agreements, deeds and documents, present and

future, to which the Issuer is or may become a party, 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 the right, title, interest and benefit, present and future, of the Issuer in and to the Transaction Account (as defined in the Master Definitions Schedule) and all sums of money which from time to time may be standing to the credit of the Transaction 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 and the benefit of all covenants relating thereto and all powers and remedies for enforcing the same;

(6) a first fixed charge over all the right, title, interest and benefit present and future of the Issuer in the Authorised Investments (as defined in the Master Definitions Schedule) and each of them made by the Issuer in accordance with the Administration Agreement 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 moneys, 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; and

(7) a first floating charge over the whole of the undertaking and all the property and assets of the Issuer whatsoever and wheresoever situate, present and future, other than any property or assets from time to time or for the time being effectively charged by way of fixed charge, or otherwise assigned as fixed security, by the Deed of Charge (but excepting from the foregoing exclusion all property, assets, rights and interests (i) charged or assigned as referred to in paragraphs (2) and (3) above and (ii) otherwise situate in or governed by Scots law, which are charged by the floating charge). For the avoidance of doubt, the Issuer's interest in each Portfolio Motor Vehicle shall be subject to the floating charge.

The security described above over the assets of the Issuer, which constitutes the security for the Class A Notes, is referred to as the "Security". The Security also stands as security for any amounts payable by the Issuer to the Class B Noteholders, the Class C Noteholders and to any Receiver, the Trustee, the Paying Agents, the Reference Agent, the Administrator, any Subordinated Lender, the Swap Provider, PPF, CFUK, PCF, CMS9 and PFPLC under the Notes and any Coupons, the Trust Deed, the Agency Agreement, the Deed of Charge, the Administration Agreement, the Secured Loan Sale Agreement, any Asset Sale Contract, the Subordinated Loan Agreement, the Fee Letter, the Services Letter and the Swap Agreement (each as defined in the Master Definitions Schedule). The Deed of Charge contains provisions regulating the priority of application of amounts forming part of the Security among the persons entitled thereto. After service of an Enforcement Notice, amounts payable to any Receiver, the Trustee, the Paying Agents and the Reference Agent, amounts payable to the Administrator (including fees, out-of-pocket expenses and commissions), amounts payable to the Swap Provider and any Permitted Hedge Provider and amounts of all commissions (if any) paid by insurance companies to each of PFPLC, PPF, PCF, CFUK and any other Seller pursuant to the Administration Agreement will rank in priority to payments on the Class A Notes.

TERMS AND CONDITIONS OF THE CLASS A NOTES

The following, subject to amendments, are the terms and conditions of the Class A Notes (the "Class A Conditions" and any reference to a "Class A Condition" shall be construed accordingly) substantially in the form as they will appear on the reverse of the Class A Notes in definitive form. While the Class A Notes remain in global form, the same terms and conditions govern them, except to the extent that they are appropriate only to the Class A Notes in definitive form.

1. Form, Denomination and Title

The Class A Notes are serially numbered and are issued in bearer form in the denomination of £10,000 each with, at the date of issue, interest coupons ("Interest Coupons") and principal coupons ("Principal Coupons") (severally or together "Coupons") and talons ("Talons") attached. Title to the Class A Notes, the Coupons and the Talons shall pass by delivery.

The holder of each Coupon (each a "Couponholder") and each Talon (whether or not the Coupon or the Talon is attached to a Class A Note) in his capacity as such shall be subject to and bound by all the provisions contained in the relevant Class A Note.

To the extent permitted by applicable law, the Issuer, the Trustee and the Paying Agents may treat the holder of any Class A Note, Coupon or Talon as the absolute owner thereof (whether or not such Class A Note, Coupon or Talon shall be overdue and notwithstanding any notice to the contrary or writing thereon or any notice of previous loss or theft thereof or of trust or other interest therein) for the purpose of making payment and for all other purposes.

2. Status and Relationship between the Class A Notes, the Class B Notes and the Class C Notes

The Class A Notes and the Coupons are secured by fixed and floating security over all of the assets (as more particularly described in the Deed of Charge) of the Issuer and rank *pari passu* and rateably without any preference or priority among themselves.

The £51,450,000 Class B Asset Backed Floating Rate Notes due 2032 of the Issuer (the "Class B Notes") and the £21,340,000 Class C Asset Backed Floating Rate Notes due 2048 of the Issuer (the "Class C Notes") are constituted by the Trust Deed and are secured by the same security as secures the Class A Notes, but the Class A Notes will rank in priority to the Class B Notes and the Class C Notes in the event of the security being enforced. The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of all of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders, the Class C Noteholders and/or the other persons entitled to the benefit of the Security.

3. Covenants of the Issuer

(A) So long as any of the Class A Notes, the Class B Notes or the Class C Notes remains outstanding (as defined in the Master Definitions Schedule), the Issuer shall not, save to the extent permitted by the Relevant Documents (as defined below) or with the prior written consent of the Trustee:

(1) carry on any business other than as described in the Offering Circular dated 26th June, 2001 relating to the issue of the Class A Notes, the Class B Notes and the Class C Notes (and then only in relation to the Portfolio Assets and the related activities described in any Unsecured Loan Agreement, Secured Loan Agreement (or its related Mortgage) or Car Finance Agreement) and in respect of that business shall not engage in any activity or do anything whatsoever except:

(a) own and exercise its rights in respect of the Security and its interests therein and perform its obligations in respect of the Security and the assets comprised therein;

(b) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Class A Notes, the Coupons and Talons, the Class B Notes and the Class C Notes and any principal coupons, interest coupons and talons appertaining respectively thereto, the subscription agreements relating to each of the Class A Notes, the Class B Notes and the Class C Notes and the other agreements relating to the issue of the Class A Notes, the Class B Notes and the Class C Notes (or any of them), the Secured Loan Sale Agreement, any Asset Sale Contract, the Agency Agreement, the Trust Deed,

the Administration Agreement, the Fee Letter, the Subordinated Loan Agreement, the Portfolio Assets, the Deed of Charge, the Collection Account Declarations of Trust, the Swap Agreement, the VAT Declaration of Trust, the Services Letter, any insurances in which the Issuer at any time has an interest, the Scottish Trusts and all other agreements and documents comprised in the security for the Class A Notes, the Class B Notes and the Class C Notes (all as defined in the Master Definitions Schedule) (together the "Relevant Documents");

(c) 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, *inter alia*, make claims, payments and surrenders in respect of certain tax reliefs;

(d) use, invest or dispose of, or otherwise deal with, or agree or attempt or purport to dispose of, any of its property or assets or grant any option or right to acquire the same 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, the Class B Notes or the Class C Notes in accordance with their respective terms and conditions; and

(e) perform any act incidental to or necessary in connection with (a), (b), (c) or (d) above;

(2) 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 Fee Letter, the Services Letter, the Swap Agreement, the VAT Declaration of Trust and excluding any borrowing in accordance with the provisions of the Subordinated Loan Agreement;

(3) create any mortgage, sub-mortgage, charge, sub-charge, pledge, lien or other security interest whatsoever (other than any which arise by operation of law) over any of its assets;

(4) 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:

(a) 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 unsecured and secured consumer loans and motor vehicle finance agreements 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 these Class A Conditions on the part of the Issuer to be performed or observed;

(b) immediately after giving effect to such transaction, no Event of Default (as defined in Class A Condition 9) shall have occurred and be continuing;

(c) 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;

(d) 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; and

(e) the Rating Agencies confirm that the then current ratings of the Class A Notes, the Class B Notes and the Class C Notes will not be adversely affected as a result of such consolidation, merger, conveyance or transfer;

(5) permit the validity or effectiveness of the Trust Deed or the Deed of Charge or the priority of the security created thereby to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of the Security to be released from such obligations;

(6) 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

(7) have an interest in any bank account, other than the Transaction Account, the VAT Account and the Collection Accounts (each as defined in the Master Definitions Schedule), unless such account or interest is charged to the Trustee on terms acceptable to it.

(B) So long as any of the Class A Notes remains outstanding the Issuer will procure that there will at all times be an administrator of the Portfolio Assets (the "Administrator"). Any appointment of an Administrator is subject to the prior written approval of the Trustee and must be of a person with experience of the administration of unsecured and secured consumer loans and motor vehicle finance contracts in England, Wales, Scotland and Northern Ireland. The Administrator will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Trustee. The appointment of the Administrator may be terminated by the Trustee if, *inter alia*, the Administrator is in breach of its obligations under the Administration Agreement which breach, in the opinion of the Trustee, is materially prejudicial to the interests of the Class A Noteholders or, if the Class A Notes have been redeemed in full, the Class B Noteholders or, if the Class A Notes and the Class B Notes have been redeemed in full, the Class C Noteholders.

4. Interest

(a) Interest Payment Dates

Each Class A Note bears interest on its Principal Amount Outstanding (as defined in Class A Condition 5(b)) from and including 28th June, 2001 or such later date as may be agreed between the Issuer and the Managers for the issue of the Class A Notes (the "Closing Date"). Provided certification of non-U.S. beneficial ownership has been received with respect to the Class A Notes, interest in respect of such Class A Notes is payable quarterly in arrear on 15th March, 15th June, 15th September and 15th December in each year (or, if any such date is not a business day, the next succeeding day which is a business day, each an "Interest Payment Date"). As used in these Class A Conditions except Class A Condition 6, "Business Day" means a day (other than a Saturday or Sunday) on which banks are open for business in London.

The period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is called an "Interest Period". Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 365 (or 366 in the case of an Interest Period or other period ending in a leap year) day year. The first interest payment will be made on the Interest Payment Date falling in September 2001 in respect of the period from (and including) the Closing Date to (but excluding) the Interest Payment Date falling in September 2001.

Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Class A Note as from (and including) the due date for redemption of such part unless, upon due presentation of the relevant Principal Coupon, payment of principal due is improperly withheld or refused, whereupon interest shall continue to accrue on such principal at the Rate of Interest (as defined in paragraph (c) below) from time to time applicable to the Class A Notes until the moneys in respect thereof have been received by the Trustee or the Principal Paying Agent and notice to that effect is given in accordance with Class A Condition 12.

(b) Coupons and Talons

On issue, Coupons and Talons applicable to Class A Notes in definitive form are attached to the Class A Notes. A Talon may be exchanged for further Coupons and, if applicable, a further Talon on or after the Interest Payment Date for the final Coupon on the relevant Coupon sheet by surrendering such Talon at the specified office of any Paying Agent. Interest payments on the Class A Notes will be made against presentation and surrender of the appropriate Coupons in accordance with Class A Condition 6, except as provided therein.

(c) Rate of Interest

The rate of interest applicable from time to time to the Class A Notes (the "Rate of Interest") will be determined by Citibank, N.A. acting as reference agent (the "Reference Agent", which expression shall include its successors as Reference Agent under the Agency Agreement) on the basis of the following provisions:

(i) On the Closing Date (an "Interest Determination Date") in respect of the first Interest Period, the Reference Agent will determine the interest rate by reference to a linear interpolation between the rates for sterling deposits for a period of two months and sterling deposits for a

period of three months quoted on the Telerate Screen Page 3750 (or any other page on which Telerate is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the Closing Date being, if more than one rate is quoted and the rates quoted are not the same, the arithmetic mean (rounded to five decimal places) of the rates so quoted. On each Interest Payment Date thereafter (each also an ''Interest Determination Date'') in respect of each subsequent Interest Period, the Reference Agent will determine the interest rate on sterling deposits for a period of three months quoted on the Telerate Screen Page 3750 (or any other page on which Telerate is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the Interest Determination Date in question being, if more than one rate is quoted and the rates quoted are not the same, the arithmetic mean (rounded to five decimal places) of the rates so quoted. The Rate of Interest applicable for the Interest Period beginning on the relevant Interest Determination Date shall be the aggregate of such interest rate (or such arithmetic mean (rounded, if necessary) as aforesaid) as determined by the Reference Agent and the margin of 0.29% per annum up to and including the Interest Period ending in June, 2007 and thereafter 0.58% per annum.

(ii) If, on any Interest Determination Date, no such rates are being quoted on the Telerate Screen Page 3750 (or such other appropriate page) at such time and on such date, the Reference Agent will request the principal London office of each of Barclays Bank Plc, Lloyds TSB plc, HSBC Bank plc and The Royal Bank of Scotland plc or any duly appointed substitute reference bank(s) as may be appointed by the Issuer and approved by the Trustee (the ''Reference Banks'') to provide the Reference Agent with its offered quotation to leading banks for three-month sterling deposits or, in the case of the first Interest Period, for two-month and three-month sterling deposits, of £10,000,000 in London for same day value as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for the relevant Interest Period shall be determined, as in sub-paragraph (i), on the basis of the offered quotations of those Reference Banks. If, on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Reference Agent, the Rate of Interest for the relevant Interest Period shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, one only or none of the Reference Banks provides the Reference Agent with such an offered quotation, the Reference Agent shall forthwith consult with the Trustee and the Issuer for the purpose of agreeing two banks (or, where one only of the Reference Banks provides such a quotation, one additional bank) to provide such a quotation or quotations to the Reference Agent (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which sub-paragraph (i) or the foregoing provisions of this sub-paragraph (ii) shall have applied.

(iii) There shall be no maximum or minimum Rate of Interest.

(d) Determination of Rate of Interest and Calculation of Interest Payments

The Reference Agent will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine the Rate of Interest applicable to, and calculate the amount of interest payable on, the Class A Notes (an ''Interest Payment'') for the relevant Interest Period. The Interest Payment for the Class A Notes shall be calculated by applying the Rate of Interest for the Class A Notes to the Principal Amount Outstanding of the Class A Notes taking into account any payment of principal due on such Interest Determination Date, multiplying by the actual number of days in the relevant Interest Period and dividing by 365 or, in the case of an Interest Period ending in a leap year, 366 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards).

(e) Publication of Rate of Interest and Interest Payments

The Reference Agent will cause the Rate of Interest and the Interest Payment applicable to the Class A Notes for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the Paying Agents, the Administrator and, for so long as the Class A Notes are listed by

the UK Listing Authority (the "UKLA") and admitted to trading by the London Stock Exchange plc (the "London Stock Exchange"), the London Stock Exchange, and will cause the same to be published in accordance with Class A Condition 12 on or as soon as possible after the date of commencement of the relevant Interest Period. The Interest Payment and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a shortening of the Interest Period.

(f) Determination or Calculation by Trustee

If the Reference Agent at any time for any reason does not determine the Rate of Interest or calculate an Interest Payment for the Class A Notes in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest for the Class A Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (c) above, but subject to the terms of the Trust Deed), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Payment for the Class A Notes in accordance with paragraph (d) above, and each such determination or calculation shall be deemed to have been made by the Reference Agent.

(g) Reference Banks and Reference Agent

The Issuer will procure that, so long as any of the Class A Notes remains outstanding, at all times, there will be at least four Reference Banks and a Reference Agent. The Issuer reserves the right at any time to terminate the appointment of the Reference Agent or of any Reference Bank. Notice of any such termination will be given to the Class A Noteholders. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be), or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written approval of the Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act as such in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved by the Trustee has been appointed.

5. Redemption and Purchase

(a) Mandatory Redemption in Part from Available Redemption Funds: Apportionment of Available Redemption Funds Between the Class A Notes, the Class B Notes and the Class C Notes

The Class A Notes shall be subject to mandatory redemption in part on any Interest Payment Date if on the relevant Determination Date (as defined below) there are any Available Redemption Funds (as defined below). The principal amount so redeemable in respect of each Class A Note prior to the service of an Enforcement Notice (each a "Principal Payment") on any Interest Payment Date shall be the amount of the Class A Available Redemption Funds (as defined below) on the Determination Date relating to that Interest Payment Date divided by the number of Class A Notes then outstanding (as defined in the Master Definitions Schedule) (rounded down to the nearest pound sterling); provided always that no Principal Payment may exceed the Principal Amount Outstanding of a Class A Note.

The "Determination Date" means the last Business Day of the month preceding that in which an Interest Payment Date falls and "relevant Determination Date" means, in respect of an Interest Payment Date, the last Business Day of the month preceding that in which such Interest Payment Date falls.

"Available Redemption Funds" on any Determination Date (the "Relevant Date") means an amount equal to the aggregate of:

(i) the amount (if any) left when the amount (if any) of Available Purchase Funds (as defined below) at the Relevant Date, which the Issuer has notified to the Administrator pursuant to the Administration Agreement, that it then intends to apply in purchasing Further Unsecured Loans and/or Further Secured Loans and/or Further Car Finance Contracts and any related Motor Vehicles and/or in making any further advances in respect of Portfolio Secured Loans at any time during the period from (but excluding) the Relevant Date to (and including) the fourth anniversary of the Closing Date (such notified amount being "Allocated Purchase Funds") is subtracted from Available Purchase Funds at the Relevant Date; and

(ii) an amount equal to the aggregate amount (if any) of the provisions that would have been made as specified in paragraphs (x) to (xv) (inclusive) of clause 6.2.2 of the Deed of Charge on the Interest Payment Date next following the Relevant Date, but which the Issuer gives notice to the

Administrator pursuant to the Administration Agreement on the Relevant Date should not be made but the amount of which should instead be added to the Available Redemption Funds on the Relevant Date,

PROVIDED THAT

(a) if either the Performing Assets Balance Test Ratio (as defined below) as at the Relevant Date is less than 1:1 or any borrowing by the Issuer under the Subordinated Loan Agreement which is taken into account for the purpose of calculating that Performing Assets Balance Test Ratio as at the Relevant Date pursuant to paragraph (d)(A) of the definition of Available Purchase Funds is not made on or before the relevant Interest Payment Date, then the Allocated Purchase Funds shall be deemed to be zero; and

(b) the amount referred to in paragraph (i) above as at the Relevant Date will not exceed an amount which, were it to have been deducted from the aggregate Principal Amount Outstanding of the Class A Notes, Class B Notes and Class C Notes on the Relevant Date for the purposes of the calculation of the Performing Assets Balance Test Ratio on such date, would have resulted in the Performing Assets Balance Test Ratio on the Relevant Date having been 1:1 PROVIDED THAT for the purposes of the calculation of the Performing Assets Balance Test Ratio pursuant to this sub-paragraph (b), a reference to ''Allocated Purchase Funds'' will be substituted for the reference to ''Available Purchase Funds'' in paragraph (b) of the Performing Assets Balance Test Ratio definition below.

''Available Purchase Funds'' means at any Determination Date (the ''Relevant Date'') an amount determined by the Administrator pursuant to the Administration Agreement on the Relevant Date to be equal to the aggregate of:

(a) the amount of the Available Funds (as defined below) standing to the credit of the Transaction Account as at the close of business on the Relevant Date; and

(b) any payment due to be received by the Issuer from the Swap Counterparty or any Permitted Hedge Provider under the Swap Agreement or otherwise in the period from (but excluding) the Relevant Date to (and including) the Interest Payment Date next following the Relevant Date (the ''Period''); and

(c) all proceeds of disposal or on maturity of any Authorised Investments made or acquired on or before the Relevant Date and due to mature on or before the next following Interest Payment Date (whether or not reinvested during the Period) and any income to be earned thereon (including interest to be earned on the Transaction Account), in each case, due to be received by the Issuer during the Period; and

(d) (A) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period for the purpose of ensuring that the Performing Assets Balance Test Ratio equals or exceeds 1:1 as at the Relevant Date; and (B) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period (other than on an Interest Payment Date) for the purpose of establishing or increasing the Shortfall Fund; and

(e) all amounts standing to the credit of the Collection Accounts in respect of the Portfolio Assets as at the close of business on the Relevant Date that are to be transferred to the Transaction Account during the Period; less

(f) an amount equal to the aggregate amount that the Administrator on the Relevant Date estimates will fall to be paid or provided for on or before the Interest Payment Date next following the Relevant Date in respect of the payments and provisions specified in paragraphs (i) to (vii) (inclusive) of clause 6.2.2 of the Deed of Charge; and less

(g) but only prior to the earlier of (i) the date on which the Issuer has received an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer on the Closing Date of the benefit of the Initial Portfolio Unsecured Loans that are Scottish Unsecured Loans and the Initial Portfolio Car Finance Contracts that are Scottish Car Finance Contracts or (ii) the date on which the Issuer pays all such stamp duty (if any) which is so payable, an amount equal to £400,000,

but so that no amount shall be added or deducted more than once in the same calculation.

''Performing Assets Balance Test Ratio'' means on any Determination Date (the ''Relevant Date'') the ratio of the aggregate of:

(a) the aggregate of the Current Principal Balances of all Performing Assets (each as defined below) as at the Relevant Date; and

(b) the Available Purchase Funds at such Relevant Date,

less an amount equal to the aggregate of:

(c) an amount which the Rating Agencies determine and notify to the Issuer to be the amount by which the aggregate of the Current Principal Balances of the Performing Assets as at the Closing Date plus the Initial Allocated Purchase Funds (as defined below) must exceed the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes on the Closing Date in order to achieve the initial ratings of the Notes; and

(d) an amount equal to the aggregate of all amounts (if any) which have fallen within paragraph (ii) of the definition of Available Redemption Funds at any time on or prior to the Relevant Date,

to:

(e) the aggregate Principal Amount Outstanding of the Notes as at the Relevant Date.

''Performing Assets'' means all Portfolio Assets that are equal to or less than twelve months in arrears. A Portfolio Asset for this purpose will not be equal to or less than twelve months in arrears at any time if at such time amounts totalling in aggregate more than twelve times the then current monthly payment due from the Obligor under such Portfolio Asset have not been paid when due and/or have been capitalised within the twelve months immediately preceding such time.

''Current Principal Balance'' on any day means: (a) in relation to a Portfolio Unsecured Loan that is a Personal Loan (other than one sold by CFUK to the Issuer) or, as the case may be, a Portfolio Secured Loan, the aggregate outstanding amount of principal due and payable by the Borrower thereunder other than, for the avoidance of doubt, any arrears of interest which have been capitalised; and (b) in relation to a Portfolio Car Finance Contract, a Portfolio Unsecured Loan that is a Retail Credit Loan or, as the case may be, a Portfolio Unsecured Loan that is a Personal Loan sold by CFUK to the Issuer, the aggregate amount of those parts of each monthly payment payable by the relevant Obligor that is attributable to principal in accordance with the Administration Agreement throughout the remaining term of such Portfolio Car Finance Contract, Retail Credit Loan or, as the case may be, Personal Loan other than, for the avoidance of doubt, any arrears of interest which have been capitalised (including amounts then due and payable but not paid) (and in the case of a Portfolio Car Finance Contract which comprises a conditional sale agreement, a lease agreement or a motor vehicle contract purchase agreement plus the assumed residual value of the relevant Portfolio Motor Vehicle) on that date thereunder each as shown in the Debtor Ledger (as defined below) for the relevant Portfolio Asset, less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement.

