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Offering Circular

Paragon Auto and Secured Finance (No. 1) PLC

(incorporated with limited liability in England and Wales with registered number 2173068)

€285,000,000

Class A Asset Backed Floating Rate Notes due 2031

Issue price: 100%

£16,580,000

Class B Asset Backed Floating Rate Notes due 2031

Issue price: 100%

£9,750,000

Class C Asset Backed Floating Rate Notes due 2031

Issue price: 100%

The €285,000,000 Class A Asset Backed Floating Rate Notes due 2031 (the "Class A Notes") of Paragon Auto and Secured Finance (No. 1) PLC (the "Issuer") will be issued by the Issuer together with the £16,580,000 Class B Asset Backed Floating Rate Notes due 2031 of the Issuer (the "Class B Notes") and the £9,750,000 Class C Asset Backed Floating Rate Notes due 2031 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 Class A Notes will be payable in euros. Interest on the Class B Notes and the Class C Notes will be payable in pounds sterling. Interest on the Notes will be payable quarterly in arrear on 15th February, 15th May, 15th August and 15th November in each year subject to adjustment in the manner described in this Offering Circular (each date as so adjusted, an "Interest Payment Date"), the first interest payment being made on 15th February, 2001. Interest on the Subordinated Notes will be paid on an Interest Payment Date only to the extent that there are revenue funds available to the Issuer on the Principal Determination Date (as defined below) applicable to such Interest Payment Date to pay interest on such Notes, as more particularly described in this Offering Circular. 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 shortfall will be deferred until the Interest Payment Date immediately succeeding the earliest Principal Determination Date thereafter on which funds are available to the Issuer to pay such shortfall, on which Interest Payment Date payment of such 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 deferral at the rate of interest accruing on the relevant Notes from time to time. The interest rates applicable to the Notes from time to time will be determined by reference (in the case of the Class A Notes) to the Euro Interbank Offered Rate ("EURIBOR") for three-month euro deposits and (in the case of the Class B Notes and the Class C Notes) to the London Interbank Offered Rate ("LIBOR") for three-month sterling deposits (other than, in each case, 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, in each case, 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: 0.34% per annum up to and including the Interest Period ending in November 2006 and thereafter 0.68% per annum;

(ii) Class B Notes: 0.80% per annum up to and including the Interest Period ending in November 2006 and thereafter 1.60% per annum; and

(iii) Class C Notes: 1.80% per annum up to and including the Interest Period ending in November 2006 and thereafter 3.60% per annum.

The first Interest Period is expected to commence on (and include) 23rd November, 2000 and end on (but exclude) 15th February, 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.

In the case of all the Notes, EURIBOR and LIBOR in respect of any Interest Period will be determined on their respective Interest Determination Dates. The Interest Determination Dates for the Class A Notes will be the second Target Business Day prior to the Closing Date and the second Target Business Day prior to each Interest Payment Date thereafter. The Interest Determination Dates for the Class B Notes and the Class C Notes will be the Closing Date and each Interest Payment Date thereafter – 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".

The Notes will be subject to mandatory redemption in part from time to time on any Interest Payment Date, as more particularly described below. 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 Class B Notes and the Class C Notes which may actually be due 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 by Standard & Poor's Rating Services, a Division of the McGraw-Hill Companies, Inc ("Standard & Poor's" and, together with Moody's, the "Rating Agencies"). 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 Baa2 rating by Moody's and 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") at the closing of the issue of the Notes (which is expected to be on 23rd November, 2000). 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".

Class A Notes Managers
SG Investment Banking

Barclays Capital
J P Morgan Securities Ltd.

ING Barings/BBL
The Royal Bank of Scotland plc

Class B Notes Manager and Class C Notes Manager
SG Investment Banking

20th November, 2000

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 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.

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, PFPLC, PPF, PCF, CMS7, PGC (each as defined in ''Summary'' below), the Trustee, the Managers, any company in the same group of companies as PGC (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 PFPLC, PPF, PCF, CMS7, PGC, the Trustee, the Managers, any company in the same group of companies as PGC (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 or to advise any investor or potential investor in the Notes of any information coming to the attention of the Managers.