''Initial Allocated Purchase Funds'' means an amount equal to the gross proceeds of the issue of the Notes to the extent not applied in purchasing Unsecured Loans, Secured Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date or in repaying on the Closing Date amounts under the CMS9 Subordinated Loan Agreement or the Bridge Facility Agreement.

''Debtor Ledger'' means the ledger account established and maintained by or on behalf of the Administrator, pursuant to and in accordance with the Administration Agreement, in respect of each Portfolio Asset.

''Available Funds'' means all moneys received by the Issuer from Obligors or recovered under or in respect of the Portfolio Assets (including all principal and interest, and their equivalent, in relation to Portfolio Unsecured Loans and Portfolio Secured Loans and all amounts of principal and interest, and their equivalent in relation to Portfolio Car Finance Contracts and any amount received on the sale of a Portfolio Motor Vehicle or on the early settlement of such Portfolio Car Finance Contracts) and all other net income and other moneys of the Issuer and any amounts drawn by the Issuer under the Subordinated Loan Agreement.

The Available Redemption Funds on a Determination Date shall be apportioned between the Class A Notes, the Class B Notes and the Class C Notes to determine the ''Class A Available Redemption Funds'' and the ''Subordinated Available Redemption Funds'' as at such Determination Date.

The Class A Available Redemption Funds shall equal:

(i) on any Determination Date falling on or prior to the later of (a) the Interest Payment Date falling in June 2006 and (b) the first Interest Payment Date on which the Determination Event occurs (being the first Interest Payment Date on which the ratio of (I) the sum of the aggregate

Principal Amount Outstanding (as defined in the terms and conditions of the Class B Notes) of the Class B Notes and the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class C Notes) of the Class C Notes to (II) the sum of the aggregate Principal Amount Outstanding (as defined in Class A Condition 5(b)) of the Class A Notes, the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes is 163,777,500:251,000,000 or more), all of the Available Redemption Funds determined as at such Determination Date; and

(ii) on any other Determination Date, the Available Redemption Funds determined as at such date, less the Subordinated Available Redemption Funds determined as at such date.

The Subordinated Available Redemption Funds shall equal:

(i) where such Determination Date falls on or prior to the later of (a) the Interest Payment Date falling in June 2006 and (b) the first Interest Payment Date on which the Determination Event occurs, or on any Determination Date thereafter on which it is determined by or on behalf of the Issuer that the Performing Assets Balance Test Ratio is less than 1:1, nil; and

(ii) on any other Determination Date on which Class A Notes are outstanding and provided it is determined by or on behalf of the Issuer that the Performing Assets Balance Test Ratio is equal to or exceeds 1:1, that amount of the Available Redemption Funds determined as at such date which, if applied to the redemption of the Class B Notes and the Class C Notes, would cause the ratio of (I) the sum of the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes to (II) the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes (but deducting from such aggregate the Class A Available Redemption Funds (if any) on such Determination Date) after such application to become as nearly as possible equal to 163,777,500:251,000,000; provided that if any part of the Available Redemption Funds being applied in accordance with the above would result in the sum of the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes after such application being reduced below £16,942,500 the Subordinated Available Redemption Funds shall be reduced by an amount equal to such part of the Available Redemption Funds.

For the purpose of the calculation of the Performing Assets Balance Test Ratio when determining the Subordinated Available Redemption Funds a reference to "Allocated Purchase Funds" will be substituted for the reference to "Available Purchase Funds" in paragraph (b) of the definition of "Performing Assets Balance Test Ratio" above and the amount referred to in paragraph (e) of such definition will have deducted from it an amount equal to the Available Redemption Funds on the Determination Date in question.

If the Issuer does not for any reason determine the aggregate principal amount of the Class A Notes to be redeemed on any Interest Payment Date in accordance with the preceding provisions, the Issuer shall provide the requisite information to the Trustee, which shall thereupon determine the same in accordance with the preceding provisions, and each such determination shall be deemed to have been made by the Issuer.

Capitalised terms, not otherwise defined in this Class A Condition 5, have the respective meanings given to those terms in the Master Definitions Schedule.

(b) Calculation of Principal Payments, Principal Amount Outstanding and Pool Factor

(i) On (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Administrator to determine) (x) the amount of any Principal Payment in respect of each Class A Note due on the Interest Payment Date next following such Determination Date, (y) the Principal Amount Outstanding of each Class A Note on the first day of the next following Interest Period (after deducting any Principal Payment due to be made in respect of each Class A Note on the next Interest Payment Date) and (z) the fraction in respect of each Class A Note expressed as a decimal to the sixth point (the "Pool Factor"), of which the numerator is the Principal Amount Outstanding of a Class A Note (as referred to in (y) above) and the denominator is 10,000. Each determination by or on behalf of the Issuer of any Principal Payment, the Principal Amount Outstanding of a Class A Note and the Pool Factor in respect thereof shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons. The "Principal Amount Outstanding" of a Class A Note on

any date shall be the principal amount of that Class A Note upon issue less the aggregate amount of all Principal Payments in respect of that Class A Note that have become due and payable (whether or not paid) prior to such date.

(ii) The Issuer will, by not later than the ninth Business Day after the Determination Date immediately preceding the relevant Interest Payment Date or as soon as possible thereafter, cause each determination of a Principal Payment, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Principal Paying Agent, the Reference Agent and (for so long as the Class A Notes are listed by the UKLA and admitted to trading by the London Stock Exchange) the UKLA and the London Stock Exchange and will immediately cause details of each determination of a Principal Payment, Principal Amount Outstanding and Pool Factor to be published in accordance with Class A Condition 12 on the next following business day, or as soon as practicable thereafter. If no Principal Payment is due to be made on the Class A Notes on any Interest Payment Date a notice to this effect will be given to the Class A Noteholders.

(iii) If the Issuer does not at any time for any reason determine (or cause the Administrator to determine) a Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Principal Payment, Principal Amount Outstanding and Pool Factor shall be determined by the Trustee in accordance with this paragraph and paragraph (a) above (but based on the information in its possession as to the Available Redemption Funds) and each such determination or calculation shall be deemed to have been made by the Issuer.

(c) Redemption for Taxation or Other Reasons

If the Issuer satisfies the Trustee immediately prior to giving the notice referred to below that either (i) on the next Interest Payment Date the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Class A Notes, or the Issuer or a Swap Provider or any Permitted Hedge Provider would be required to deduct or withhold from amounts payable by it under a Swap Agreement or other hedging agreement, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest (or equivalent revenue charges) in relation to any of the Portfolio Assets for an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period, the Issuer may, but shall not be obliged to, provided that each of the Rating Agencies has confirmed to the Trustee that the then current rating of either or both the Class B Notes or Class C Notes would not thereby be adversely affected and provided further that the Issuer will be in a position on such Interest Payment Date to discharge (and will so certify to the Trustee) all its liabilities in respect of the Class A Notes and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class A Notes, at any time at its option, having given not more than 60 nor less than 30 days' notice in accordance with Class A Condition 12, redeem all (but not some only) of the Class A Notes at their Principal Amount Outstanding together with accrued interest to the date of redemption on any subsequent Interest Payment Date.

(d) Optional Redemption in Full

On giving not more than 60 nor less than 20 days' notice to the Trustee and the Class A Noteholders, and provided no Enforcement Notice has been served following an Event of Default, provided that each of the Rating Agencies has confirmed to the Trustee that the then current rating of either or both the Class B Notes or Class C Notes would not thereby be adversely affected and provided further that the Issuer will be in a position on such Interest Payment Date to discharge (and will so certify to the Trustee) all its liabilities in respect of the Class A Notes and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class A Notes, the Issuer may redeem all (but not some only) of the Class A Notes at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date falling in or after June 2004 (the "Coupon Call Date").

All (but not some only) of the Class A Notes may, at the option of the Issuer, provided that each of the Rating Agencies has confirmed to the Trustee that the then current rating of either or both the Class B Notes or Class C Notes would not thereby be adversely affected, be redeemed at their Principal Amount Outstanding together with accrued interest on any Interest Payment Date on which the sum of (1) the aggregate Principal Amount Outstanding of the Class A Notes, (2) the aggregate

Principal Amount Outstanding (as defined in the terms and conditions of the Class B Notes) of the Class B Notes and (3) the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class C Notes) of the Class C Notes is less than £50,200,000.

(e) Redemption on Maturity

If not otherwise redeemed, the Class A Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in June 2021.

(f) Purchases

The Class A Notes may not be purchased by the Issuer.

(g) Cancellation

All Class A Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith, together with all unmatured and unused Coupons and Talons attached thereto or surrendered therewith, and may not be resold or reissued.

(h) Certification

For the purposes of any redemption made pursuant to Class A Condition 5(c) or Class A Condition 5(d), as the case may be, the Trustee may rely upon any certificate of two Directors of the Issuer that the Issuer will be in a position to discharge all its liabilities in respect of the Class A Notes and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class A Notes and such certificate shall be conclusive and binding on the Issuer and the holders of the Class A Notes.

6. Payments

Interest Payments and Principal Payments on Class A Notes will be made against presentation and surrender of, or, in the case of partial redemption, endorsement of, respectively, Interest Coupons and Principal Coupons relating to Class A Notes (except where, after such surrender, the unpaid principal amount of a Class A Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Class A Note) in which case such Principal Payment will be made against presentation and surrender of such Class A Note). Payments of principal other than Principal Payments (except as provided in the preceding sentence) will be made against presentation and surrender of Class A Notes. Presentation must be made at the specified office of any Paying Agent provided that no payment of interest will be made by, or upon presentation of any Class A Note or Coupon to, any Paying Agent in the United States of America. Payments will be made by pounds sterling cheque drawn on a branch in the City of London of, or transfer to a pounds sterling account maintained by the payee with, a bank in the City of London, subject in all cases to any fiscal or other laws or regulations applicable in the place of payment.

The initial Principal Paying Agent is Citibank, N.A. at its office at 5 Carmelite Street, London EC4Y 0PA.

The Issuer may at any time (with the previous written approval of the Trustee) vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in the City of London. Notice of any such termination or appointment and of any change in the office through which any Paying Agent will act will be given in accordance with Class A Condition 12.

Upon the date on which the Principal Amount Outstanding of a Class A Note is due to be reduced to zero, unmatured and unused Coupons and Talons relating thereto (whether or not attached) shall become void and no payment or exchange shall be made in respect thereof. If the due date for redemption in full of a Class A Note is not an Interest Payment Date, the interest accrued in respect of the period from the preceding Interest Payment Date (or from the Closing Date as the case may be) shall be payable only against presentation or surrender of the relevant Class A Note.

If the due date for payment of any amount of principal or interest in respect of any Class A Note or Coupon is not a Business Day then payment will not be made until the next succeeding Business Day and the holder thereof shall not be entitled to any further interest or other payment in respect of such delay.

In this Class A Condition 6 the expression ''Business Day'' means any day (other than a Saturday or a Sunday) on which banks are open for business in the place where the specified office of the Paying Agent at which the Class A Note or Coupon is presented for payment is situated and (in the case of payment by

transfer to an account maintained by the payee in London) in London and, prior to the exchange of the entire Permanent Global Class A Note for definitive Class A Notes, on which both Euroclear and Clearstream, Luxembourg are open for business.

7. Taxation

All payments in respect of the Class A Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Class A Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the Paying Agents will be obliged to make any additional payments to holders of Class A Notes or Coupons in respect of such withholding or deduction.

8. Prescription

A Principal Coupon shall become void in its entirety unless surrendered for payment within ten years of the Relevant Payment Date in respect of any payment thereon. A Class A Note shall become void in its entirety unless surrendered for payment within ten years of the Relevant Payment Date in respect of any payment thereon the effect of which would be to reduce the Principal Amount Outstanding of such Class A Note to zero. An Interest Coupon shall become void unless surrendered for payment within five years of the Relevant Payment Date in respect thereof. After the date on which a Class A Note or a Coupon becomes void in its entirety, no claim may be made in respect thereof.

As used in this Class A Condition 8, the "Relevant Payment Date" means the date on which a payment first becomes due but, if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which the full amount of such money having been so received, notice to that effect shall have been duly given in accordance with Class A Condition 12.

9. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the aggregate of the Principal Amount Outstanding of the Class A Notes outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders (subject, in each case, to being indemnified to its satisfaction), shall (but, in the case of the happening of any of the events mentioned in (ii) to (v) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders and, in the case of the event mentioned in (i) below in relation to any payment of interest on the Class A Notes, only if the Trustee shall have certified in writing that the Issuer had, on the due date for payment of the amount of interest in question, sufficient cash to pay, in accordance with the provisions of the Deed of Charge, such interest (after payment of all sums which it is permitted under the Deed of Charge to pay in priority thereto or *pari passu* therewith)) give notice (an "Enforcement Notice") to the Issuer that the Class A Notes are, and each Class A Note shall accordingly forthwith become, immediately due and repayable at its Principal Amount Outstanding, together with accrued interest as provided in the Trust Deed, if any of the following events (each an "Event of Default") shall occur:

(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 Class A 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 Class A Notes or any of them; 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

(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 Class A 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 Class A 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; 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.

10. Enforcement

At any time after the Class A Notes become due and repayable at their Principal Amount Outstanding, the Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the security for the Class A Notes and Coupons and to enforce repayment of the Class A Notes and payment of interest, but it shall not be bound to take any such steps or proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or so requested in writing by Class A Noteholders holding at least one-quarter of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding and (ii) it shall have been indemnified to its satisfaction. Notwithstanding the foregoing, if the Class A Notes have become due and repayable pursuant to Class A Condition 9 otherwise than by reason of a default in payment of any amount due on the Class A Notes, the Trustee will not be entitled to dispose of the Security unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders and the Couponholders and other creditors of the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of a merchant bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and the Couponholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith. No Class A Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to take steps and/or proceed, fails to do so within a reasonable time and such failure is continuing.

11. Replacement of Class A Notes, Coupons and Talons

If any Class A Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Class A Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. Notices

All notices, other than notices given in accordance with the next following paragraph, to Class A Noteholders shall be deemed to have been duly given if published in a leading daily newspaper printed in the English language and with general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper or in one of the newspapers referred to above.

Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Payment, a Principal Payment (or absence thereof), a Principal Amount Outstanding or a Pool Factor shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters

Screen (presently Page PGCL) or such other medium for the electronic display of data as may be approved by the Trustee and notified to the Class A Noteholders (the "Relevant Screen"). Any such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen. If it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Class A Condition 12 shall be given in accordance with the preceding paragraph.

The Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Class A Noteholders in accordance with this Class A Condition 12.

13. Meetings of Class A Noteholders; Modifications; Consents; Waiver

The Trust Deed contains provisions for convening meetings of Class A Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Class A Noteholders of a modification of the Class A Notes (including these Class A Conditions) or the provisions of any of the Relevant Documents, provided that no modification of certain terms including, *inter alia*, the date of maturity of the Class A Notes, or a modification which would have the effect of postponing any day for payment of interest on the Class A Notes, reducing or cancelling the amount of principal payable on the Class A Notes or the rate of interest applicable to the Class A Notes or altering the majority required to pass an Extraordinary Resolution or altering the currency of payment of the Class A Notes or the Coupons or any alteration of the date or priority of redemption of the Class A Notes (any such modification being referred to below as a "Basic Terms Modification") shall be effective except that, if the Trustee is of the opinion that such a Basic Terms Modification is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, such Basic Terms Modification may be sanctioned by Extraordinary Resolution of the Class A Noteholders as described below. The quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 75% of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding or, at any adjourned meeting, two or more persons being or representing Class A Noteholders whatever the aggregate Principal Amount Outstanding of the Class A Notes so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing 75%, or at any adjourned such meeting, 25%, or more of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding. In the case of a Basic Terms Modification, an Extraordinary Resolution of a meeting of Class A Noteholders affected by such Basic Terms Modification will also be required. In any other case, no such separate meetings will be required unless an Enforcement Notice has been served (and the rules relating to meetings of Class A Noteholders, including matters relating to quorums and resolutions, shall apply *mutatis mutandis* to any meeting of Class A Noteholders). The Trust Deed contains provisions limiting the powers of the Class B Noteholders and the Class C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders and the Class C Noteholders, irrespective of the effect on their interests. An Extraordinary Resolution passed at any meeting of Class A Noteholders shall be binding on all Class A Noteholders, whether or not they are present at the meeting, and on all Couponholders. The majority required for an Extraordinary Resolution shall be 75% of the votes cast on that Extraordinary Resolution.

The Trustee may agree, without the consent of the Class A Noteholders or Couponholders, (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the Class A Notes (including these Class A Conditions) or any of the Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Class A Noteholders or (ii) to any modification of the Class A Notes (including these Class A Conditions) or any of the Relevant Documents which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Class A Noteholders or the Couponholders, determine that any Event of Default or any condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Class A Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Class A Noteholders in accordance with Class A Condition 12 as soon as practicable thereafter.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to realise the Security and to obtain repayment of the Class A Notes unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any other party to the Relevant Documents without accounting for any profit resulting from such transactions. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrator or any of its affiliates or by clearing organisations or their operators or by any person on behalf of the Trustee.

15. Notifications and Other Matters to be Final

Notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Class A Notes and the Coupons, whether by the Reference Banks (or any of them), the Reference Agent, the Issuer, the Administrator or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Reference Agent, the Trustee, the Administrator, the Principal Paying Agent, the other Paying Agents (if any) and all Class A Noteholders and Couponholders and (subject as aforesaid) no liability to the Issuer, the Administrator or the Class A Noteholders or Couponholders shall attach to the Reference Banks (or any of them), the Reference Agent, the Issuer, the Administrator or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

16. The Contracts (Rights of Third Parties) Act 1999

The Class A Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Class A Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

17. Governing Law

The Class A Notes, the Coupons, the Talons, the Trust Deed and the Deed of Charge are governed by, and shall be construed in accordance with, English law other than such provisions thereof as are particular to Scots law, which are governed by and shall be construed in accordance with the laws of Scotland and such provisions thereof as are particular to Northern Irish law, which are governed by and shall be construed in accordance with the laws of Northern Ireland.

DESCRIPTION OF THE CLASS B NOTES, THE GLOBAL CLASS B NOTES AND THE SECURITY

The issue of the £51,450,000 Class B Asset Backed Floating Rate Notes due 2032 (the "Class B Notes") will be authorised by a resolution or resolutions of the Board of Directors of Paragon Personal and Auto Finance (No. 1) PLC (the "Issuer") passed on or before the Closing Date (as defined in Class B Condition 4(a) below). The Class B Notes are constituted by a trust deed (the "Trust Deed") to be dated the Closing Date between the Issuer and Citicorp Trustee Company Limited (the "Trustee", which expression shall include its successors as trustee under the Trust Deed) as trustee for the holders for the time being of the Class B Notes (the "Class B Noteholders"), the holders for the time being of the Class A Notes (as defined in Class B Condition 2 below) (the "Class A Noteholders") and the holders for the time being of the Class C Notes (as defined in Class B Condition 2 below) (the "Class C Noteholders"). The net proceeds from the issue of the Notes will be applied, amongst other things, in repayment to Finance for People (No. 10) PLC and Collateralised Mortgage Securities (No. 9) PLC of borrowings made by the Issuer to assist in the acquisition of certain Portfolio Assets (as defined in the master definitions schedule to be dated the Closing Date between and signed by, *inter alios*, the Issuer and the Trustee (the "Master Definitions Schedule")), and in the purchase, either on or during the period of four years after the Closing Date, of additional Portfolio Assets (as defined in the Master Definitions Schedule).

The statements set out below include summaries of, and are subject to, the detailed provisions of the Trust Deed and a deed of charge and assignment (the "Deed of Charge") dated the Closing Date between, *inter alios*, the Issuer, the Trustee, Colonial Finance (UK) Limited ("CFUK"), Paragon Finance PLC ("PFPLC"), Paragon Personal Finance Limited ("PPF"), Paragon Car Finance Limited ("PCF"), PFPLC in its capacity as administrator and The Royal Bank of Scotland plc in its capacity as swap provider (the "Swap Provider"). The Trust Deed will include the form of the temporary global note (the "Temporary Global Class B Note") and the permanent global note (the "Permanent Global Class B Note") for the Class B Notes and the definitive Class B Notes and coupons and talons relating thereto. Certain words and expressions used above and below have the meanings defined in the Trust Deed or the Master Definitions Schedule. In accordance with an agency agreement (the "Agency Agreement") to be dated the Closing Date between the Issuer, the Trustee and Citibank, N.A. as principal paying agent (the "Principal Paying Agent", which expression shall include its successors as principal paying agent under the Agency Agreement) and as reference agent (the "Reference Agent", which expression shall include its successors as reference agent under the Agency Agreement) (and the Agency Agreement shall include provision for the appointment of further paying agents (together with the Principal Paying Agent, the "Paying Agents", which expression shall include the successors of each paying agent appointed as such under the Agency Agreement and any additional paying agent appointed)), payments in respect of the Class B Notes will be made by the Paying Agents and the Reference Agent will make the determinations therein specified. The Class B Noteholders will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge and will be deemed to have notice of all the provisions of the Administration Agreement, the Secured Loan Sale Agreement, the Standard Terms and Conditions, the Bridge Standard Terms and Conditions, the Master Definitions Schedule, the Warranty Deed, the Repurchase Deed (each as defined in the Master Definitions Schedule) and the Agency Agreement. Copies of such documents will be available for inspection at the principal London office of the Trustee, being at the date hereof Third Floor, Cottons Centre, Hay's Lane, London SE1 2QT, and at the specified offices for the time being of the Paying Agents.

Class B Notes and Coupons (as defined in Class B Condition 1 below) will bear the following legend: *"Any United States Person* (*as defined in the Internal Revenue Code*) *who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code"*. The sections referred to in the legend provide that a United States Person (as defined in the Internal Revenue Code) will not, with certain exceptions, be permitted to deduct any loss, and will not be eligible for favourable capital gains treatment with respect to any gain, realised on a sale, exchange or redemption of a Class B Note or Coupon.

Global Class B Notes

The Class B Notes (which shall be in the denomination of £10,000 each) will be initially represented by a Temporary Global Class B Note in bearer form, without coupons or talons, in the principal amount of £51,450,000. The Temporary Global Class B Note will be deposited on behalf of the subscribers of the Class B Notes with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") on the Closing Date. Upon deposit of the Temporary Global Class B Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Class B Notes with the principal amount of Class B Notes for which it has subscribed and paid. Interests in the Temporary Global Class B Note will be

exchangeable 40 days after the Closing Date (provided certification of non-U.S. beneficial ownership by the Class B Noteholders has been received) for interests in the Permanent Global Class B Note, in bearer form, without coupons or talons, in an equivalent principal amount to the Temporary Global Class B Note (the expression "Global Class B Notes" and "Global Class B Note" meaning, respectively, (i) both of the Temporary Global Class B Note and the Permanent Global Class B Note or (ii) either of the Temporary Global Class B Note or the Permanent Global Class B Note, as the context may require). On the exchange of the Temporary Global Class B Note for the Permanent Global Class B Note, the Permanent Global Class B Note will also be deposited with the Common Depositary. The Global Class B Notes will be transferable by delivery. The Permanent Global Class B Note will be exchangeable for definitive Class B Notes in bearer form in certain circumstances described below. Interest and principal on each Global Class B Note will be payable against presentation of that Global Class B Note by the Common Depositary to the Principal Paying Agent provided certification of non-U.S. beneficial ownership by the Class B Noteholders has been received by Euroclear or Clearstream, Luxembourg. Each of the persons appearing from time to time in the records of Euroclear or of Clearstream, Luxembourg, as the holder of a Class B Note will be entitled to receive any payment so made in respect of that Class B Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Class B Notes, which must be made by the holder of the relevant Global Class B Note, for so long as such Global Class B Note is outstanding. Each such person must give a certificate as to non-U.S. beneficial ownership as of the earlier of (i) the date on which the Issuer is obliged to exchange the Temporary Global Class B Note for the Permanent Global Class B Note, which date shall be no earlier than the Exchange Date (as defined in the Temporary Global Class B Note) and (ii) the first Interest Payment Date, in order to obtain any payment due on the Class B Notes.

For so long as the Class B Notes are represented by a Global Class B Note, such Class B Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or, as the case may be, of Clearstream, Luxembourg.

For so long as the Class B Notes are represented by a Global Class B Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of Class B Notes will be entitled to be treated by the Issuer and the Trustee as a holder of such principal amount of Class B Notes and the expression "Class B Noteholder" shall be construed accordingly, but without prejudice to the entitlement of the bearer of the Global Class B Note to be paid principal and interest thereon in accordance with its terms.

Principal and interest on a Global Class B Note will be payable against presentation of such Global Class B Note at the specified office of the Principal Paying Agent or, at the option of the holder, at any specified office of any Paying Agent provided that no payment of interest on a Global Class B Note may be made by, or upon presentation of such Global Class B Note to, any Paying Agent in the United States of America. A record of each payment made on a Global Class B Note, distinguishing between any payment of principal and payment of interest, will be endorsed on such Global Class B Note by the Paying Agent to which such Global Class B Note was presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

If (i) the principal amount of the Class B Notes becomes immediately due and payable by reason of default or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after 26th June, 2001, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Class B Notes which would not be required were the Class B Notes in definitive form, then the Issuer will (at the Issuer's expense) issue definitive Class B Notes represented by the Permanent Global Class B Note in exchange for the whole outstanding interest in the Permanent Global Class B Note within 30 days of the occurrence of the relevant event, but in any event not prior to the expiry of 40 days after the Closing Date.

Security

The security for the Class B Notes will be created pursuant to, and on the terms set out in, the Deed of Charge, which creates in favour of the Trustee on trust for, *inter alios*, the Class B Noteholders:

(1) a sub-charge over the Mortgages which comprise English Mortgages and an assignation in security of the Issuer's interest in the Mortgages which comprise Scottish Mortgages, in each case, purchased by the Issuer under the Secured Loan Sale Agreement;

(2) a conveyance, transfer and assignment by way of first fixed security of:

(a) subject, where applicable, to the subsisting rights of the Obligors (as defined in the Master Definitions Schedule), all present and future right, title, interest and benefit of the Issuer in and under the Portfolio Assets (including Scottish Unsecured Loans, Scottish Secured Loans or Scottish Car Finance Contracts) other than the Portfolio Motor Vehicles which will be subject to a floating charge (all as defined in the Master Definitions Schedule) to which it is or becomes beneficially entitled, including for the avoidance of doubt:

(i) all sums of principal (or sums equivalent to principal), interest (or revenue charges equivalent to interest) or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal (or equivalent) moneys payable or to become payable under such Portfolio Assets or the unpaid part thereof and the interest (or revenue charges equivalent to interest) due or to become due thereon;

(ii) the benefit of and the right to sue on all covenants with, or vested in, the Issuer in respect of each such Portfolio Asset and the right to exercise all powers of the Issuer in relation to each such Portfolio Asset;

(iii) all causes and rights of action of the Issuer against any person in connection with any report, opinion, certificate, consent or other statement of fact or opinion given in connection with such Portfolio Asset or affecting any decision to enter into the relevant Financing Agreement (as defined in the Master Definitions Schedule); and

(iv) the benefit of any guarantee, indemnity or surety vested in the Issuer relating to each such Portfolio Asset; and

(b) subject to any subsisting rights of redemption, all right, title, interest and benefit of the Issuer (whether present or future) in any insurances of which the Issuer may have the benefit or may acquire in the future;

(3) a charge, conveyance, transfer and assignment by way of first fixed security of:

(a) all the rights, title, interest and benefit, present and future, of the Issuer in to and under the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, the Unsecured Loan Scottish Trust, the Secured Loan Scottish Trusts and the Car Finance Scottish Trusts (each as defined in the Master Definitions Schedule); and

(b) all the rights, title, interest and benefit, present and future, of the Issuer in and to all moneys, rights and property whatsoever which, from time to time and at any time, may be distributed under, or derived from, or accrue on, the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property or the Car Finance Scottish Trust Property or in respect of the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts in any way whatsoever including all rights to receive payment of any amounts which may become payable to the Issuer under the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts and all payments received by the Issuer thereunder and also including, without limitation, all rights to serve notices and/or make demands thereunder, all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof and all rights of the Issuer arising under or in respect of the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts;

(4) a conveyance, transfer and assignment by way of first fixed security of all the right, title, interest and benefit, present and future, of the Issuer in the Secured Loan Sale Agreement, each Asset Sale Contract, the Repurchase Deed, the Warranty Deed, the Administration Agreement, the Agency Agreement, the Subordinated Loan Agreement, the VAT Declaration of Trust, the Services Letter, the Fee Letter, the Swap Agreement, any other hedging arrangements entered into by the Issuer, the Collection Account Declarations of Trust (each as defined in the Master Definitions Schedule) and all other contracts, agreements, deeds and documents, present and

future, to which the Issuer is or may become a party, 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 the right, title, interest and benefit, present and future, of the Issuer in and to the Transaction Account (as defined in the Master Definitions Schedule) and all sums of money which from time to time may be standing to the credit of the Transaction 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 and the benefit of all covenants relating thereto and all powers and remedies for enforcing the same;

(6) a first fixed charge over all the right, title, interest and benefit present and future of the Issuer in the Authorised Investments (as defined in the Master Definitions Schedule) and each of them made by the Issuer in accordance with the Administration Agreement 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 moneys, 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; and

(7) a first floating charge over the whole of the undertaking and all the property and assets of the Issuer whatsoever and wheresoever situate, present and future, other than any property or assets from time to time or for the time being effectively charged by way of fixed charge, or otherwise assigned as fixed security, by the Deed of Charge (but excepting from the foregoing exclusion all property, assets, rights and interests (i) charged or assigned as referred to in paragraphs (2) and (3) above and (ii) otherwise situate in or governed by Scots law, which are charged by the floating charge). For the avoidance of doubt, the Issuer's interest in each Portfolio Motor Vehicle shall be subject to the floating charge.

The security described above over the assets of the Issuer, which constitutes the security for the Class B Notes, is referred to as the "Security". The Security also stands as security for any amounts payable by the Issuer to the Class A Noteholders and the Class C Noteholders and to any Receiver, the Trustee, the Paying Agents, the Reference Agent, the Administrator, any Subordinated Lender, the Swap Provider, PPF, CFUK, PCF, CMS9 and PFPLC under the Notes and any Coupons, the Trust Deed, the Agency Agreement, the Deed of Charge, the Administration Agreement, the Secured Loan Sale Agreement, any Asset Sale Contract, the Subordinated Loan Agreement, the Fee Letter, the Services Letter and the Swap Agreement (each as defined in the Master Definitions Schedule). The Deed of Charge contains provisions regulating the priority of application of amounts forming part of the Security among the persons entitled thereto. After service of an Enforcement Notice, amounts payable to any Receiver, the Trustee, the Paying Agents and the Reference Agent, amounts payable to the Administrator (including fees, out-of-pocket expenses and commissions), amounts payable to the Swap Provider and any Permitted Hedge Provider and amounts of all commissions (if any) paid by insurance companies to each of PFPLC, PPF, PCF, CFUK and any other Seller pursuant to the Administration Agreement and amounts due and payable to Class A Noteholders will rank in priority to payment of the Class B Notes.

TERMS AND CONDITIONS OF THE CLASS B NOTES

The following, subject to amendments, are the terms and conditions of the Class B Notes (the "Class B Conditions" and any reference to a "Class B Condition" shall be construed accordingly) substantially in the form as they will appear on the reverse of the Class B Notes in definitive form. While the Class B Notes remain in global form, the same terms and conditions govern them, except to the extent that they are appropriate only to the Class B Notes in definitive form.

1. Form, Denomination and Title

The Class B Notes are serially numbered and are issued in bearer form in the denomination of £10,000 each with, at the date of issue, interest coupons ("Interest Coupons") and principal coupons ("Principal Coupons") (severally or together "Coupons") and talons ("Talons") attached. Title to the Class B Notes, the Coupons and the Talons shall pass by delivery.

The holder of each Coupon (each a "Couponholder") and each Talon (whether or not the Coupon or the Talon is attached to a Class B Note) in his capacity as such shall be subject to and bound by all the provisions contained in the relevant Class B Note.

To the extent permitted by applicable law, the Issuer, the Trustee and the Paying Agents may treat the holder of any Class B Note, Coupon or Talon as the absolute owner thereof (whether or not such Class B Note, Coupon or Talon shall be overdue and notwithstanding any notice to the contrary or writing thereon or any notice of previous loss or theft thereof or of trust or other interest therein) for the purpose of making payment and for all other purposes.

2. Status and Relationship between the Class A Notes, the Class B Notes and the Class C Notes

The Class B Notes and the Coupons are secured by fixed and floating security over all of the assets (as more particularly described in the Deed of Charge) of the Issuer and rank *pari passu* and rateably without any preference or priority among themselves.

Payments of principal and interest on the Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the £178,210,000 Class A Asset Backed Floating Rate Notes due 2021 of the Issuer (the "Class A Notes") in accordance with the provisions of Class B Conditions 4, 5 and 7, the Trust Deed and the Deed of Charge.

The Class B Notes are secured by the same security that secures the Class A Notes and the £21,340,000 Class C Asset Backed Floating Rate Notes due 2048 of the Issuer (the "Class C Notes"), but the Class A Notes and certain other obligations of the Issuer will rank in point of security in priority to the Class B Notes in the event of the security being enforced, whereas the Class B Notes will rank in point of security in priority to the Class C Notes in the event of the security being enforced.

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of all of the Class B Noteholders, the Class A Noteholders and the Class C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders, the Class C Noteholders or the other persons entitled to the benefit of the Security and subject thereto to have regard only to the interests of the Class B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders and/or the interests of the Class C Noteholders and/or the other persons entitled to the benefit of the Security.

3. Covenants of the Issuer

(A) So long as any of the Class A Notes, the Class B Notes or the Class C Notes remains outstanding (as defined in the Master Definitions Schedule), the Issuer shall not, save to the extent permitted by the Relevant Documents (as defined below) or with the prior written consent of the Trustee:

(1) carry on any business other than as described in the Offering Circular dated 26th June, 2001 relating to the issue of the Class A Notes, the Class B Notes and the Class C Notes (and then only in relation to the Portfolio Assets and the related activities described in any Unsecured Loan Agreement, Secured Loan Agreement (or its related Mortgage) or Car Finance Agreement) and in respect of that business shall not engage in any activity or do anything whatsoever except:

(a) own and exercise its rights in respect of the Security and its interests therein and perform its obligations in respect of the Security and the assets comprised therein;

(b) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Class B Notes, the Coupons and Talons, the Class A Notes and the Class C Notes and any principal coupons, interest coupons and talons appertaining respectively thereto, the subscription agreements relating to each of the Class A Notes, the Class B Notes and the Class C Notes and the other agreements relating to the issue of the Class A Notes, the Class B Notes and the Class C Notes (or any of them), the Secured Loan Sale Agreement, any Asset Sale Contract, the Agency Agreement, the Trust Deed, the Administration Agreement, the Fee Letter, the Subordinated Loan Agreement, the Portfolio Assets, the Deed of Charge, the Collection Account Declarations of Trust, the Swap Agreement, the VAT Declaration of Trust, the Services Letter, any insurances in which the Issuer at any time has an interest, the Scottish Trusts and all other agreements and documents comprised in the security for the Class A Notes, the Class B Notes and the Class C Notes (all as defined in the Master Definitions Schedule) (together the "Relevant Documents");

(c) 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, *inter alia*, make claims, payments and surrenders in respect of certain tax reliefs;

(d) use, invest or dispose of, or otherwise deal with, or agree or attempt or purport to dispose of, any of its property or assets or grant any option or right to acquire the same 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 B Notes, the Class A Notes or the Class C Notes in accordance with their respective terms and conditions; and

(e) perform any act incidental to or necessary in connection with (a), (b), (c) or (d) above;

(2) 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 Fee Letter, the Services Letter, the Swap Agreement, the VAT Declaration of Trust and excluding any borrowing in accordance with the provisions of the Subordinated Loan Agreement;

(3) create any mortgage, sub-mortgage, charge, sub-charge, pledge, lien or other security interest whatsoever (other than any which arise by operation of law) over any of its assets;

(4) 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:

(a) 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 unsecured and secured consumer loans and motor vehicle finance agreements 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 these Class B Conditions on the part of the Issuer to be performed or observed;

(b) immediately after giving effect to such transaction, no Event of Default (as defined in Class B Condition 10) shall have occurred and be continuing;

(c) 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;

(d) 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; and

(e) the Rating Agencies confirm that the then current ratings of the Class A Notes, the Class B Notes and the Class C Notes will not be adversely affected as a result of such consolidation, merger, conveyance or transfer;

(5) permit the validity or effectiveness of the Trust Deed or the Deed of Charge or the priority of the security created thereby to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of the Security to be released from such obligations;

(6) 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

(7) have an interest in any bank account, other than the Transaction Account, the VAT Account and the Collection Accounts (each as defined in the Master Definitions Schedule), unless such account or interest is charged to the Trustee on terms acceptable to it.

(B) So long as any of the Class B Notes remains outstanding the Issuer will procure that there will at all times be an administrator of the Portfolio Assets (the "Administrator"). Any appointment of an Administrator is subject to the prior written approval of the Trustee and must be of a person with experience of the administration of unsecured or secured consumer loans and motor vehicle finance contracts in England, Wales, Scotland and Northern Ireland. The Administrator will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Trustee. The appointment of the Administrator may be terminated by the Trustee if, *inter alia*, the Administrator is in breach of its obligations under the Administration Agreement which breach, in the opinion of the Trustee, is materially prejudicial to the interests of the Class A Noteholders or, if the Class A Notes have been redeemed in full, the Class B Noteholders or, if the Class A Notes and the Class B Notes have been redeemed in full, the Class C Noteholders.

4. Interest

(a) Interest Payment Dates

Each Class B Note bears interest on its Principal Amount Outstanding (as defined in Class B Condition 5(b)) from and including 28th June, 2001 or such later date as may be agreed between the Issuer and The Royal Bank of Scotland plc (the "Closing Date"). Provided certification of non-U.S. beneficial ownership has been received with respect to the Class B Notes, interest in respect of such Class B Notes is (subject to Class B Condition 7) payable quarterly in arrear on 15th March, 15th June, 15th September and 15th December in each year (or, if any such date is not a business day, the next succeeding day which is a business day, each an "Interest Payment Date"). To the extent that the funds available to the Issuer to pay interest on the Class B Notes on an Interest Payment Date are insufficient to pay the full amount of such interest or, subject as provided below, if on the relevant Determination Date (as defined in Class B Condition 5) relating to any Interest Payment Date the Performing Assets Balance Test Ratio (as defined in Class B Condition 5) is less than or equal to 0.71:1, then payment of the shortfall, or as the case may be, such interest on the Class B Notes which would otherwise have fallen due on such Interest Payment Date ("Deferred Interest"), which will be borne by each Class B Note in a proportion equal to the proportion that the Principal Amount Outstanding of that Class B Note bears to the aggregate Principal Amount Outstanding of the Class B Notes (in each case as determined on the Interest Payment Date on which such Deferred Interest arises), will not fall due on such Interest Payment Date but will instead, subject to Class B Condition 7, be deferred until the first day which is both an Interest Payment Date on which funds are available (after allowing for the Issuer's liabilities of a higher priority) to the Issuer to pay such Deferred Interest to the extent of such available funds and also an Interest Payment Date immediately following a Determination Date on which the Performing Assets Balance Test Ratio (as defined in Class B Condition 5(a)) exceeds 0.71:1 provided always that if there is no Class A Note outstanding or all the Class A Notes are redeemed on the Interest Payment Date next following the Determination Date on which the Performing Assets Balance Test Ratio is less than or equal to 0.71:1, deferral as is provided for in this Class B Condition shall only occur on such Interest Payment Date if and to the extent that the funds available to the Issuer to pay interest on the Class B Notes (including any Deferred Interest and any Additional Interest (as defined below)) are insufficient to pay the full amount of such interest. In the event of any such deferral, the rate of interest applicable to the Class B Notes will be increased to the extent necessary so that the Class B Notes accrue additional interest ("Additional Interest") equal to the interest which would accrue on the relevant Deferred Interest during the period of deferral if interest were to accrue thereon at the Rate of Interest (as defined below) applicable from time to time to the Class B Notes and, subject to Class B Condition 7, payment of any Additional Interest will also be deferred until the first day which is both an Interest

Payment Date on which funds are available to the Issuer to pay such Additional Interest (and any interest and Deferred Interest) to the extent of such available funds and, unless there is no Class A Note outstanding or all the Class A Notes are redeemed on the relevant Interest Payment Date, an Interest Payment Date immediately following a Determination Date on which the Performing Assets Balance Test Ratio exceeds 0.71:1. As used in these Class B Conditions except Class B Condition 6, ''Business Day'' means a day (other than a Saturday or Sunday) on which banks are open for business in London.

The period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is called an ''Interest Period''. Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 365 (or 366 in the case of an Interest Period or other period ending in a leap year) day year. The first interest payment will be made on the Interest Payment Date falling in September 2001 in respect of the period from (and including) the Closing Date to (but excluding) the Interest Payment Date falling in September 2001.

Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Class B Note as from (and including) the due date for redemption of such part unless, upon due presentation of the relevant Principal Coupon, payment of principal due is improperly withheld or refused, whereupon interest shall continue to accrue on such principal at the Rate of Interest (as defined in paragraph (c) below) from time to time applicable to the Class B Notes until the moneys in respect thereof have been received by the Trustee or the Principal Paying Agent and notice to that effect is given in accordance with Class B Condition 13.

(b) Coupons and Talons

On issue, Coupons and Talons applicable to Class B Notes in definitive form are attached to the Class B Notes. A Talon may be exchanged for further Coupons and, if applicable, a further Talon on or after the Interest Payment Date for the final Coupon on the relevant Coupon sheet by surrendering such Talon at the specified office of any Paying Agent. Interest payments on the Class B Notes will be made against presentation and surrender of the appropriate Coupons in accordance with Class B Condition 6, except as provided therein.

(c) Rate of Interest

The rate of interest applicable from time to time to the Class B Notes disregarding any Additional Interest which may accrue in accordance with paragraph (a) above (the ''Rate of Interest'') will be determined by Citibank, N.A. acting as reference agent (the ''Reference Agent'', which expression shall include its successors as Reference Agent under the Agency Agreement) on the basis of the following provisions:

(i) On the Closing Date (an ''Interest Determination Date'') in respect of the first Interest Period, the Reference Agent will determine the interest rate by reference to a linear interpolation between the rates for sterling deposits for a period of two months and sterling deposits for a period of three months quoted on the Telerate Screen Page 3750 (or any other page on which Telerate is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the Closing Date being, if more than one rate is quoted and the rates quoted are not the same, the arithmetic mean (rounded to five decimal places) of the rates so quoted. On each Interest Payment Date thereafter (each also an ''Interest Determination Date'') in respect of each subsequent Interest Period, the Reference Agent will determine the interest rate on sterling deposits for a period of three months quoted on the Telerate Screen Page 3750 (or any other page on which Telerate is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the Interest Determination Date in question being, if more than one rate is quoted and the rates quoted are not the same, the arithmetic mean (rounded to five decimal places) of the rates so quoted. The Rate of Interest applicable for the Interest Period beginning on the relevant Interest Determination Date shall be the aggregate of such interest rate (or such arithmetic mean (rounded, if necessary) as aforesaid) as determined by the Reference Agent and the margin of 0.85% per annum up to and including the Interest Period ending in June 2007 and thereafter 1.70% per annum.

(ii) If, on any Interest Determination Date, no such rates are being quoted on the Telerate Screen Page 3750 (or such other appropriate page) at such time and on such date, the Reference Agent will request the principal London office of each of Barclays Bank Plc, Lloyds TSB plc, HSBC Bank plc and The Royal Bank of Scotland plc or any duly appointed substitute reference bank(s) as may be appointed by the Issuer and approved by the Trustee (the "Reference Banks") to provide the Reference Agent with its offered quotation to leading banks for three-month sterling deposits or, in the case of the first Interest Period, for two-month and three-month sterling deposits, of £10,000,000 in London for same day value as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for the relevant Interest Period shall be determined, as in sub-paragraph (i), on the basis of the offered quotations of those Reference Banks. If, on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Reference Agent, the Rate of Interest for the relevant Interest Period shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, one only or none of the Reference Banks provides the Reference Agent with such an offered quotation, the Reference Agent shall forthwith consult with the Trustee and the Issuer for the purpose of agreeing two banks (or, where one only of the Reference Banks provides such a quotation, one additional bank) to provide such a quotation or quotations to the Reference Agent (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which sub-paragraph (i) or the foregoing provisions of this sub-paragraph (ii) shall have applied.

(iii) There shall be no maximum or minimum Rate of Interest.

(d) Determination of Rate of Interest, Calculation of Interest Payments, Deferred Interest and Additional Interest

The Reference Agent will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine the Rate of Interest applicable to, and calculate the amount of interest (other than Additional Interest) payable, subject to Class B Condition 7, on the Class B Notes (an "Interest Payment") for the relevant Interest Period. The Interest Payment for the Class B Notes shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Class B Notes taking into account any payment of principal due on such Interest Determination Date, multiplying by the actual number of days in the relevant Interest Period and dividing by 365, or, in the case of an Interest Period ending in a leap year, 366 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards). On (or as soon as practicable after) each Determination Date (as defined in Class B Condition 5(a)), the Issuer shall determine (or cause the Administrator to determine) the actual amount of interest which will be paid on each Class B Note on the Interest Payment Date next following such Determination Date and the amount of Deferred Interest (if any) on each Class B Note in respect of the Interest Period ending on (but excluding) such Interest Payment Date and the amount of Additional Interest (if any) which will be paid on such Interest Payment Date. The amount of Additional Interest shall be calculated by applying the relevant Rate of Interest to the Deferred Interest relating to the Class B Notes and any Additional Interest from prior Interest Periods which remains unpaid, multiplying by the actual number of days in the relevant Interest Period and dividing by 365 or, in the case of an Interest Period ending in a leap year, 366 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards). In the event that on any Determination Date the Performing Assets Balance Test Ratio exceeds 0.71:1 but the funds then available to the Issuer are insufficient to pay in full the Interest Payment, any outstanding Deferred Interest and any Additional Interest due on the Interest Payment Date next following such Determination Date such funds will be applied first to the payment of any Interest Payment, secondly to the payment of any outstanding Deferred Interest and thereafter to the payment of any Additional Interest.

(e) Publication of Rates of Interest, Interest Payments, Deferred Interest and Additional Interest

The Reference Agent will cause the Rate of Interest and the Interest Payment applicable to the Class B Notes for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the Paying Agents, the Administrator and, for so long as the Class B Notes are listed by the UK Listing Authority (the "UKLA") and admitted to trading by the London Stock Exchange plc (the "London Stock Exchange"), the London Stock Exchange, and will cause the same to be published in accordance with Class B Condition 13 on or as soon as possible after the date of commencement of the relevant Interest Period. The Issuer will cause the Deferred Interest (if any) and the Additional Interest (if any) applicable to the Class B Notes for each Interest Period to be notified to the Trustee, the Paying Agents and (for so long as the Notes are listed by the UKLA and admitted to trading by the London Stock Exchange) the London Stock Exchange, and will cause the same to be published in accordance with Class B Condition 13 no later than the fourth Business Day prior to the relevant Interest Payment Date. The Interest Payment, Deferred Interest, Additional Interest and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a shortening of the Interest Period.

(f) Determination or Calculation by Trustee

If the Reference Agent at any time for any reason does not determine the Rate of Interest or calculate an Interest Payment or the Additional Interest (if any) in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest for the Class B Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (c) above, but subject to the terms of the Trust Deed), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Payment or the Additional Interest (if any) for the Class B Notes in accordance with paragraph (d) above, and each such determination or calculation shall be deemed to have been made by the Reference Agent.

(g) Reference Banks and Reference Agent

The Issuer will procure that, so long as any of the Class B Notes remains outstanding, at all times there will be at least four Reference Banks and a Reference Agent. The Issuer reserves the right at any time to terminate the appointment of the Reference Agent or of any Reference Bank. Notice of any such termination will be given to the Class B Noteholders. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be), or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written approval of the Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act as such in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved by the Trustee has been appointed.

5. Redemption and Purchase

(a) Mandatory Redemption in Part from Available Redemption Funds: Apportionment of Available Redemption Funds Between the Class A Notes, the Class B Notes and the Class C Notes

The Class B Notes shall be subject to mandatory redemption in part on any Interest Payment Date if on the relevant Determination Date there are any Class B Available Redemption Funds (as defined below). The principal amount so redeemable in respect of each Class B Note prior to the service of an Enforcement Notice (each a "Principal Payment") on any Interest Payment Date shall be the amount of the Class B Available Redemption Funds (as defined below) on the Determination Date relating to that Interest Payment Date divided by the number of Class B Notes then outstanding (as defined in the Master Definitions Schedule) (rounded down to the nearest pound sterling), provided always that no Principal Payment may exceed the Principal Amount Outstanding of a Class B Note.

The "Determination Date" means the last Business Day of the month preceding that in which an Interest Payment Date falls and "relevant Determination Date" means, in respect of an Interest Payment Date, the last Business Day of the month preceding that in which such Interest Payment Date falls.

"Available Redemption Funds" on any Determination Date (the "Relevant Date") means an amount equal to the aggregate of:

(i) the amount (if any) left when the amount (if any) of Available Purchase Funds (as defined below) at the Relevant Date, which the Issuer has notified to the Administrator pursuant to the Administration Agreement, that it then intends to apply in purchasing Further Unsecured

Loans and/or Further Secured Loans and/or Further Car Finance Contracts and any related Motor Vehicles and/or in making any further advances in respect of Portfolio Secured Loans at any time during the period from (but excluding) the Relevant Date to (and including) the fourth anniversary of the Closing Date (such notified amount being ''Allocated Purchase Funds'') is subtracted from Available Purchase Funds at the Relevant Date; and

(ii) an amount equal to the aggregate amount (if any) of the provisions that would have been made as specified in paragraphs (x) to (xv) (inclusive) of clause 6.2.2 of the Deed of Charge on the Interest Payment Date next following the Relevant Date, but which the Issuer gives notice to the Administrator pursuant to the Administration Agreement on the Relevant Date should not be made but the amount of which should instead be added to the Available Redemption Funds on the Relevant Date,

PROVIDED THAT

(a) if either the Performing Assets Balance Test Ratio (as defined below) as at the Relevant Date is less than 1:1 or any borrowing by the Issuer under the Subordinated Loan Agreement which is taken into account for the purpose of calculating that Performing Assets Balance Test Ratio as at the Relevant Date pursuant to paragraph (d)(A) of the definition of Available Purchase Funds is not made on or before the relevant Interest Payment Date, then the Allocated Purchase Funds shall be deemed to be zero; and

(b) the amount referred to in paragraph (i) above as at the Relevant Date will not exceed an amount which, were it to have been deducted from the aggregate Principal Amount Outstanding of the Class A Notes, Class B Notes and Class C Notes on the Relevant Date for the purposes of the calculation of the Performing Assets Balance Test Ratio on such date, would have resulted in the Performing Assets Balance Test Ratio on the Relevant Date having been 1:1 PROVIDED THAT for the purposes of the calculation of the Performing Assets Balance Test Ratio pursuant to this sub-paragraph (b), a reference to ''Allocated Purchase Funds'' will be substituted for the reference to ''Available Purchase Funds'' in paragraph (b) of the Performing Assets Balance Test Ratio definition below.

''Available Purchase Funds'' means at any Determination Date (the ''Relevant Date'') an amount determined by the Administrator pursuant to the Administration Agreement on the Relevant Date to be equal to the aggregate of:

(a) the amount of the Available Funds (as defined below) standing to the credit of the Transaction Account as at the close of business on the Relevant Date; and

(b) any payment due to be received by the Issuer from the Swap Counterparty or any Permitted Hedge Provider under the Swap Agreement or otherwise in the period from (but excluding) the Relevant Date to (and including) the Interest Payment Date next following the Relevant Date (the ''Period''); and

(c) all proceeds of disposal or on maturity of any Authorised Investments made or acquired on or before the Relevant Date and due to mature on or before the next following Interest Payment Date (whether or not reinvested during the Period) and any income to be earned thereon (including interest to be earned on the Transaction Account), in each case, due to be received by the Issuer during the Period; and

(d) (A) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period for the purpose of ensuring that the Performing Assets Balance Test Ratio equals or exceeds 1:1 as at the Relevant Date; and (B) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period (other than on an Interest Payment Date) for the purpose of establishing or increasing the Shortfall Fund; and

(e) all amounts standing to the credit of the Collection Accounts in respect of the Portfolio Assets as at the close of business on the Relevant Date that are to be transferred to the Transaction Account during the Period; less

(f) an amount equal to the aggregate amount that the Administrator on the Relevant Date estimates will fall to be paid or provided for on or before the Interest Payment Date next following the Relevant Date in respect of the payments and provisions specified in paragraphs (i) to (vii) (inclusive) of clause 6.2.2 of the Deed of Charge; and less

(g) but only prior to the earlier of (i) the date on which the Issuer has received an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer on the Closing Date of the benefit of the Initial Portfolio Unsecured Loans that are Scottish Unsecured Loans and the Initial Portfolio Car Finance Contracts that are Scottish Car Finance Contracts or (ii) the date on which the Issuer pays all such stamp duty (if any) which is so payable, an amount equal to £400,000,

but so that no amount shall be added or deducted more than once in the same calculation.

"Performing Assets Balance Test Ratio" means on any Determination Date (the "Relevant Date") the ratio of the aggregate of:

(a) the aggregate of the Current Principal Balances of all Performing Assets (each as defined below) as at the Relevant Date; and

(b) the Available Purchase Funds at such Relevant Date,

less an amount equal to the aggregate of:

(c) an amount which the Rating Agencies determine and notify to the Issuer to be the amount by which the aggregate of the Current Principal Balances of the Performing Assets as at the Closing Date plus the Initial Allocated Purchase Funds (as defined below) must exceed the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes on the Closing Date in order to achieve the initial ratings of the Notes; and

(d) an amount equal to the aggregate of all amounts (if any) which have fallen within paragraph (ii) of the definition of Available Redemption Funds at any time on or prior to such Relevant Date,

to:

(e) the aggregate Principal Amount Outstanding of the Notes as at the Relevant Date.

"Performing Assets" means all Portfolio Assets that are equal to or less than twelve months in arrears. A Portfolio Asset for this purpose will not be equal to or less than twelve months in arrears at any time if at such time amounts totalling in aggregate more than twelve times the then current monthly payment due from the Obligor under such Portfolio Asset have not been paid when due and/or have been capitalised within the twelve months immediately preceding such time.

"Current Principal Balance" on any day means: (a) in relation to a Portfolio Unsecured Loan that is a Personal Loan (other than one sold by CFUK to the Issuer) or, as the case may be, a Portfolio Secured Loan, the aggregate outstanding amount of principal due and payable by the Borrower thereunder other than, for the avoidance of doubt, any arrears of interest which have been capitalised; and (b) in relation to a Portfolio Car Finance Contract, a Portfolio Unsecured Loan that is a Retail Credit Loan or, as the case may be, a Portfolio Unsecured Loan that is a Personal Loan sold by CFUK to the Issuer, the aggregate amount of those parts of each monthly payment payable by the relevant Obligor that is attributable to principal in accordance with the Administration Agreement throughout the remaining term of such Portfolio Car Finance Contract, Retail Credit Loan or, as the case may be, Personal Loan other than, for the avoidance of doubt, any arrears of interest which have been capitalised (including amounts then due and payable but not paid) (and in the case of a Portfolio Car Finance Contract which comprises a conditional sale agreement, a lease agreement or a motor vehicle contract purchase agreement plus the assumed residual value of the relevant Portfolio Motor Vehicle) on that date thereunder each as shown in the Debtor Ledger (as defined below) for the relevant Portfolio Asset, less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement.

"Initial Allocated Purchase Funds" means an amount equal to the gross proceeds of the issue of the Notes to the extent not applied in purchasing Unsecured Loans, Secured Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date or in repaying on the Closing Date amounts under the CMS9 Subordinated Loan Agreement or the Bridge Facility Agreement.

"Debtor Ledger" means the ledger account established and maintained by or on behalf of the Administrator, pursuant to and in accordance with the Administration Agreement, in respect of each Portfolio Asset.

"Available Funds" means all moneys received by the Issuer from Obligors or recovered under or in respect of the Portfolio Assets (including all principal and interest, and their equivalent, in relation to Portfolio Unsecured Loans and Portfolio Secured Loans and all amounts of principal and interest, and their equivalent in relation to Portfolio Car Finance Contracts and any amount received on the

sale of a Portfolio Motor Vehicle or on the early settlement of such Portfolio Car Finance Contracts) and all other net income and other moneys of the Issuer and any amounts drawn by the Issuer under the Subordinated Loan Agreement.

The Available Redemption Funds on a Determination Date shall be apportioned between the Class A Notes, the Class B Notes and the Class C Notes to determine the "Class A Available Redemption Funds", the "Subordinated Available Redemption Funds" and the "Class B Available Redemption Funds" as at such Determination Date.

The Class A Available Redemption Funds shall equal:

(i) on any Determination Date falling on or prior to the later of (a) the Interest Payment Date falling in June 2006 and (b) the first Interest Payment Date on which the Determination Event occurs (being the first Interest Payment Date on which the ratio of (I) the sum of the aggregate Principal Amount Outstanding (as defined in Class B Condition 5(b)) of the Class B Notes and the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class C Notes) of the Class C Notes to (II) the sum of the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class A Notes) of the Class A Notes, the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes is 163,777,500:251,000,000 or more), all of the Available Redemption Funds determined as at such Determination Date; and

(ii) on any other Determination Date, the Available Redemption Funds determined as at such date, less the Subordinated Available Redemption Funds determined as at such date.

The Subordinated Available Redemption Funds shall equal:

(i) where such Determination Date falls on or prior to the later of (a) the Interest Payment Date falling in June 2006 and (b) the first Interest Payment Date on which the Determination Event occurs, or on any Determination Date thereafter on which it is determined by or on behalf of the Issuer that the Performing Assets Balance Test Ratio is less than 1:1, nil; and

(ii) on any other Determination Date on which Class A Notes are outstanding and provided it is determined by or on behalf of the Issuer that the Performing Assets Balance Test Ratio is equal to or exceeds 1:1, that amount of the Available Redemption Funds determined as at such date which, if applied to the redemption of the Class B Notes and the Class C Notes, would cause the ratio of (I) the sum of the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes to (II) the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes (but deducting from such aggregate the Class A Available Redemption Funds (if any) on such Determination Date) after such application to become as nearly as possible equal to 163,777,500:251,000,000; provided that if any part of the Available Redemption Funds being applied in accordance with the above would result in the sum of the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes after such application being reduced below £16,942,500 the Subordinated Available Redemption Funds shall be reduced by an amount equal to such part of the Available Redemption Funds.

For the purposes of the calculation of the Performing Assets Balance Test Ratio when determining the Subordinated Available Redemption Funds a reference to "Allocated Purchase Funds" will be substituted for the reference to Available Purchase Funds in paragraph (b) of the definition of "Performing Assets Balance Test Ratio" above and the amount referred to in paragraph (e) of such definition will have deducted from it an amount equal to the Available Redemption Funds on the Determination Date in question.

If the Issuer does not for any reason determine the aggregate principal amount of the Class A Notes to be redeemed on any Interest Payment Date in accordance with the preceding provisions, the Issuer shall provide the requisite information to the Trustee, which shall thereupon determine the same in accordance with the preceding provisions, and each such determination shall be deemed to have been made by the Issuer.

The Class B Available Redemption Funds:

(a) on any Determination Date on which there are Class A Notes outstanding, shall be determined in accordance with the following formula:

$$BARF = SARF \times \frac{51{,}450{,}000}{72{,}790{,}000}$$

where:

(i) "BARF" means the Class B Available Redemption Funds on such Determination Date; and

(ii) "SARF" means the Subordinated Available Redemption Funds on such Determination Date; and

(b) on any Determination Date on which there are no Class A Notes outstanding, shall equal the lesser of the Available Redemption Funds and the aggregate Principal Amount Outstanding of the Class B Notes on such date.

If the Issuer does not for any reason determine the aggregate principal amount of Class B Notes to be redeemed on any Interest Payment Date in accordance with the preceding provisions, the Issuer shall provide the requisite information to the Trustee, which shall thereupon determine the same in accordance with the preceding provisions, and each such determination shall be deemed to have been made by the Issuer.

Capitalised terms, not otherwise defined in this Class B Condition 5, have the respective meanings given to those terms in the Master Definitions Schedule.

(b) Calculation of Principal Payments, Principal Amount Outstanding and Pool Factor

(i) On (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Administrator to determine) (x) the amount of any Principal Payment in respect of each Class B Note due on the Interest Payment Date next following such Determination Date, (y) the Principal Amount Outstanding of each Class B Note on the first day of the next following Interest Period (after deducting any Principal Payment due to be made in respect of each Class B Note on the next Interest Payment Date) and (z) the fraction in respect of each Class B Note expressed as a decimal to the sixth point (the "Pool Factor"), of which the numerator is the Principal Amount Outstanding of a Class B Note (as referred to in (y) above) and the denominator is 10,000. Each determination by or on behalf of the Issuer of any Principal Payment, the Principal Amount Outstanding of a Class B Note and the Pool Factor in respect thereof shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons. The "Principal Amount Outstanding" of a Class B Note on any date shall be the principal amount of that Class B Note upon issue less the aggregate amount of all Principal Payments in respect of that Class B Note that have become due and payable (whether or not paid) prior to such date.

(ii) The Issuer will, by not later than the ninth Business Day after the Determination Date immediately preceding the relevant Interest Payment Date or as soon as possible thereafter, cause each determination of a Principal Payment, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Trustee, the Principal Paying Agent, the Reference Agent and (for so long as the Class B Notes are listed by the UKLA and admitted to trading by the London Stock Exchange) the UKLA and the London Stock Exchange and will immediately cause details of each determination of Principal Payment, Principal Amount Outstanding and Pool Factor to be published in accordance with Class B Condition 13 on the next following business day or as soon as practicable thereafter. If no Principal Payment is due to be made on the Class B Notes on any Interest Payment Date a notice to this effect will be given to the Class B Noteholders.

(iii) If the Issuer does not at any time for any reason determine (or cause the Administrator to determine) a Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Principal Payment, Principal Amount Outstanding and Pool Factor shall be determined by the Trustee in accordance with this paragraph and paragraph (a) above (but based on the information in its possession as to the Available Redemption Funds) and each such determination or calculation shall be deemed to have been made by the Issuer.

(c) Redemption for Taxation or Other Reasons

If the Issuer satisfies the Trustee immediately prior to giving the notice referred to below that either (i) on the next Interest Payment Date the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Class B Notes, or the Issuer or a Swap Provider or any Permitted Hedge Provider would be required to deduct or withhold from amounts payable by it under a Swap Agreement or other hedge agreement, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest (or equivalent revenue charges) in relation to any of the Portfolio Assets for an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period, the Issuer may, but shall not be obliged to, provided that on the Interest Payment Date on which such notice expires either there are no Class A Notes outstanding or the Issuer redeems in full all of the Class A Notes outstanding in accordance with the terms and conditions thereof and provided further that each of the Rating Agencies has confirmed to the Trustee that the then current rating of the Class C Notes will not thereby be adversely affected and provided further that the Issuer will be in a position on such Interest Payment Date to discharge (and will so certify to the Trustee) all its liabilities in respect of the Class B Notes (including the full amount of interest payable on the Class B Notes on the Interest Payment Date on which redemption is to be made and the full amount of any Deferred Interest and Additional Interest which has not been paid on any previous Interest Payment Date pursuant to Class B Condition 4 or Class B Condition 7) and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class B Notes, or the Trustee is otherwise directed by Extraordinary Resolution (as defined in the Trust Deed) of the Class B Noteholders, at any time at its option, having given not more than 60 nor less than 30 days' notice in accordance with Class B Condition 13, redeem all (but not some only) of the Class B Notes at their Principal Amount Outstanding together with accrued interest to the date of redemption on any subsequent Interest Payment Date.

(d) Optional Redemption in Full

On giving not more than 60 nor less than 20 days' notice to the Trustee and the Class B Noteholders, and provided that, on the Interest Payment Date on which such notice expires, either there are no Class A Notes outstanding or the Issuer redeems in full all of the Class A Notes outstanding in accordance with the terms and conditions thereof and provided further that each of the Rating Agencies has confirmed to the Trustee that the then current rating of the Class C Notes will not thereby be adversely affected and provided further that no Enforcement Notice has been served following an Event of Default, and provided further that the Issuer will be in a position on such Interest Payment Date to discharge (and will so certify to the Trustee) all its liabilities in respect of the Class B Notes (including the full amount of interest payable on the Class B Notes on the Interest Payment Date on which redemption is to be made and the full amount of any Deferred Interest and Additional Interest which has not been paid on any previous Interest Payment Date pursuant to Class B Condition 4 or Class B Condition 7) and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class B Notes or the Trustee is otherwise directed by Extraordinary Resolution of the Class B Noteholders, the Issuer may, on any Interest Payment Date falling in or after June 2004 (the "Coupon Call Date") or, if earlier, falling on or after the date on which all the Class A Notes are redeemed in full, redeem all (but not some only) of the Class B Notes at their Principal Amount Outstanding together with accrued interest to the date of redemption.

(e) Redemption on Maturity

If not otherwise redeemed, the Class B Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in June 2032.

(f) Purchases

The Class B Notes may not be purchased by the Issuer.

(g) Cancellation

All Class B Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith, together with all unmatured and unused Coupons and Talons attached thereto or surrendered therewith, and may not be resold or reissued.

(h) Certification

For the purposes of any redemption made pursuant to Class B Condition 5(c) or Class B Condition 5(d), as the case may be, the Trustee may rely upon any certificate of two Directors of the Issuer that the Issuer will be in a position to discharge all its liabilities in respect of the Class B Notes and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class B Notes and such certificate shall be conclusive and binding on the Issuer and the holders of the Class B Notes.

6. Payments

Subject to Class B Condition 7, Interest Payments and Principal Payments on Class B Notes will be made against presentation and surrender of, or, in the case of partial redemption, endorsement of, respectively, Interest Coupons and Principal Coupons relating to Class B Notes (except where, after such surrender, the unpaid principal amount of a Class B Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Class B Note) in which case such Principal Payment will be made against presentation and surrender of such Class B Note). Payments of principal other than Principal Payments (except as provided in the preceding sentence) will be made against presentation and surrender of Class B Notes. Presentation must be made at the specified office of any Paying Agent provided that no payment of interest will be made by, or upon presentation of any Class B Note or Coupon to, any Paying Agent in the United States of America. Payments will be made by pounds sterling drawn on a branch in the City of London of, or transfer to a pounds sterling account maintained by the payee with, a bank in the City of London, subject in all cases to any fiscal or other laws or regulations applicable in the place of payment.

The initial Principal Paying Agent is Citibank, N.A. at its office at 5 Carmelite Street, London EC4Y 0PA.

The Issuer may at any time (with the previous written approval of the Trustee) vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in the City of London. Notice of any such termination or appointment and of any change in the office through which any Paying Agent will act will be given in accordance with Class B Condition 13.

Upon the date on which the Principal Amount Outstanding of a Class B Note is due to be reduced to zero, unmatured and unused Coupons and Talons relating thereto (whether or not attached) shall become void and no payment or exchange shall be made in respect thereof. If the due date for redemption in full of a Class B Note is not an Interest Payment Date, the interest accrued in respect of the period from the preceding Interest Payment Date (or from the Closing Date as the case may be) shall be payable only against presentation or surrender of the relevant Class B Note.

If the due date for payment of any amount of principal or interest in respect of any Class B Note or Coupon is not a Business Day then payment will not be made until the next succeeding Business Day and the holder thereof shall not be entitled to any further interest or other payment in respect of such delay.

In this Class B Condition 6 the expression "Business Day" means any day (other than a Saturday or a Sunday) on which banks are open for business in the place where the specified office of the Paying Agent at which the Class B Note or Coupon is presented for payment is situated and (in the case of payment by transfer to an account maintained by the payee in London) in London and, prior to the exchange of the entire Permanent Global Class B Note for definitive Class B Notes, on which both Euroclear and Clearstream, Luxembourg are open for business.

If interest is not paid in respect of a Class B Note on the date when due and payable (other than because the due date is not a Business Day), such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to the Class B Notes until such interest and interest thereon is available for payment and notice thereof has been duly given in accordance with Class B Condition 13.

7. Subordination

Interest on the Class B Notes shall be payable in accordance with the provisions of Class B Conditions 4 and 6 subject to the terms of this Class B Condition 7.

In the event the Performing Assets Balance Test Ratio is less than or equal to 0.71:1 on the relevant Determination Date relating to any Interest Payment Date with the result that any amount of interest which would otherwise have been due on the Class B Notes on such Interest Payment Date is deferred in accordance with Class B Condition 4, the Issuer shall create a provision in its accounts equal to the amount by which the aggregate amount of interest paid on the Class B Notes on such Interest Payment Date in

accordance with Class B Conditions 4 and 6 falls short of the aggregate amount of interest which would have been due and payable on the Class B Notes on that date pursuant to Class B Condition 4 had no such deferral provided for in Class B Condition 4(a) then occurred.

In addition, but without requiring a provision to be created twice in respect of the same deferral, in the event that the aggregate funds, if any, (computed in accordance with the provisions of the Deed of Charge), available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to Class B Condition 4 and 6 and this Class B Condition 7, due on the Class B Notes on such Interest Payment Date (such aggregate available funds being referred to in this Class B Condition as the ''Residual Amount'') are not sufficient to satisfy in full the aggregate amount of interest which is, subject to Class B Condition 4 and 6 and this Class B Condition 7, due on the Class B Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each Class B Note, a *pro rata* share of the Residual Amount on such Interest Payment Date. In any such event the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes on such Interest Payment Date in accordance with Class B Condition 4 and 6 and this Class B Condition 7 falls short of the aggregate amount of interest which would have been due and payable on the Class B Notes on that date pursuant to Class B Condition 4 had no such deferral provided for in Class B Condition 4(a) then occurred as a result of such insufficiency.

8. Taxation

All payments in respect of the Class B Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Class B Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the Paying Agents will be obliged to make any additional payments to holders of the Class B Notes or Coupons in respect of such withholding or deduction.

9. Prescription

A Principal Coupon shall become void in its entirety unless surrendered for payment within ten years of the Relevant Payment Date in respect of any payment thereon. A Class B Note shall become void in its entirety unless surrendered for payment within ten years of the Relevant Payment Date in respect of any payment thereon the effect of which would be to reduce the Principal Amount Outstanding of such Class B Note to zero. An Interest Coupon shall become void unless surrendered for payment within five years of the Relevant Payment Date in respect thereof. After the date on which a Class B Note or a Coupon becomes void in its entirety, no claim may be made in respect thereof.

As used in this Class B Condition 9, the ''Relevant Payment Date'' means the date on which a payment first becomes due but, if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which the full amount of such money having been so received, notice to that effect shall have been duly given in accordance with Class B Condition 13.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the aggregate of the Principal Amount Outstanding of the Class B Notes outstanding or if so directed by an Extraordinary Resolution of the Class B Noteholders (subject, in each case, to being indemnified to its satisfaction and to restrictions contained in the Trust Deed to protect the interests of the Class A Noteholders) shall (but, in the case of the happening of any of the events mentioned in (ii) to (v) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders while any Class A Notes are outstanding or, if there are no Class A Notes outstanding, to the interests of the Class B Noteholders and, in the case of the event mentioned in (i) below in relation to any payment of interest on the Class B Notes, only if the Trustee shall have certified in writing that the Issuer had, on the due date for payment of the amount of interest in question, sufficient cash to pay, in accordance with the provisions of the Deed of Charge, such interest (after payment of all sums which it is permitted under the Deed of Charge to pay in priority thereto or *pari passu* therewith)), give notice (an ''Enforcement Notice'') to the Issuer that the Class B Notes are, and each Class B Note shall if notice is, or has already been, given that the Class A Notes are due and

payable pursuant to the terms and conditions of the Class A Notes, or if there are no Class A Notes then outstanding, accordingly forthwith become immediately due and repayable at its Principal Amount Outstanding, together with accrued interest (including any Deferred Interest and Additional Interest) as provided in the Trust Deed, if any of the following events (each an "Event of Default") shall occur:

(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 Class B 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 Class B Notes or any of them; 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 B 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 Class B 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 Class B 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; 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; or

(vi) notice is given to the Issuer pursuant to the Trust Deed that the Class A Notes are immediately due and repayable.

11. Enforcement and Post Enforcement Call Option

At any time after the Class B Notes become due and repayable at their Principal Amount Outstanding, subject to Class B Condition 7, the Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the security for the Class B Notes and Coupons and to enforce repayment of the Class B Notes and payment of interest, but it shall not be bound to take any such steps or proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Class B Noteholders or so requested in writing by Class B Noteholders holding at least one-quarter of the aggregate Principal Amount Outstanding of the Class B Notes then outstanding and (ii) it shall have been indemnified to its satisfaction. Notwithstanding the foregoing but provided that all of the Class A Notes have been redeemed in full so long as any of the Class B Notes remains outstanding, if the Class B Notes have become due and repayable pursuant to these Class B Conditions otherwise than by reason of a default in payment of any amount due on the Class B Notes, the Trustee will not be entitled to dispose of the Security unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class B Noteholders and the Couponholders and to other creditors of the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of a merchant bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities

of the Issuer, to discharge in full in due course all amounts owing to the Class B Noteholders and the Couponholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith. No Class B Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to take steps and/or proceed, fails to do so within a reasonable time and such failure is continuing.

In the event that the Security is enforced and, after payment of all other claims ranking in priority to the Class B Notes under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Class B Notes and all other claims ranking *pari passu* therewith, then the Class B Noteholders shall, upon the Security having been enforced and realised to the maximum possible extent as certified by the Trustee, be forthwith entitled to their respective shares of such remaining proceeds (as determined in accordance with the provisions of the Deed of Charge) and, after payment of each Class B Noteholder of its respective share of such remaining proceeds, all interests in the Permanent Global Class B Note will be automatically exchanged for equivalent interests in an equivalent amount of Class B Notes in definitive form and such Permanent Global Class B Note (if any) will be cancelled. On the date of such exchange (the ''Option Exercise Date''), the Trustee (on behalf of all of the Class B Noteholders) will, at the request of Paragon Options PLC (''POPLC''), transfer for a consideration of £0.01 per Class B Note all (but not some only) of the Class B Notes to POPLC pursuant to the option granted to it by the Trustee (as agent for the Noteholders but without any personal liability on the part of the Trustee) pursuant to a post enforcement call option deed (the ''Post Enforcement Call Option Deed'') to be dated the Closing Date between POPLC and the Trustee. Immediately upon such transfer, no such former Class B Noteholder shall have any further interest in the Class B Notes. Each of the Class B Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post Enforcement Call Option Deed and each Class B Noteholder, by subscribing for or purchasing Class B Notes, agrees to be so bound.

12. Replacement of Class B Notes, Coupons and Talons

If any Class B Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Class B Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. Notices

All notices, other than notices given in accordance with the next following paragraph, to Class B Noteholders shall be deemed to have been duly given if published in a leading daily newspaper printed in the English language and with general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper or in one of the newspapers referred to above.

Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Payment, a Principal Payment (or absence thereof), a Principal Amount Outstanding or a Pool Factor shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters Screen (presently page PGCL) or such other medium for the electronic display of data as may be approved by the Trustee and notified to the Class B Noteholders (the ''Relevant Screen''). Any such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen. If it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Class B Condition 13 shall be given in accordance with the preceding paragraph.

The Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Class B Noteholders in accordance with this Class B Condition 13.

14. Meetings of Class B Noteholders; Modifications; Consents; Waiver

The Trust Deed contains provisions for convening meetings of Class B Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Class B Noteholders of a modification of the Class B Notes (including these Class B Conditions) or the provisions of any of the Relevant Documents, provided that no modification of certain terms including, *inter alia*, the date of maturity of the Class B Notes, or a modification which would have the effect of postponing any day for payment of interest on the Class B Notes, reducing or cancelling the amount of principal payable on the

Class B Notes or the rate of interest applicable to the Class B Notes or altering the majority required to pass an Extraordinary Resolution or altering the currency of payment of the Class B Notes or the Coupons or any alteration of the date or priority of redemption of the Class B Notes (any such modification being referred to below as a "Basic Terms Modification") shall be effective except that, if the Trustee is of the opinion that such a Basic Terms Modification is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, such Basic Terms Modification may be sanctioned by Extraordinary Resolution of the Class B Noteholders as described below. The quorum at any meeting of Class B Noteholders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 75% of the aggregate Principal Amount Outstanding of the Class B Notes then outstanding or, at any adjourned meeting, two or more persons being or representing Class B Noteholders whatever the aggregate Principal Amount Outstanding of the Class B Notes so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing 75%, or at any adjourned such meeting, 25%, or more of the aggregate Principal Amount Outstanding of the Class B Notes then outstanding. The Trust Deed contains provisions limiting the powers of the Class B Noteholders and the Class C Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders and the Class C Noteholders, irrespective of the effect on their interests. An Extraordinary Resolution passed at any meeting of Class B Noteholders shall not be effective for any purpose unless either (i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders but, subject thereto, it shall be binding on all Class B Noteholders and Class C Noteholders, whether or not they are present at the meeting, and on all Couponholders. The majority required for an Extraordinary Resolution shall be 75% of the votes cast on that Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all Class B Noteholders and Couponholders, irrespective of its effect upon such holders or their interests.

The Trustee may agree, without the consent of the Class B Noteholders or Couponholders, (i) to any modification (except a Basic Terms Modification) of, or to waiver or authorisation of any breach or proposed breach of, the Class B Notes (including these Class B Conditions) or any of the Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Class B Noteholders or (ii) to any modification of the Class B Notes (including these Class B Conditions) or any of the Relevant Documents which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Class B Noteholders or the Couponholders, determine that any Event of Default or any condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Class B Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Class B Noteholders in accordance with Class B Condition 13 as soon as practicable thereafter.

15. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to realise the Security and to obtain repayment of the Class B Notes unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any other party to the Relevant Documents without accounting for any profit resulting from such transactions. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrator or any of its affiliates or by clearing organisations or their operators or by any person on behalf of the Trustee.

16. Notifications and Other Matters to be Final

Notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Class B Notes and the Coupons, whether by the Reference Banks (or any of them), the Reference Agent, the Issuer, the Administrator or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Reference Agent, the Trustee, the Administrator, the Principal Paying Agent, the

other Paying Agents (if any and all Class B Noteholders and Couponholders and (subject as aforesaid) no liability to the Issuer, the Administrator or the Class B Noteholders or Couponholders shall attach to the Reference Banks (or any of them), the Reference Agent, the Issuer, the Administrator or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

17. The Contracts (Rights of Third Parties) Act 1999

The Class B Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Class B Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

18. Governing Law

The Class B Notes, the Coupons, the Talons, the Trust Deed and the Deed of Charge are governed by, and shall be construed in accordance with, English law other than such provisions thereof as are particular to Scots law, which are governed by and shall be construed in accordance with the laws of Scotland and such provisions thereof as are particular to Northern Irish law, which are governed by and shall be construed in accordance with the laws of Northern Ireland.

DESCRIPTION OF THE CLASS C NOTES, THE GLOBAL CLASS C NOTES AND THE SECURITY

The issue of the £21,340,000 Class C Asset Backed Floating Rate Notes due 2048 (the "Class C Notes") will be authorised by a resolution or resolutions of the Board of Directors of Paragon Personal and Auto Finance (No. 1) PLC (the "Issuer") passed on or before the Closing Date (as defined in Class C Condition 4(a) below). The Class C Notes are constituted by a trust deed (the "Trust Deed") to be dated the Closing Date between the Issuer and Citicorp Trustee Company Limited (the "Trustee", which expression shall include its successors as trustee under the Trust Deed) as trustee for the holders for the time being of the Class C Notes (the "Class C Noteholders"), the holders for the time being of the Class A Notes (as defined in Class C Condition 2 below) (the "Class A Noteholders") and the holders for the time being of the Class B Notes (as defined in Class C Condition 2 below) (the "Class B Noteholders"). The net proceeds from the issue of the Notes will be applied, amongst other things, in repayment to Finance for People (No. 10) PLC and Collateralised Mortgage Securities (No. 9) PLC of borrowings made by the Issuer to assist in the acquisition of certain Portfolio Assets (as defined in the master definitions schedule to be dated the Closing Date between and signed by, *inter alios*, the Issuer and the Trustee (the "Master Definitions Schedule")), and in the purchase, either on or during the period of four years after the Closing Date, of additional Portfolio Assets (as defined in the Master Definitions Schedule).

The statements set out below include summaries of, and are subject to, the detailed provisions of the Trust Deed and a deed of charge and assignment (the "Deed of Charge") dated the Closing Date between, *inter alios*, the Issuer, the Trustee, Colonial Finance (UK) Limited ("CFUK"), Paragon Finance PLC ("PFPLC"), Paragon Personal Finance Limited ("PPF"), Paragon Car Finance Limited ("PCF"), PFPLC in its capacity as administrator and The Royal Bank of Scotland plc in its capacity as swap provider (the "Swap Provider"). The Trust Deed will include the form of the temporary global note (the "Temporary Global Class C Note") and the permanent global note (the "Permanent Global Class C Note") for the Class C Notes and the definitive Class C Notes and coupons and talons relating thereto. Certain words and expressions used above and below have the meanings defined in the Trust Deed or the Master Definitions Schedule. In accordance with an agency agreement (the "Agency Agreement"), to be dated the Closing Date between the Issuer, the Trustee and Citibank, N.A. as principal paying agent (the "Principal Paying Agent", which expression shall include its successors as principal paying agent under the Agency Agreement) and as reference agent (the "Reference Agent", which expression shall include its successors as reference agent under the Agency Agreement) (and the Agency Agreement shall include provision for the appointment of further paying agents (together with the Principal Paying Agent, the "Paying Agents", which expression shall include the successors of each paying agent appointed as such under the Agency Agreement and any additional paying agent appointed)), payments in respect of the Class C Notes will be made by the Paying Agents and the Reference Agent will make the determinations therein specified. The Class C Noteholders will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and the Deed of Charge and will be deemed to have notice of all the provisions of the Administration Agreement, the Secured Loan Sale Agreement, the Standard Terms and Conditions, the Bridge Standard Terms and Conditions, the Master Definitions Schedule, the Warranty Deed, the Repurchase Deed (each as defined in the Master Definitions Schedule) and the Agency Agreement. Copies of such documents will be available for inspection at the principal London office of the Trustee, being at the date hereof Third Floor, Cottons Centre, Hay's Lane, London SE1 2QT, and at the specified offices for the time being of the Paying Agents.

Class C Notes and Coupons (as defined in Class C Condition 1 below) will bear the following legend: *"Any United States Person (as defined in the Internal Revenue Code) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code"*. The sections referred to in the legend provide that a United States Person (as defined in the Internal Revenue Code) will not, with certain exceptions, be permitted to deduct any loss, and will not be eligible for favourable capital gains treatment with respect to any gain, realised on a sale, exchange or redemption of a Class C Note or Coupon.

Global Class C Notes

The Class C Notes (which shall be in the denomination of £10,000 each) will be initially represented by a Temporary Global Class C Note in bearer form, without coupons or talons, in the principal amount of £21,340,000. The Temporary Global Class C Note will be deposited on behalf of the subscribers of the Class C Notes with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") on the Closing Date. Upon deposit of the Temporary Global Class C Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Class C Notes with the principal amount of Class C Notes for which it has subscribed and paid. Interests in the Temporary Global Class C Note will be

exchangeable 40 days after the Closing Date (provided certification of non-U.S. beneficial ownership by the Class C Noteholders has been received) for interests in the Permanent Global Class C Note, in bearer form, without coupons or talons, in an equivalent principal amount to the Temporary Global Class C Note (the expression "Global Class C Notes" and "Global Class C Note" meaning, respectively, (i) both of the Temporary Global Class C Note and the Permanent Global Class C Note or (ii) either of the Temporary Global Class C Note or the Permanent Global Class C Note, as the context may require). On the exchange of the Temporary Global Class C Note for the Permanent Global Class C Note, the Permanent Global Class C Note will also be deposited with the Common Depositary. The Global Class C Notes will be transferable by delivery. The Permanent Global Class C Note will be exchanged for definitive Class C Notes in bearer form in certain circumstances described below. Interest and principal on each Global Class C Note will be payable against presentation of that Global Class C Note by the Common Depositary to the Principal Paying Agent provided certification of non-U.S. beneficial ownership by the Class C Noteholders has been received by Euroclear or Clearstream, Luxembourg. Each of the persons appearing from time to time in the records of Euroclear or of Clearstream, Luxembourg, as the holder of a Class C Note will be entitled to receive any payment so made in respect of that Class C Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Class C Notes, which must be made by the holder of the relevant Global Class C Note, for so long as such Global Class C Note is outstanding. Each such person must give a certificate as to non-U.S. beneficial ownership as of the earlier of (i) the date on which the Issuer is obliged to exchange the Temporary Global Class C Note for the Permanent Global Class C Note, which date shall be no earlier than the Exchange Date (as defined in the Temporary Global Class C Note) and (ii) the first Interest Payment Date, in order to obtain any payment due on the Class C Notes.

For so long as the Class C Notes are represented by a Global Class C Note, such Class C Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or, as the case may be, of Clearstream, Luxembourg.

For so long as the Class C Notes are represented by a Global Class C Note, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the holder of a particular principal amount of Class C Notes will be entitled to be treated by the Issuer and the Trustee as a holder of such principal amount of Class C Notes and the expression "Class C Noteholder" shall be construed accordingly, but without prejudice to the entitlement of the bearer of the Global Class C Note to be paid principal and interest thereon in accordance with its terms.

Principal and interest on a Global Class C Note will be payable against presentation of such Global Class C Note at the specified office of the Principal Paying Agent or, at the option of the holder, at any specified office of any Paying Agent provided that no payment of interest on a Global Class C Note may be made by, or upon presentation of such Global Class C Note to, any Paying Agent in the United States of America. A record of each payment made on a Global Class C Note, distinguishing between any payment of principal and payment of interest, will be endorsed on such Global Class C Note by the Paying Agent to which such Global Class C Note was presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

If (i) the principal amount of the Class C Notes becomes immediately due and payable by reason of default or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after 26th June, 2001, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Class C Notes which would not be required were the Class C Notes in definitive form, then the Issuer will (at the Issuer's expense) issue definitive Class C Notes represented by the Permanent Global Class C Note in exchange for the whole outstanding interest in the Permanent Global Class C Note within 30 days of the occurrence of the relevant event, but in any event not prior to the expiry of 40 days after the Closing Date.

Security

The security for the Class C Notes will be created pursuant to, and on the terms set out in, the Deed of Charge, which creates in favour of the Trustee on trust for, *inter alios*, the Class C Noteholders:

(1) a sub-charge over the Mortgages which comprise English Mortgages and an assignation in security of the Issuer's interest in the Mortgages which comprise Scottish Mortgages, in each case, purchased by the Issuer under the Secured Loan Sale Agreement;

(2) a conveyance, transfer and assignment by way of first fixed security of:

(a) subject, where applicable, to the subsisting rights of the Obligors (as defined in the Master Definitions Schedule), all present and future right, title, interest and benefit of the Issuer in and under the Portfolio Assets (including Scottish Unsecured Loans, Scottish Secured Loans or Scottish Car Finance Contracts) other than the Portfolio Motor Vehicles which will be subject to a floating charge only (all as defined in the Master Definitions Schedule) to which it is or becomes beneficially entitled, including for the avoidance of doubt:

(i) all sums of principal (or sums equivalent to principal), interest (or revenue charges equivalent to interest) or any other sum payable under and the right to demand, sue for, recover, receive and give receipts for all principal (or equivalent) moneys payable or to become payable under such Portfolio Assets or the unpaid part thereof and the interest (or revenue charges equivalent to interest) due or to become due thereon;

(ii) the benefit of and the right to sue on all covenants with, or vested in, the Issuer in respect of each such Portfolio Asset and the right to exercise all powers of the Issuer in relation to each such Portfolio Asset;

(iii) all causes and rights of action of the Issuer against any person in connection with any report, opinion, certificate, consent or other statement of fact or opinion given in connection with such Portfolio Asset or affecting any decision to enter into the relevant Financing Agreement (as defined in the Master Definitions Schedule); and

(iv) the benefit of any guarantee, indemnity or surety vested in the Issuer relating to each such Portfolio Asset; and

(b) subject to any subsisting rights of redemption, all right, title, interest and benefit of the Issuer (whether present or future) in any insurances of which the Issuer may have the benefit or may acquire in the future;

(3) a charge, conveyance, transfer and assignment by way of first fixed security of:

(a) all the rights, title, interest and benefit, present and future, of the Issuer into and under the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts and the Car Finance Scottish Trusts (each as defined in the Master Definitions Schedule); and

(b) all the rights, title, interest and benefit, present and future, of the Issuer in and to all moneys, rights and property whatsoever which, from time to time and at any time, may be distributed under, or derived from, or accrue on, the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property or the Car Finance Scottish Trust Property or in respect of the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts in any way whatsoever including all rights to receive payment of any amounts which may become payable to the Issuer under the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts and all payments received by the Issuer thereunder and also including, without limitation, all rights to serve notices and/or make demands thereunder, all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof and all rights of the Issuer arising under or in respect of the Unsecured Loan Scottish Trust Property, the Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, the Unsecured Loan Scottish Trusts, the Secured Loan Scottish Trusts or the Car Finance Scottish Trusts;

(4) a conveyance, transfer and assignment by way of first fixed security of all the right, title, interest and benefit, present and future, of the Issuer in the Secured Loan Sale Agreement, each Asset Sale Contract, the Repurchase Deed, the Warranty Deed, the Administration Agreement, the Agency Agreement, the Subordinated Loan Agreement, the VAT Declaration of Trust, the Services Letter, the Fee Letter, the Swap Agreement, any other hedging arrangements entered into by the Issuer, the Collection Account Declarations of Trust (each as defined in the Master Definitions Schedule) and all other contracts, agreements, deeds and documents, present and future, to which the Issuer is or may become a party, 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 the right, title, interest and benefit, present and future, of the Issuer in and to the Transaction Account (as defined in the Master Definitions Schedule) and all sums of money which from time to time may be standing to the credit of the Transaction 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 and the benefit of all covenants relating thereto and all powers and remedies for enforcing the same;

(6) a first fixed charge over all the right, title, interest and benefit present and future of the Issuer in the Authorised Investments (as defined in the Master Definitions Schedule) and each of them made by the Issuer in accordance with the Administration Agreement 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 moneys, 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; and

(7) a first floating charge over the whole of the undertaking and all the property and assets of the Issuer whatsoever and wheresoever situate, present and future, other than any property or assets from time to time or for the time being effectively charged by way of fixed charge, or otherwise assigned as fixed security, by the Deed of Charge (but excepting from the foregoing exclusion all property, assets, rights and interests (i) charged or assigned as referred to in paragraphs (2) and (3) above and (ii) otherwise situate in or governed by Scots law, which are charged by the floating charge). For the avoidance of doubt, the Issuer's interest in each Portfolio Motor Vehicle shall be subject to the floating charge.

The security described above over the assets of the Issuer, which constitutes the security for the Class C Notes, is referred to as the "Security". The Security also stands as security for any amounts payable by the Issuer to the Class A Noteholders and the Class B Noteholders and to any Receiver, the Trustee, the Paying Agents, the Reference Agent, the Administrator, any Subordinated Lender, the Swap Provider, PPF, CFUK, PCF, CMS9 and PFPLC under the Notes, any Coupons, the Trust Deed, the Agency Agreement, the Deed of Charge, the Administration Agreement, the Secured Loan Agreement, any Asset Sale Contract, the Subordinated Loan Agreement, the Fee Letter, the Services Letter and the Swap Agreement (each as defined in the Master Definitions Schedule). The Deed of Charge contains provisions regulating the priority of application of amounts forming part of the Security among the persons entitled thereto. After service of an Enforcement Notice, amounts payable to any Receiver, the Trustee, the Paying Agents and the Reference Agent, amounts payable to the Administrator (including fees, out-of-pocket expenses and commissions), amounts payable to the Swap Provider and any Permitted Hedge Provider and, amounts of all commissions (if any) paid by insurance companies to each of PFPLC, PPF, PCF, CFUK and any other Seller pursuant to the Administration Agreement and amounts due and payable to Class A Noteholders and the Class B Noteholders will rank in priority to payments on the Class C Notes.

TERMS AND CONDITIONS OF THE CLASS C NOTES

The following, subject to amendments, are the terms and conditions of the Class C Notes (the "Class C Conditions" and any reference to a "Class C Condition" shall be construed accordingly) substantially in the form as they will appear on the reverse of the Class C Notes in definitive form. While the Class C Notes remain in global form, the same terms and conditions govern them, except to the extent that they are appropriate only to the Class C Notes in definitive form.

1. Form, Denomination and Title

The Class C Notes are serially numbered and are issued in bearer form in the denomination of £10,000 each with, at the date of issue, interest coupons ("Interest Coupons") and principal coupons ("Principal Coupons") (severally or together "Coupons") and talons ("Talons") attached. Title to the Class C Notes, the Coupons and the Talons shall pass by delivery.

The holder of each Coupon (each a "Couponholder") and each Talon (whether or not the Coupon or the Talon is attached to a Class C Note) in his capacity as such shall be subject to and bound by all the provisions contained in the relevant Class C Note.

To the extent permitted by applicable law, the Issuer, the Trustee and the Paying Agents may treat the holder of any Class C Note, Coupon or Talon as the absolute owner thereof (whether or not such Class C Note, Coupon or Talon shall be overdue and notwithstanding any notice to the contrary or writing thereon or any notice of previous loss or theft thereof or of trust or other interest therein) for the purpose of making payment and for all other purposes.

2. Status and Relationship between the Class A Notes, the Class B Notes and the Class C Notes

The Class C Notes and the Coupons are secured by fixed and floating security over all of the assets (as more particularly described in the Deed of Charge) of the Issuer and rank *pari passu* and rateably without any preference or priority among themselves.

Payments of principal and interest on the Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the £178,210,000 Class A Asset Backed Floating Rate Notes due 2021 of the Issuer (the "Class A Notes") and payments of principal and interest on the £51,450,000 Class B Asset Backed Floating Rate Notes due 2032 of the Issuer (the "Class B Notes") in accordance with the provisions to Class C Conditions 4, 5 and 7, the Trust Deed and the Deed of Charge.

The Class C Notes are secured by the same security that secures the Class A Notes and the Class B Notes, but the Class A Notes, the Class B Notes and certain other obligations of the Issuer will rank in point of security in priority to the Class C Notes in the event of the security being enforced.

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of all of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise), but requiring the Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders, the Class C Noteholders and other persons entitled to the benefit of the Security and subject thereto to have regard only to the interests of the Class B Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class B Noteholders and/or the interests of the Class C Noteholders and/or the other persons entitled to the benefit of the Security and subject thereto to have regard only to the interests of the Class C Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class C Noteholders and/or the other persons entitled to the benefit of the Security.

3. Covenants of the Issuer

(A) So long as any of the Class A Notes, the Class B Notes or the Class C Notes remains outstanding (as defined in the Master Definitions Schedule), the Issuer shall not, save to the extent permitted by the Relevant Documents (as defined below) or with the prior written consent of the Trustee:

(1) carry on any business other than as described in the Offering Circular dated 26th June, 2001 relating to the issue of the Class A Notes, the Class B Notes and the Class C Notes (and then only in relation to the Portfolio Assets and the related activities described in any Unsecured Loan Agreement, Secured Loan Agreement (or its related Mortgage) or Car Finance Agreement) and in respect of that business shall not engage in any activity or do anything whatsoever except:

(a) own and exercise its rights in respect of the Security and its interests therein and perform its obligations in respect of the Security and the assets comprised therein;

(b) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Class C Notes, the Coupons and Talons, the Class A Notes and the Class B Notes and any principal coupons, interest coupons and talons appertaining respectively thereto, the subscription agreements relating to each of the Class A Notes, the Class B Notes and the Class C Notes and the other agreements relating to the issue of the Class A Notes, the Class B Notes and the Class C Notes (or any of them), the Secured Loan Sale Agreement, any Asset Sale Contract, the Agency Agreement, the Trust Deed, the Administration Agreement, the Fee Letter, the Subordinated Loan Agreement, the Portfolio Assets, the Deed of Charge, the Collection Account Declarations of Trust, the Swap Agreement, the VAT Declaration of Trust, the Services Letter, any insurances in which the Issuer at any time has an interest, the Scottish Trusts and all other agreements and documents comprised in the security for the Class A Notes, the Class B Notes and the Class C Notes (all as defined in the Master Definitions Schedule) (together the "Relevant Documents");

(c) 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, *inter alia*, make claims, payments and surrenders in respect of certain tax reliefs;

(d) use, invest or dispose of, or otherwise deal with, or agree or attempt or purport to dispose of, any of its property or assets or grant any option or right to acquire the same 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 C Notes, the Class A Notes or the Class B Notes in accordance with their respective terms and conditions; and

(e) perform any act incidental to or necessary in connection with (a), (b), (c) or (d) above;

(2) 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 Fee Letter, the Services Letter, the Swap Agreement, the VAT Declaration of Trust and excluding any borrowing in accordance with the provisions of the Subordinated Loan Agreement;

(3) create any mortgage, sub-mortgage, charge, sub-charge, pledge, lien or other security interest whatsoever (other than any which arise by operation of law) over any of its assets;

(4) 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:

(a) 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 unsecured and secured consumer loans and motor vehicle finance agreements 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 these Class C Conditions on the part of the Issuer to be performed or observed;

(b) immediately after giving effect to such transaction, no Event of Default (as defined in Class C Condition 10) shall have occurred and be continuing;

(c) 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;

(d) 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; and

(e) each of the Rating Agencies confirms that the then current ratings of the Class A Notes, the Class B Notes and the Class C Notes will not be adversely affected as a result of such consolidation, merger, conveyance or transfer;

(5) permit the validity or effectiveness of the Trust Deed or the Deed of Charge or the priority of the security created thereby to be amended, terminated, postponed or discharged, or permit any person whose obligations form part of the Security to be released from such obligations;

(6) 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

(7) have an interest in any bank account, other than the Transaction Account, the VAT Account and the Collection Accounts (each as defined in the Master Definitions Schedule), unless such account or interest is charged to the Trustee on terms acceptable to it.

(B) So long as any of the Class C Notes remains outstanding the Issuer will procure that there will at all times be an administrator of the Portfolio Assets (the "Administrator"). Any appointment of an Administrator is subject to the prior written approval of the Trustee and must be of a person with experience of the administration of unsecured or secured consumer loans and motor vehicle finance contracts and in England, Wales, Scotland and Northern Ireland. The Administrator will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Trustee. The appointment of the Administrator may be terminated by the Trustee if, *inter alia*, the Administrator is in breach of its obligations under the Administration Agreement which breach, in the opinion of the Trustee, is materially prejudicial to the interests of the Class A Noteholders or, if the Class A Notes have been redeemed in full, the Class B Noteholders or, if the Class A Notes and the Class B Notes have been redeemed in full, the Class C Noteholders.

4. Interest

(a) Interest Payment Dates

Each Class C Note bears interest on its Principal Amount Outstanding (as defined in Class C Condition 5(b)) from and including 28th June, 2001, or such later date as may be agreed between the Issuer and The Royal Bank of Scotland plc, (the "Closing Date"). Provided certification of non-U.S. beneficial ownership has been received with respect to the Class C Notes interest in respect of such Class C Notes is (subject to Class C Condition 7) payable quarterly in arrear on 15th March, 15th June, 15th September and 15th December in each year (or, if any such date is not a business day, the next succeeding day which is a business day, each an "Interest Payment Date"). To the extent that the funds available to the Issuer to pay interest on the Class C Notes on an Interest Payment Date are insufficient to pay the full amount of such interest or, subject as provided below, if on the relevant Determination Date (as defined in Class C Condition 5) relating to any Interest Payment Date the Performing Assets Balance Test Ratio (as defined in Class C Condition 5) is less than or equal to 0.915:1, then payment of the shortfall, or as the case may be, such interest on the Class C Notes which would otherwise have fallen due on such Interest Payment Date ("Deferred Interest"), which will be borne by each Class C Note in a proportion equal to the proportion that the Principal Amount Outstanding of that Class C Note bears to the aggregate Principal Amount Outstanding of the Class C Notes (in each case as determined on the Interest Payment Date on which such Deferred Interest arises), will not fall due on such Interest Payment Date but will instead, subject to Class C Condition 7, be deferred until the first day which is both an Interest Payment Date on which funds are available (after allowing for the Issuer's liabilities of a higher priority) to the Issuer to pay such Deferred Interest to the extent of such available funds and also an Interest Payment Date immediately following a Determination Date on which the Performing Assets Balance Test Ratio (as defined in Class B Condition 5(a)) exceeds 0.915:1 provided always that if there is no Class A Note or Class B Note outstanding or all the Class A Notes and Class B Notes are redeemed on the Interest Payment Date next following the Determination Date on which the Performing Assets Balance Test Ratio is less than or equal to 0.915:1 deferral as is provided for in this Class C Condition shall only occur on such Interest Payment Date if and to the extent that the funds available to the Issuer to pay interest on the Class C Notes (including any Deferred Interest and any Additional Interest (as defined below)) are insufficient to pay the full amount of such interest. In the event of any such deferral, the rate of interest applicable to the Class C Notes will be increased to the extent necessary so that the Class C Notes accrue additional interest ("Additional Interest") equal to the interest which would accrue on the relevant Deferred Interest during the period of deferral if interest were to accrue thereon at the Rate of Interest (as defined below) applicable from time to time to the Class C Notes and, subject to Class C Condition 7, payment of any Additional Interest will also be deferred until the first day which

is both an Interest Payment Date on which funds are available to the Issuer to pay such Additional Interest (and any interest and Deferred Interest) to the extent of such available funds and, unless there is no Class A Note or Class B Note outstanding or all the Class A Notes and the Class B Notes are redeemed on the relevant Interest Payment Date, an Interest Payment Date immediately following a Determination Date on which the Performing Assets Balance Test Ratio exceeds 0.915:1. As used in these Class C Conditions except Class C Condition 6, ''Business Day'' means a day (other than a Saturday or Sunday) on which banks are open for business in London.

The period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is called an ''Interest Period''. Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 365 (or 366 in the case of an Interest Period or other period ending in a leap year) day year. The first interest payment will be made on the Interest Payment Date falling in September 2001 in respect of the period from (and including) the Closing Date to (but excluding) the Interest Payment Date falling in September 2001.

Interest shall cease to accrue on any part of the Principal Amount Outstanding of a Class C Note as from (and including) the due date for redemption of such part unless, upon due presentation of the relevant Principal Coupon, payment of principal due is improperly withheld or refused, whereupon interest shall continue to accrue on such principal at the Rate of Interest (as defined in paragraph (c) below) from time to time applicable to the Class C Notes until the moneys in respect thereof have been received by the Trustee or the Principal Paying Agent and notice to that effect is given in accordance with Class C Condition 13.

(b) Coupons and Talons

On issue, Coupons and Talons applicable to Class C Notes in definitive form are attached to the Class C Notes. A Talon may be exchanged for further Coupons and, if applicable, a further Talon on or after the Interest Payment Date for the final Coupon on the relevant Coupon sheet by surrendering such Talon at the specified office of any Paying Agent. Interest payments on the Class C Notes will be made against presentation and surrender of the appropriate Coupons in accordance with Class C Condition 6, except as provided therein.

(c) Rate of Interest

The rate of interest applicable from time to time to the Class C Notes disregarding any Additional Interest which may accrue in accordance with paragraph (a) above (the ''Rate of Interest'') will be determined by Citibank, N.A. acting as reference agent (the ''Reference Agent'', which expression shall include its successors as Reference Agent under the Agency Agreement) on the basis of the following provisions:

(i) On the Closing Date (an ''Interest Determination Date'') in respect of the first Interest Period, the Reference Agent will determine the interest rate by reference to a linear interpolation between the rates for sterling deposits for a period of two months and sterling deposits for a period of three months quoted on the Telerate Screen Page 3750 (or any other page on which Telerate is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the Closing Date being, if more than one rate is quoted and the rates quoted are not the same, the arithmetic mean (rounded to five decimal places) of the rates so quoted. On each Interest Payment Date thereafter (each also an ''Interest Determination Date'') in respect of each subsequent Interest Period, the Reference Agent will determine the interest rate on sterling deposits for a period of three months quoted on the Telerate Screen Page 3750 (or any other page on which Telerate is for the time being posting offered rates quoted by prime banks in the London interbank sterling market) at or about 11.00 a.m. (London time) on the Interest Determination Date in question being, if more than one rate is quoted and the rates quoted are not the same, the arithmetic mean (rounded to five decimal places) of the rates so quoted. The Rate of Interest applicable for the Interest Period beginning on the relevant Interest Determination Date shall be the aggregate of such interest rate (or such arithmetic mean (rounded, if necessary) as aforesaid) as determined by the Reference Agent and the margin of 2.25% per annum up to and including the Interest Period ending in June 2007 and thereafter 4.50% per annum.

(ii) If, on any Interest Determination Date, no such rates are being quoted on the Telerate Screen Page 3750 (or such other appropriate page) at such time and on such date, the Reference Agent will request the principal London office of each of Barclays Bank Plc, Lloyds TSB plc, HSBC Bank plc and The Royal Bank of Scotland plc or any duly appointed substitute reference bank(s) as may be appointed by the Issuer and approved by the Trustee (the "Reference Banks") to provide the Reference Agent with its offered quotation to leading banks for three-month sterling deposits or, in the case of the first Interest Period, for two-month and three-month sterling deposits of £10,000,000 in London for same day value as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for the relevant Interest Period shall be determined, as in sub-paragraph (i), on the basis of the offered quotations of those Reference Banks. If, on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Reference Agent, the Rate of Interest for the relevant Interest Period shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, one only or none of the Reference Banks provides the Reference Agent with such an offered quotation, the Reference Agent shall forthwith consult with the Trustee and the Issuer for the purpose of agreeing two banks (or, where one only of the Reference Banks provides such a quotation, one additional bank) to provide such a quotation or quotations to the Reference Agent (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) and the Rate of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which sub-paragraph (i) or the foregoing provisions of this sub-paragraph (ii) shall have applied.

(iii) There shall be no maximum or minimum Rate of Interest.

(d) Determination of Rate of Interest, Calculation of Interest Payments, Deferred Interest and Additional Interest

The Reference Agent will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine the Rate of Interest applicable to, and calculate the amount of interest (other than Additional Interest) payable, subject to Class C Condition 7, on the Class C Notes (an "Interest Payment") for the relevant Interest Period. The Interest Payment for the Class C Notes shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Class C Notes taking into account any payment of principal due on such Interest Determination Date, multiplying by the actual number of days in the relevant Interest Period and dividing by 365 or, in the case of an Interest Period ending in a leap year, 366 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards). On (or as soon as practicable after) each Determination Date (as defined in Class C Condition 5(a)), the Issuer shall determine (or cause the Administrator to determine) the actual amount of interest which will be paid on each Class C Note on the Interest Payment Date next following such Determination Date and the amount of Deferred Interest (if any) on each Class C Note in respect of the Interest Period ending on (but excluding) such Interest Payment Date and the amount of Additional Interest (if any) which will be paid on such Interest Payment Date. The amount of Additional Interest shall be calculated by applying the relevant Rate of Interest to the Deferred Interest relating to the Class C Notes and any Additional Interest from prior Interest Periods which remains unpaid, multiplying by the actual number of days in the relevant Interest Period and dividing by 365 or, in the case of an Interest Period ending in a leap year, 366 and rounding the resultant figure to the nearest penny (half a penny being rounded upwards). In the event that on any Determination Date the Performing Assets Balance Test Ratio exceeds 0.915:1 but the funds then available to the Issuer are insufficient to pay in full the Interest Payment, any outstanding Deferred Interest and any Additional Interest due on the Interest Payment Date next following such Determination Date such funds will be applied first to the payment of any Interest Payment, secondly to the payment of any outstanding Deferred Interest and thereafter to the payment of any Additional Interest.

(e) Publication of Rates of Interest, Interest Payments, Deferred Interest and Additional Interest

The Reference Agent will cause the Rate of Interest and the Interest Payment applicable to the Class C Notes for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the Paying Agents, the Administrator and, for so long as the Class C Notes are listed by the UK Listing Authority (the "UKLA") and admitted to trading by the London Stock Exchange plc (the "London Stock Exchange"), the London Stock Exchange, and will cause the same to be published in accordance with Class C Condition 13 on or as soon as possible after the date of commencement of the relevant Interest Period. The Issuer will cause the Deferred Interest (if any) and the Additional Interest (if any) applicable to the Class C Notes for each Interest Period to be notified to the Trustee, the Paying Agents and (for so long as the Notes are listed by the UKLA and admitted to trading by the London Stock Exchange) the London Stock Exchange, and will cause the same to be published in accordance with Class C Condition 13 no later than the fourth Business Day prior to the relevant Interest Payment Date. The Interest Payment, Deferred Interest, Additional Interest and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a shortening of the Interest Period.

(f) Determination or Calculation by Trustee

If the Reference Agent at any time for any reason does not determine the Rate of Interest or calculate an Interest Payment or the Additional Interest (if any) in accordance with paragraph (d) above, the Trustee shall determine the Rate of Interest for the Class C Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (c) above, but subject to the terms of the Trust Deed), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Payment or the Additional Interest (if any) for the Class C Notes in accordance with paragraph (d) above, and each such determination or calculation shall be deemed to have been made by the Reference Agent.

(g) Reference Banks and Reference Agent

The Issuer will procure that, so long as any of the Class C Notes remains outstanding, at all times there will be at least four Reference Banks and a Reference Agent. The Issuer reserves the right at any time to terminate the appointment of the Reference Agent or of any Reference Bank. Notice of any such termination will be given to the Class C Noteholders. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Reference Agent (as the case may be), or if the appointment of any Reference Bank or the Reference Agent shall be terminated, the Issuer will, with the prior written approval of the Trustee, appoint a successor Reference Bank or Reference Agent (as the case may be) to act as such in its place, provided that neither the resignation nor removal of the Reference Agent shall take effect until a successor approved by the Trustee has been appointed.

5. Redemption and Purchase

(a) Mandatory Redemption in Part from Available Redemption Funds: Apportionment of Available Redemption Funds Between the Class A Notes, the Class B Notes and the Class C Notes

The Class C Notes shall be subject to mandatory redemption in part on any Interest Payment Date if on the relevant Determination Date (as defined below) there are any Class C Available Redemption Funds (as defined below). The principal amount so redeemable in respect of each Class C Note prior to the service of an Enforcement Notice (each a "Principal Payment") on any Interest Payment Date shall be the amount of the Class C Available Redemption Funds (as defined below) on the Determination Date relating to that Interest Payment Date divided by the number of Class C Notes then outstanding (as defined in the Master Definitions Schedule) (rounded down to the nearest pound sterling), provided always that no Principal Payment may exceed the Principal Amount Outstanding of a Class C Note.

The "Determination Date" mean the last Business Day of the month preceding that in which an Interest Payment Date falls and "relevant Determination Date" means, in respect of an Interest Payment Date, the last Business Day of the month preceding that in which such Interest Payment Date falls.

"Available Redemption Funds" on any Determination Date (the "Relevant Date") means an amount equal to the aggregate of:

(i) the amount (if any) left when the amount (if any) of Available Purchase Funds (as defined below) at the Relevant Date, which the Issuer has notified to the Administrator pursuant to the Administration Agreement, that it then intends to apply in purchasing Further Unsecured Loans and/or Further Secured Loans and/or Further Car Finance Contracts and any related Motor Vehicles and/or in making any further advances in respect of Portfolio Secured Loans at any time during the period from (but excluding) the Relevant Date to (and including) the fourth anniversary of the Closing Date (such notified amount being "Allocated Purchase Funds") is subtracted from Available Purchase Funds at the Relevant Date; and

(ii) an amount equal to the aggregate amount (if any) of the provisions that would have been made as specified in paragraphs (x) to (xv) (inclusive) of clause 6.2.2 of the Deed of Charge on the Interest Payment Date next following the Relevant Date, but which the Issuer gives notice to the Administrator pursuant to the Administration Agreement on the Relevant Date should not be made but the amount of which should instead be added to the Available Redemption Funds on the Relevant Date,

PROVIDED THAT

(a) if either the Performing Assets Balance Test Ratio (as defined below) as at the Relevant Date is less than 1:1 or any borrowing by the Issuer under the Subordinated Loan Agreement which is taken into account for the purpose of calculating that Performing Assets Balance Test Ratio as at the Relevant Date pursuant to paragraph (d)(A) of the definition of Available Purchase Funds is not made on or before the relevant Interest Payment Date, then the Allocated Purchase Funds shall be deemed to be zero; and

(b) the amount referred to in paragraph (i) above as at the Relevant Date will not exceed an amount which, were it to have been deducted from the aggregate Principal Amount Outstanding of the Class A Notes, Class B Notes and Class C Notes on the Relevant Date for the purposes of the calculation of the Performing Assets Balance Test Ratio on such date, would have resulted in the Performing Assets Balance Test Ratio on the Relevant Date having been 1:1 PROVIDED THAT for the purposes of the calculation of the Performing Assets Balance Test Ratio pursuant to this sub-paragraph (b), a reference to "Allocated Purchase Funds" will be substituted for the reference to "Available Purchase Funds" in paragraph (b) of the Performing Assets Balance Test Ratio definition below.

"Available Purchase Funds" means at any Determination Date (the "Relevant Date") an amount determined by the Administrator pursuant to the Administration Agreement on the Relevant Date to be equal to the aggregate of:

(a) the amount of the Available Funds (as defined below) standing to the credit of the Transaction Account as at the close of business on the Relevant Date; and

(b) any payment due to be received by the Issuer from the Swap Counterparty or any Permitted Hedge Provider under the Swap Agreement or otherwise in the period from (but excluding) the Relevant Date to (and including) the Interest Payment Date next following the Relevant Date (the "Period"); and

(c) all proceeds of disposal or on maturity of any Authorised Investments made or acquired on or before the Relevant Date and due to mature on or before the next following Interest Payment Date (whether or not reinvested during the Period) and any income to be earned thereon (including interest to be earned on the Transaction Account), in each case, due to be received by the Issuer during the Period; and

(d) (A) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period for the purpose of ensuring that the Performing Assets Balance Test Ratio equals or exceeds 1:1 as at the Relevant Date; and (B) all borrowings to be made by the Issuer under the Subordinated Loan Agreement during the Period (other than on an Interest Payment Date) for the purpose of establishing or increasing the Shortfall Fund; and

(e) all amounts standing to the credit of the Collection Accounts in respect of the Portfolio Assets as at the close of business on the Relevant Date that are to be transferred to the Transaction Account during the Period; less

(f) an amount equal to the aggregate amount that the Administrator on the Relevant Date estimates will fall to be paid or provided for on or before the Interest Payment Date next following the Relevant Date in respect of the payments and provisions specified in paragraphs (i) to (vii) (inclusive) of clause 6.2.2 of the Deed of Charge; and less

(g) but only prior to the earlier of (i) the date on which the Issuer has received an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer on the Closing Date of the benefit of the Initial Portfolio Unsecured Loans that are Scottish Unsecured Loans and the Initial Portfolio Car Finance Contracts that are Scottish Car Finance Contracts or (ii) the date on which the Issuer pays all such stamp duty (if any) which is so payable, an amount equal to £400,000,

but so that no amount shall be added or deducted more than once in the same calculation.

"Performing Assets Balance Test Ratio" means on any Determination Date (the "Relevant Date") the ratio of the aggregate of:

(a) the aggregate of the Current Principal Balances of all Performing Assets (each as defined below) as at the Relevant Date; and

(b) the Available Purchase Funds at such Relevant Date,

less an amount equal to the aggregate of:

(c) an amount which the Rating Agencies determine and notify to the Issuer to be the amount by which the aggregate of the Current Principal Balances of the Performing Assets as at the Closing Date plus the Initial Allocated Purchase Funds (as defined below) must exceed the aggregate Principal Amount Outstanding of the Class A Notes, the Class B Notes and the Class C Notes on the Closing Date in order to achieve the initial ratings of the Notes; and

(d) an amount equal to the aggregate of all amounts (if any) which have fallen within paragraph (ii) of the definition of Available Redemption Funds at any time on or prior to such Relevant Date,

to:

(e) the aggregate Principal Amount Outstanding of the Notes as at the Relevant Date.

"Performing Assets" means all Portfolio Assets that are equal to or less than twelve months in arrears. A Portfolio Asset for this purpose will not be equal to or less than twelve months in arrears at any time if at such time amounts totalling in aggregate more than twelve times the then current monthly payment due from the Obligor under such Portfolio Asset have not been paid when due and/or have been capitalised within the twelve months immediately preceding such time.

"Current Principal Balance" on any day means: (a) in relation to a Portfolio Unsecured Loan that is a Personal Loan (other than one sold by CFUK to the Issuer) or, as the case may be, a Portfolio Secured Loan, the aggregate outstanding amount of principal due and payable by the Borrower thereunder other than, for the avoidance of doubt, any arrears of interest which have been capitalised; and (b) in relation to a Portfolio Car Finance Contract, a Portfolio Unsecured Loan that is a Retail Credit Loan or, as the case may be, a Portfolio Unsecured Loan that is a Personal Loan sold by CFUK to the Issuer, the aggregate amount of those parts of each monthly payment payable by the relevant Obligor that is attributable to principal in accordance with the Administration Agreement throughout the remaining term of such Portfolio Car Finance Contract, Retail Credit Loan or, as the case may be, Personal Loan other than, for the avoidance of doubt, any arrears of interest which have been capitalised (including amounts then due and payable but not paid) (and in the case of a Portfolio Car Finance Contract which comprises a conditional sale agreement, a lease agreement or a motor vehicle contract purchase agreement plus the assumed residual value of the relevant Portfolio Motor Vehicle) on that date thereunder each as shown in the Debtor Ledger (as defined below) for the relevant Portfolio Asset, less, in respect of each Portfolio Asset, an amount equal to the amount thereof (if any) that has been written off in accordance with the Administration Agreement.

"Initial Allocated Purchase Funds" means an amount equal to the gross proceeds of the issue of the Notes to the extent not applied in purchasing Unsecured Loans, Secured Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date or in repaying on the Closing Date amounts under the CMS9 Subordinated Loan Agreement or the Bridge Facility Agreement.

"Debtor Ledger" means the ledger account established and maintained by or on behalf of the Administrator, pursuant to and in accordance with the Administration Agreement, in respect of each Portfolio Asset.

"Available Funds" means all moneys received by the Issuer from Obligors or recovered under or in respect of the Portfolio Assets (including all principal and interest, and their equivalent, in relation to Portfolio Unsecured Loans and Portfolio Secured Loans and all amounts of principal and interest, and their equivalent in relation to Portfolio Car Finance Contracts and any amount received on the

sale of a Portfolio Motor Vehicle or on the early settlement of such Portfolio Car Finance Contracts) and all other net income and other moneys of the Issuer and any amounts drawn by the Issuer under the Subordinated Loan Agreement.

The Available Redemption Funds on a Determination Date shall be apportioned between the Class A Notes, the Class B Notes and the Class C Notes to determine the "Class A Available Redemption Funds", the "Subordinated Available Redemption Funds", the "Class B Available Redemption Funds" and the "Class C Available Redemption Funds" as at such Determination Date.

The Class A Available Redemption Funds shall equal:

(i) on any Determination Date falling on or prior to the later of (a) the Interest Payment Date falling in June 2006 and (b) the first Interest Payment Date on which the Determination Event occurs (being the first Interest Payment Date on which the ratio of (I) the sum of the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class B Notes) of the Class B Notes and the aggregate Principal Amount Outstanding (as defined in Class C Condition 5(b)) of the Class C Notes to (II) the sum of the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class A Notes) of the Class A Notes, the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes is 163,777,500:251,000,000 or more), all of the Available Redemption Funds determined as at such Determination Date; and

(ii) on any other Determination Date, the Available Redemption Funds determined as at such date, less the Subordinated Available Redemption Funds determined as at such date.

The Subordinated Available Redemption Funds shall equal:

(i) where such Determination Date falls on or prior to the later of (a) the Interest Payment Date falling in June 2006 and (b) the first Interest Payment Date on which the Determination Event occurs, or on any Determination Date thereafter on which it is determined by or on behalf of the Issuer that the Performing Assets Balance Test Ratio is less than 1:1, nil; and

(ii) on any other Determination Date on which Class A Notes are outstanding and provided it is determined by or on behalf of the Issuer that the Performing Assets Balance Test Ratio is equal to or exceeds 1:1, that amount of the Available Redemption Funds determined as at such date which, if applied to the redemption of the Class B Notes and the Class C Notes, would cause the ratio of (I) the sum of the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes to (II) the sum of the aggregate Principal Amount Outstanding of the Class A Notes, the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes (but deducting from such aggregate the Class A Available Redemption Funds (if any) on such Determination Date) after such application to become as nearly as possible equal to 163,777,500:251,000,000; provided that if any part of Available Redemption Funds being applied in accordance with the above would result in the sum of the aggregate Principal Amount Outstanding of the Class B Notes and the aggregate Principal Amount Outstanding of the Class C Notes after such application being reduced below £16,942,500, the Subordinated Available Redemption Funds shall be reduced by an amount equal to such part of the Available Redemption Funds.

For the purposes of the calculation of the Performing Assets Balance Test Ratio when determining the Subordinated Available Redemption Funds a reference to "Allocated Purchase Funds" will be substituted for the reference to Available Purchase Funds in paragraph (b) of the definition of "Performing Assets Balance Test Ratio" above and the amount referred to in paragraph (e) of such definition will have deducted from it an amount equal to the Available Redemption Funds on the Determination Date in question.

If the Issuer does not for any reason determine the aggregate principal amount of the Class A Notes to be redeemed on any Interest Payment Date in accordance with the preceding provisions, the Issuer shall provide the requisite information to the Trustee, which shall thereupon determine the same in accordance with the preceding provisions, and each such determination shall be deemed to have been made by the Issuer.

The Class B Available Redemption Funds:

(i) on any Determination Date on which there are Class A Notes outstanding, shall be determined in accordance with the following formula:

$$BARF = SARF \times \frac{51{,}450{,}000}{72{,}790{,}000}$$

where:

(a) "BARF" means the Class B Available Redemption Funds on such Determination Date; and

(b) "SARF" means the Subordinated Available Redemption Funds on such Determination Date; and

(ii) on any Determination Date on which there are no Class A Notes outstanding shall equal the lesser of the Available Redemption Funds and the aggregate Principal Amount Outstanding of the Class B Notes on such date.

The Class C Available Redemption Funds:

(i) on any Determination Date on which there are Class A Notes outstanding, shall be determined in accordance with the following formula:

$$CARF = SARF \times \frac{21{,}340{,}000}{72{,}790{,}000}$$

where:

(a) "CARF" means the Class C Available Redemption Funds on such Determination Date; and

(b) "SARF" has the meaning given to that term above; and

(ii) on any Determination Date on which there are Class B Notes outstanding, but no Class A Notes outstanding, shall equal nil; and

(iii) on any Determination Date on which there are no Class A Notes and no Class B Notes outstanding shall equal the lesser of the Available Redemption Funds and the aggregate Principal Amount Outstanding of the Class C Notes on such date.

If the Issuer does not for any reason determine the aggregate principal amount of Class C Notes to be redeemed on any Interest Payment Date in accordance with the preceding provisions, the Issuer shall provide the requisite information to the Trustee, which shall thereupon determine the same in accordance with the preceding provisions, and each such determination shall be deemed to have been made by the Issuer.

Capitalised terms, not otherwise defined in this Class C Condition 5, have the respective meanings given to those terms in the Master Definitions Schedule.

(b) Calculation of Principal Payments, Principal Amount Outstanding and Pool Factor

(i) On (or as soon as practicable after) each Determination Date, the Issuer shall determine (or cause the Administrator to determine) (x) the amount of any Principal Payment in respect of each Class C Note due on the Interest Payment Date next following such Determination Date, (y) the Principal Amount Outstanding of each Class C Note on the first day of the next following Interest Period (after deducting any Principal Payment due to be made in respect of each Class C Note on the next Interest Payment Date) and (z) the fraction in respect of each Class C Note expressed as a decimal to the sixth point (the "Pool Factor"), of which the numerator is the Principal Amount Outstanding of a Class C Note (as referred to in (y) above) and the denominator is 10,000. Each determination by or on behalf of the Issuer of any Principal Payment, the Principal Amount Outstanding of a Class C Note and the Pool Factor in respect thereof shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons. The "Principal Amount Outstanding" of a Class C Note on any date shall be the principal amount of that Class C Note upon issue less the aggregate amount of all Principal Payments in respect of that Class C Note that have become due and payable (whether or not paid) prior to such date.

(ii) The Issuer will, by not later than the ninth Business Day after the Determination Date immediately preceding the relevant Interest Payment Date or as soon as possible thereafter, cause each determination of a Principal Payment, Principal Amount Outstanding and Pool Factor to be notified to the Trustee, the Principal Paying Agent, the Reference Agent and (for so long as the Class C Notes are listed by the UKLA and admitted to trading by the London Stock Exchange) the UKLA and the London Stock Exchange and will immediately cause

details of each determination of a Principal Payment, Principal Amount Outstanding and Pool Factor to be published in accordance with Class C Condition 13 on the next following business day, or as soon as practicable thereafter. If no Principal Payment is due to be made on the Class C Notes on any Interest Payment Date a notice to this effect will be given to the Class C Noteholders.

(iii) If the Issuer does not at any time for any reason determine (or cause the Administrator to determine) a Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Principal Payment, Principal Amount Outstanding and Pool Factor shall be determined by the Trustee in accordance with this paragraph and paragraph (a) above (but based on the information in its possession as to the Available Redemption Funds) and each such determination or calculation shall be deemed to have been made by the Issuer.

(c) Redemption for Taxation or Other Reasons

If the Issuer satisfies the Trustee immediately prior to giving the notice referred to below that either (i) on the next Interest Payment Date the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Class C Notes, or the Issuer or a Swap Provider or any Permitted Hedge Provider would be required to deduct or withhold from amounts payable by it under a Swap Agreement or other hedge agreement, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein or (ii) the total amount payable in respect of interest (or equivalent revenue charges) in relation to any of the Portfolio Assets for an Interest Period ceases to be receivable (whether or not actually received) by the Issuer during such Interest Period, the Issuer may, but shall not be obliged to, provided that on the Interest Payment Date on which such notice expires either there are no Class A Notes or Class B Notes outstanding or the Issuer redeems in full all of the Class A Notes and the Class B Notes outstanding in accordance with the terms and conditions thereof and provided that the Issuer will be in a position on such Interest Payment Date to discharge (and will so certify to the Trustee) all its liabilities in respect of the Class C Notes (including the full amount of interest payable on the Class C Notes on the Interest Payment Date on which redemption is to be made and the full amount of any Deferred Interest and Additional Interest which has not been paid on any previous Interest Payment Date pursuant to Class C Condition 4 or Class C Condition 7) and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class C Notes or the Trustee is otherwise directed by Extraordinary Resolution (as defined in the Trust Deed) of the Class C Noteholders, at any time at its option, having given not more than 60 nor less than 30 days' notice in accordance with Class C Condition 13, redeem all (but not some only) of the Class C Notes at their Principal Amount Outstanding together with accrued interest to the date of redemption on any subsequent Interest Payment Date.

(d) Optional Redemption in Full

On giving not more than 60 nor less than 20 days' notice to the Trustee and the Class C Noteholders, and provided that, on the Interest Payment Date on which such notice expires, either there are no Class A Notes or Class B Notes outstanding or the Issuer redeems in full all of the Class A Notes and the Class B Notes outstanding in accordance with the terms and conditions thereof and provided further that no Enforcement Notice has been served following an Event of Default, and provided further that the Issuer will be in a position on such Interest Payment Date to discharge (and will so certify to the Trustee) all its liabilities in respect of the Class C Notes (including the full amount of interest payable on the Class C Notes on the Interest Payment Date on which redemption is to be made and the full amount of any Deferred Interest and Additional Interest which has not been paid on any previous Interest Payment Date pursuant to Class C Condition 4 or Class C Condition 7) and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class C Notes or the Trustee is otherwise directed by Extraordinary Resolution of the Class C Noteholders, the Issuer may, on any Interest Payment Date falling in or after June 2004 (the "Coupon Call Date") or, if earlier, falling on or after the date on which all the Class A Notes and the Class B Notes are redeemed in full, redeem all (but not some only) of the Class C Notes at their Principal Amount Outstanding together with accrued interest to the date of redemption.

(e) Redemption on Maturity

If not otherwise redeemed, the Class C Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in June 2048.

(f) Purchases

The Class C Notes may not be purchased by the Issuer.

(g) Cancellation

All Class C Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith, together with all unmatured and unused Coupons and Talons attached thereto or surrendered therewith, and may not be resold or reissued.

(h) Certification

For the purposes of any redemption made pursuant to Class C Condition 5(c) or Class C Condition 5(d), as the case may be, the Trustee may rely upon any certificate of two Directors of the Issuer that the Issuer will be in a position to discharge all its liabilities in respect of the Class C Notes and any amounts required under the Deed of Charge to be paid in priority to or *pari passu* with the Class C Notes and such certificate shall be conclusive and binding on the Issuer and the holders of the Class C Notes.

6. Payments

Subject to Class C Condition 7, Interest Payments and Principal Payments on Class C Notes will be made against presentation and surrender of, or, in the case of partial redemption, endorsement of, respectively, Interest Coupons and Principal Coupons relating to Class C Notes (except where, after such surrender, the unpaid principal amount of a Class C Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Class C Note) in which case such Principal Payment will be made against presentation and surrender of such Class C Note). Payments of principal other than Principal Payments (except as provided in the preceding sentence) will be made against presentation and surrender of Class C Notes. Presentation must be made at the specified office of any Paying Agent provided that no payment of interest will be made by, or upon presentation of any Class C Note or Coupon to, any Paying Agent in the United States of America. Payments will be made by pounds sterling cheque drawn on a branch in the City of London of, or transfer to a pounds sterling account maintained by the payee with, a bank in the City of London, subject in all cases to any fiscal or other laws or regulations applicable in the place of payment.

The initial Principal Paying Agent is Citibank, N.A. at its office at 5 Carmelite Street, London EC4Y 0PA.

The Issuer may at any time (with the previous written approval of the Trustee) vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in the City of London. Notice of any such termination or appointment and of any change in the office through which any Paying Agent will act will be given in accordance with Class C Condition 13.

Upon the date on which the Principal Amount Outstanding of a Class C Note is due to be reduced to zero, unmatured and unused Coupons and Talons relating thereto (whether or not attached) shall become void and no payment or exchange shall be made in respect thereof. If the due date for redemption in full of a Class C Note is not an Interest Payment Date, the interest accrued in respect of the period from the preceding Interest Payment Date (or from the Closing Date as the case may be) shall be payable only against presentation or surrender of the relevant Class C Note.

If the due date for payment of any amount of principal or interest in respect of any Class C Note or Coupon is not a Business Day then payment will not be made until the next succeeding Business Day and the holder thereof shall not be entitled to any further interest or other payment in respect of such delay.

In this Class C Condition 6 the expression ''Business Day'' means any day (other than a Saturday or a Sunday) on which banks are open for business in the place where the specified office of the Paying Agent at which the Class C Note or Coupon is presented for payment is situated and (in the case of payment by transfer to an account maintained by the payee in London) in London and, prior to the exchange of the entire Permanent Global Class C Note for definitive Class C Notes, on which both Euroclear and Clearstream, Luxembourg are open for business.

If interest is not paid in respect of a Class C Note on the date when due and payable (other than because the due date is not a Business Day) such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to the Class C Notes until such interest and interest thereon is available for payment and notice thereof has been duly given in accordance with Class C Condition 13.

7. Subordination

Interest on the Class C Notes shall be payable in accordance with the provisions of Class C Conditions 4 and 6 subject to the terms of this Class C Condition 7.

In the event that the Performing Assets Balance Test Ratio is less than or equal to 0.915:1 on the relevant Determination Date relating to any Interest Payment Date with the result that any amount of interest which would otherwise have been due on the Class C Notes on such Interest Payment Date is deferred in accordance with Class C Condition 4, the Issuer shall create a provision in its accounts equal to the amount by which the aggregate amount of interest which would have been due and paid on the Class C Notes on such Interest Payment Date in accordance with Class C Conditions 4 and 6 falls short of the aggregate amount of interest which would have been due and payable on the Class C Notes on that date pursuant to Class C Condition 4 had no such deferral provided for in Class C Condition 4(a) then occurred.

In addition, but without requiring a provision twice in respect of the same deferral, in the event that the aggregate funds, if any, (computed in accordance with the provisions of the Deed of Charge), available to the Issuer on any Interest Payment Date for application in or towards the payment of interest which is, subject to Class C Condition 4 and 6 and this Class C Condition 7, due on the Class C Notes on such Interest Payment Date (such aggregate available funds being referred to in this Class C Condition 7 as the ''Residual Amount'') are not sufficient to satisfy in full the aggregate amount of interest which is, subject to Class C Condition 4 and 6 and this Class C Condition 7, due on the Class C Notes on such Interest Payment Date, there shall be payable on such Interest Payment Date, by way of interest on each Class C Note, a *pro rata* share of the Residual Amount on such Interest Payment Date. In any such event the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class C Notes on such Interest Payment Date in accordance with Class B Condition 4 and 6 and this Class C Condition 7 falls short of the aggregate amount of interest which would have been due and payable on the Class C Notes on that date pursuant to Class C Condition 4 had no such deferral provided for in Class C Condition 4(a) then occurred as a result of such insufficiency.

8. Taxation

All payments in respect of the Class C Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Class C Notes subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the Paying Agents will be obliged to make any additional payments to holders of Class C Notes or Coupons in respect of such withholding or deduction.

9. Prescription

A Principal Coupon shall become void in its entirety unless surrendered for payment within ten years of the Relevant Payment Date in respect of any payment thereon. A Class C Note shall become void in its entirety unless surrendered for payment within ten years of the Relevant Payment Date in respect of any payment thereon the effect of which would be to reduce the Principal Amount Outstanding of such Class C Note to zero. An Interest Coupon shall become void unless surrendered for payment within five years of the Relevant Payment Date in respect thereof. After the date on which a Class C Note or a Coupon becomes void in its entirety, no claim may be made in respect thereof.

As used in this Class C Condition 9, the ''Relevant Payment Date'' means the date on which a payment first becomes due but, if the full amount of the money payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which the full amount of such money having been so received, notice to that effect shall have been duly given in accordance with Class C Condition 13.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the aggregate of the Principal Amount Outstanding of the Class C Notes outstanding or if so directed by an Extraordinary Resolution of the Class C Noteholders (subject, in each case, to being indemnified to its satisfaction and to restrictions contained in the Trust Deed to protect the interests of the Class A Noteholders and the Class B Noteholders) shall (but, in the case of the happening of any of the events mentioned in (ii) to (v) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders while any Class A Notes are outstanding or, if there are no Class A Notes outstanding, to the interests of the Class B Noteholders while any Class B Notes are outstanding or, if there are no Class B Notes outstanding, to the interests of the Class C Noteholders and, in the case of the event mentioned in (i) below in relation to any payment of interest on the Class C Notes, only if the Trustee shall have certified in writing that the Issuer had, on the due date for payment of the amount of interest in question, sufficient cash to pay, in accordance with the provisions of the Deed of Charge, such interest (after payment of all sums which it is permitted under the Deed of Charge to pay in priority thereto or *pari passu* therewith)), give notice (an "Enforcement Notice") to the Issuer that the Class C Notes are, and each Class C Note shall, if notice is, or has already been, given that the Class A Notes are due and payable pursuant to the terms and conditions of the Class A Notes, or if there are no Class A Notes then outstanding, if notice is, or has already been given, that the Class B Notes are due and payable pursuant to the terms and conditions of the Class B Notes, or if there are no Class B Notes then outstanding, accordingly forthwith become, immediately due and repayable at its Principal Amount Outstanding, together with accrued interest (including any Deferred Interest and Additional Interest) as provided in the Trust Deed, if any of the following events (each an "Event of Default") shall occur:

(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 Class C 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 Class C Notes or any of them; 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 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 Class C 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 Class C 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; 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; or

(vi) notice is given to the Issuer pursuant to the Trust Deed that the Class A Notes or the Class B Notes are immediately due and repayable.

11. Enforcement and Post Enforcement Call Option

At any time after the Class C Notes become due and repayable at their Principal Amount Outstanding, subject to Class C Condition 7, the Trustee may, at its discretion and without further notice, take such steps and/or institute such proceedings as it may think fit to enforce the security for the Class C Notes and Coupons and to enforce repayment of the Class C Notes and payment of interest, but it shall not be bound to take any such steps or proceedings unless (i) it shall have been so directed by an Extraordinary Resolution of the Class C Noteholders or so requested in writing by Class C Noteholders holding at least one-quarter of the aggregate Principal Amount Outstanding of the Class C Notes then outstanding and (ii) it shall have been indemnified to its satisfaction. Notwithstanding the foregoing but provided that all of the Class A Notes and all of the Class B Notes have been redeemed in full so long as any of the Class C Notes remains outstanding, if the Class C Notes have become due and repayable pursuant to these Class C Conditions otherwise than by reason of a default in payment of any amount due on the Class C Notes, the Trustee will not be entitled to dispose of the Security unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class C Noteholders and the Couponholders and other creditors of the Issuer ranking in priority thereto or *pari passu* therewith or the Trustee is of the opinion, reached after considering at any time and from time to time the advice of a merchant bank or other financial adviser selected by the Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class C Noteholders and the Couponholders and any other amounts payable by the Issuer ranking in priority thereto or *pari passu* therewith. No Class C Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to take steps and/or proceed, fails to do so within a reasonable time and such failure is continuing.

In the event that the Security is enforced and, after payment of all other claims ranking in priority to the Class C Notes under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Class C Notes and all other claims ranking *pari passu* therewith, then the Class C Noteholders shall, upon the Security having been enforced and realised to the maximum possible extent as certified by the Trustee, be forthwith entitled to their respective shares of such remaining proceeds (as determined in accordance with the provisions of the Deed of Charge) and, after payment of each Class C Noteholder of its respective share of such remaining proceeds, all interests in the Permanent Global Class C Note will be automatically exchanged for equivalent interests in an equivalent amount of Class C Notes in definitive form and such Permanent Global Class C Note (if any) will be cancelled. On the date of such exchange (the ''Option Exercise Date''), the Trustee (on behalf of all of the Class C Noteholders) will, at the request of Paragon Options PLC (''POPLC''), transfer for a consideration of £0.01 per Class C Note all (but not some only) of the Class C Notes to POPLC pursuant to the option granted to it by the Trustee (as agent for the Noteholders but without any personal liability on the part of the Trustee) pursuant to a post enforcement call option deed (the ''Post Enforcement Call Option Deed'') to be dated the Closing Date between POPLC and the Trustee. Immediately upon such transfer, no such former Class C Noteholder shall have any further interest in the Class C Notes. Each of the Class C Noteholders acknowledges that the Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post Enforcement Call Option Deed and each Class C Noteholder, by subscribing for or purchasing Class C Notes, agrees to be so bound.

12. Replacement of Class C Notes, Coupons and Talons

If any Class C Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Class C Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. Notices

All notices, other than notices given in accordance with the next following paragraph, to Class C Noteholders shall be deemed to have been duly given if published in a leading daily newspaper printed in the English language and with general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in the newspaper or in one of the newspapers referred to above.

Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Payment, a Principal Payment (or absence thereof), a Principal Amount Outstanding or a Pool Factor shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters Screen (presently Page PGCL) or such other medium for the electronic display of data as may be approved by the Trustee and notified to the Class C Noteholders (the ''Relevant Screen''). Any such notice shall be deemed to have been given on the first date on which such information appeared on the Relevant Screen. If it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Class C Condition 13 shall be given in accordance with the preceding paragraph.

The Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Class C Noteholders in accordance with this Class C Condition 13.

14. Meetings of Class C Noteholders; Modifications; Consents; Waiver

The Trust Deed contains provisions for convening meetings of Class C Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Class C Noteholders of a modification of the Class C Notes (including these Class C Conditions) or the provisions of any of the Relevant Documents, provided that no modification of certain terms including, *inter alia*, the date of maturity of the Class C Notes, or a modification which would have the effect of postponing any day for payment of interest on the Class C Notes, reducing or cancelling the amount of principal payable on the Class C Notes or the rate of interest applicable to the Class C Notes or altering the majority required to pass an Extraordinary Resolution or altering the currency of payment of the Class C Notes or the Coupons or any alteration of the date or priority of redemption of the Class C Notes (any such modification being referred to below as a ''Basic Terms Modification'') shall be effective except that, if the Trustee is of the opinion that such a Basic Terms Modification is being proposed by the Issuer as a result of, or in order to avoid, an Event of Default, such Basic Terms Modification may be sanctioned by Extraordinary Resolution of the Class C Noteholders as described below. The quorum at any meeting of Class C Noteholders for passing an Extraordinary Resolution shall be two or more persons holding or representing over 75% of the aggregate Principal Amount Outstanding of the Class C Notes then outstanding or, at any adjourned meeting, two or more persons being or representing Class C Noteholders whatever the aggregate Principal Amount Outstanding of the Class C Notes so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing 75%, or at any adjourned such meeting, 25%, or more of the aggregate Principal Amount Outstanding of the Class C Notes then outstanding. The Trust Deed contains provisions limiting the powers of the Class C Noteholders and the Class B Noteholders, *inter alia*, to request or direct the Trustee to take any action or to pass an effective Extraordinary Resolution, according to the effect thereof on the interests of the Class A Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding on the Class C Noteholders and the Class B Noteholders, irrespective of the effect on their interests. An Extraordinary Resolution passed at any meeting of Class C Noteholders shall not be effective for any purpose unless either (i) the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or the interests of the Class B Noteholders or (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and an Extraordinary Resolution of the Class B Noteholders but, subject thereto, it shall be binding on all Class C Noteholders, whether or not they are present at the meeting, and on all Couponholders. The majority required for an Extraordinary Resolution shall be 75% of the votes cast on that Extraordinary Resolution. An Extraordinary Resolution passed at any meeting of the Class A Noteholders or at any meeting of the Class B Noteholders shall be binding on all Class C Noteholders and Couponholders, irrespective of its effect upon such holders or their interests.

The Trustee may agree, without the consent of the Class C Noteholders or Couponholders, (i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of the Class C Notes (including these Class C Conditions) or any of the Relevant Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Class C Noteholders or (ii) to any modification of the Class C Notes (including these Class C Conditions) or any of the Relevant Documents which, in the Trustee's opinion, is to correct a manifest error or is of a formal, minor or technical nature. The Trustee may also, without the consent of the Class C Noteholders or the Couponholders, determine that any Event of Default or any condition, event or act which with the giving of notice and/or lapse of time and/or the issue of a certificate would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver,

authorisation or determination shall be binding on the Class C Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Class C Noteholders in accordance with Class C Condition 13 as soon as practicable thereafter.

15. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to realise the Security and to obtain repayment of the Class C Notes unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any other party to the Relevant Documents without accounting for any profit resulting from such transactions. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Administrator or any of its affiliates or by clearing organisations or their operators or by any person on behalf of the Trustee.

16. Notifications and Other Matters to be Final

Notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of the Class C Notes and the Coupons, whether by the Reference Banks (or any of them), the Reference Agent, the Issuer, the Administrator or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Reference Agent, the Trustee, the Administrator, the Principal Paying Agent, the other Paying Agents (if any) and all Class C Noteholders and Couponholders and (subject as aforesaid) no liability to the Issuer, the Administrator or the Class C Noteholders or Couponholders shall attach to the Reference Banks (or any of them), the Reference Agent, the Issuer, the Administrator or the Trustee in connection with the exercise or non-exercise by them of their powers duties and discretions.

17. The Contracts (Rights of Third Parties) Act 1999

The Class C Notes confer no rights on any person pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Class C Notes, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

18. Governing Law

The Class C Notes, the Coupons, the Talons, the Trust Deed and the Deed of Charge are governed by, and shall be construed in accordance with, English law other than such provisions thereof as are particular to Scots law, which are governed by and shall be construed in accordance with the laws of Scotland and as are particular to Northern Irish law, which are governed by and shall be construed in accordance with the laws of Northern Ireland.

UNITED KINGDOM TAXATION

The following is a summary of the current United Kingdom tax treatment of the Notes. It is not exhaustive. It relates only to the position of persons who are the absolute beneficial owner of their Notes and related Coupons and some aspects do not apply to certain classes of taxpayer (such as dealers). Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction outside the United Kingdom should consult their professional advisers.

1. There will be no United Kingdom withholding tax in relation to interest payments on the Notes provided that the Notes are listed on a "recognised stock exchange", as defined in Section 841 of the Income and Corporation Taxes Act 1988 ("ICTA"). The London Stock Exchange is currently a recognised stock exchange for this purpose. The Inland Revenue is instead able to obtain information about persons to whom or, in certain circumstances, for whose benefit interest is paid.
2. The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that a Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.
3. The interest on the Notes will have a United Kingdom source and, accordingly, subject as set out below, may be chargeable to United Kingdom income tax even if paid without withholding or deduction. However, interest received without deduction or withholding is not chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless the Noteholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom in connection with which the interest is received or to which the Notes are attributable. There are certain exceptions for income received by specified categories of agent (such as some brokers and investment managers).
4. If interest on the Notes were to be paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.
5. A Noteholder within the charge to United Kingdom corporation tax in respect of a Note (including a Noteholder so chargeable in relation to a branch or agency in the United Kingdom) will, generally, be liable to corporation tax on income on any profits (and obtain relief for permitted losses) on the Notes. Any such profits (including interest) or permitted losses on the Notes will generally be chargeable by reference to accounting periods of the company in accordance with an authorised accounting method. For such Noteholders, the provisions described in paragraphs 6 and 7 below will not apply to such a Note.
6. A Noteholder (other than a Noteholder within the charge to corporation tax in respect of the relevant Note) who is resident or ordinarily resident in the United Kingdom or carrying on a trade in the United Kingdom through a branch or agency with which the ownership of the Note is connected may be chargeable to United Kingdom tax on income on an amount treated (by rules known as the accrued income scheme contained in Chapter II of Part XVII of ICTA) as representing interest accrued on the Note at the time of disposal (determined by the Inland Revenue on a just and reasonable basis). A purchaser of a Note will not be entitled to any allowance under the accrued income scheme to set against any deemed or actual interest it receives in respect of the Notes. If for any reason any interest due on an Interest Payment Date is not paid and a Note is subsequently disposed of with the right to receive accrued interest, special rules may apply for the purposes of the accrued income scheme.
7. The Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, neither a chargeable gain nor an allowable loss will arise on a disposal or redemption of the Notes for the purposes of United Kingdom taxation of chargeable gains.
8. No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Global Notes or on the issue of a Note in definitive form.

SUBSCRIPTION AND SALE

The Royal Bank of Scotland plc, Barclays Bank PLC, BBL NV, J.P. Morgan Securities Ltd. and Société Générale (the "Class A Managers") have, pursuant to a subscription agreement dated the date of this Offering Circular (to which PFPLC, PPF, PCF and CFUK are also party) (the "Class A Subscription Agreement"), jointly and severally agreed, subject to certain conditions, to subscribe for the Class A Notes at 100% of their principal amount. The Issuer has agreed to reimburse the Class A Managers for certain of their expenses in connection with the issue of the Class A Notes. The Class A Subscription Agreement entitles the Class A Managers to terminate such agreement in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Class A Managers against certain liabilities in connection with the offer and sale of the Class A Notes. The Issuer has agreed to pay the Class A Managers a selling commission of 0.07% of the principal amount of the Class A Notes and a combined management and underwriting commission of 0.13% of the principal amount of the Class A Notes.

The Royal Bank of Scotland plc (the "Class B Manager") has agreed, pursuant to a subscription agreement dated the date of this Offering Circular (to which PFPLC, PPF, PCF and CFUK are also party) (the "Class B Subscription Agreement") subject to certain conditions, to subscribe for the Class B Notes at 100% of their principal amount. The Issuer has agreed to reimburse the Class B Manager for certain of its expenses in connection with the issue of the Class B Notes. The Class B Subscription Agreement entitles the Class B Manager to terminate such agreement in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Class B Manager against certain liabilities in connection with the offer and sale of the Class B Notes. The Issuer has agreed to pay the Class B Manager a selling commission of 0.14% of the principal amount of the Class B Notes and a combined management and underwriting commission of 0.26% of the principal amount of the Class B Notes.

The Royal Bank of Scotland plc (the "Class C Manager") has agreed, pursuant to a subscription agreement dated the date of this Offering Circular (to which PFPLC, PPF, PCF and CFUK are also party) (the "Class C Subscription Agreement") subject to certain conditions, to subscribe for the Class C Notes at 100% of their principal amount. The Issuer has agreed to reimburse the Class C Manager for certain of its expenses in connection with the issue of the Class C Notes. The Class C Subscription Agreement entitles the Class C Manager to terminate such agreement in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Class C Manager against certain liabilities in connection with the offer and sale of the Class C Notes. The Issuer has agreed to pay the Class C Manager a selling commission of 0.20% of the principal amount of the Class C Notes and a combined management and underwriting commission of 0.40% of the principal amount of the Class C Notes.

The Class A Managers, the Class B Manager and the Class C Manager are together referred to in this Offering Circular as the "Managers".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the requirements of the Securities Act. Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or for the account or benefit of a U.S. Person, except in certain transactions permitted by U.S. tax regulations (terms used in this sentence have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder). Each of the Class A Managers, in respect of the Class A Notes, the Class B Manager, in respect of the Class B Notes and the Class C Manager, in respect of the Class C Notes, has agreed that, except as permitted by the relevant Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (the "Restricted Period") within the United States or to, or for the account or benefit of, U.S. Persons, and that it will have sent to each dealer to which it sells Notes during the Restricted Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer whether or not participating in the offering may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

Each Class A Manager, in respect of the Class A Notes, the Class B Manager, in respect of the Class B Notes and the Class C Manager, in respect of the Class C Notes, has represented and agreed that: (i) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the "FSA")

except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSA; (ii) it has complied and will comply with all applicable provisions of the FSA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes, other than any document which consists of or of any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the FSA, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom the document may otherwise lawfully be issued or passed on.

Other than admission of the Notes to the Official List and to trading, no action is being taken to permit a public offering of the Notes, or possession or distribution of the Offering Circular or other material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

Each Class A Manager, in respect of the Class A Notes, the Class B Manager, in respect of the Class B Notes and the Class C Manager, in respect of the Class C Notes, has undertaken not to offer or sell, directly or indirectly, Notes, or to distribute or publish this Offering Circular or any other material relating to the Notes, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations.

This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any country or jurisdiction where such an offer or solicitation is not authorised.

GENERAL INFORMATION

1. It is expected that the admission of the Notes to the Official List of the UK Listing Authority and admission of the Notes to trading by the London Stock Exchange will be granted on or around 28th June, 2001, subject only to the issue of the Temporary Global Notes. Prior to the official listing, however, dealings in the Notes will be permitted by the London Stock Exchange in accordance with its rules. The listing of the Notes will be cancelled if the Temporary Global Notes are not issued.

2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and the Common Code Numbers and ISIN numbers are as follows:

   Class A Notes, Common Code Number 13160821; ISIN XS0131608217;

   Class B Notes, Common Code Number 13160929; ISIN XS0131609298; and

   Class C Notes, Common Code Number 13160953; ISIN XS0131609538.

   Transactions will normally be effected for settlement in sterling for delivery on the third calendar day after the date of the transaction.

3. Deloitte & Touche have given and not withdrawn their written consent to the issue of the Offering Circular and authorised contents of that part of the Listing Particulars with their report on the Issuer and references to their name included herein in the form and context in which they appear for the purposes of section 152(1)(e) of the Financial Services Act 1986.

4. So long as the Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not intend to publish interim accounts from the date hereof.

5. Save as disclosed herein, since 30th September, 2000 (being the date of the last audited accounts of the Issuer) there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the trading or financial position of the Issuer.

6. The Issuer is not, nor has it been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the twelve months preceding the date of this Offering Circular, a significant effect on the financial position of the Issuer or the group of companies of which the Issuer is a member.

7. The annual report and financial statements of the Issuer for the period from 1st October, 1998 until 30th September, 2000 have been audited by Deloitte & Touche, Chartered Accountants of Colmore Gate, Colmore Row, Birmingham B3 2BN.

8. The financial information included on pages 58 to 60 of this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts of the Issuer on which the Issuer's auditors have given unqualified reports and which contain no statement under section 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies in respect of the financial years ended 30th September, 1999 and 30th September, 2000.

9. Copies of the following documents may be inspected during normal business hours on any weekday (excluding Saturdays and public holidays) at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB during the period of fourteen days from the date of this Offering Circular:

   (a) the Memorandum and Articles of Association of the Issuer;

   (b) copies of the Class A Subscription Agreement, the Class B Subscription Agreement and the Class C Subscription Agreement, the Offer to Sell from CFUK dated 16th October, 2000, the Offer to Sell from CFUK dated 30th November, 2000, the Offer to Sell from CFUK dated 11th January, 2001, the Offer to Sell from CFUK dated 13th March, 2001 (each in relation to Unsecured Loans acquired by the Issuer on those dates), the receipts from CFUK in respect of those Offers to Sell, the Bridge Standard Terms and Conditions, the Scottish Declarations of Trust relating to the Existing Portfolio Unsecured Loans, the two CFUK Collection Account Declarations of Trust dated 16th October, 2000 and the VAT Declaration of Trust;

   (c) drafts (subject to modification) of the Master Definitions Schedule, the Trust Deed, the Secured Loan Sale Agreement, the Administration Agreement, the Deed of Charge, the Warranty Deed, the Standard Terms and Conditions, the Subordinated Loan Agreement, the Fee Letter, the Services Letter, the Swap Agreement, the Repurchase Deed, the PPF Collection Account Declaration of Trust, the PCF Collection Account Declaration of Trust, the CFUK Collection

Account Declaration of Trust in relation to its collection account at National Westminster Bank Plc, the PFPLC Collection Account Declarations of Trust, the Agency Agreement and the Post Enforcement Call Option Deed;

(d) the audited annual report and financial statements of the Issuer for the years ended 30th September, 1999 and 30th September, 2000; and

(e) the Accountants' Report of Deloitte & Touche dated 26th June, 2001, the text of which is reproduced on pages 56 to 60 of this Offering Circular.

REGISTERED AND HEAD OFFICE OF THE ISSUER

Paragon Personal and Auto Finance (No. 1) PLC
St. Catherine's Court
Herbert Road
Solihull
West Midlands B91 3QE

ADMINISTRATOR

Paragon Finance PLC
St Catherine's Court
Herbert Road
Solihull
West Midlands B91 3QE

TRUSTEE

Citicorp Trustee Company Limited
the principal office of which is at Third Floor, Cottons Centre, Hay's Lane
London SE1 2QT

SWAP COUNTERPARTY

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

REFERENCE AGENT AND PRINCIPAL PAYING AGENT

Citibank, N.A.
5 Carmelite Street,
London EC4Y 0PA

LEGAL ADVISERS TO THE ISSUER AND THE ADMINISTRATOR

as to English law
Slaughter and May
35 Basinghall Street
London EC2V 5DB

as to Scots law
Tods Murray WS
66 Queen Street
Edinburgh EH2 4NE

as to Northern Irish Law
L'Estrange & Brett
Arnott House
12-16 Bridge Street
Belfast BT1 1LS

LEGAL ADVISERS TO THE MANAGERS AND THE TRUSTEE

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

AUDITORS TO THE ISSUER

Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham B3 2BN

LISTING AGENT

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR

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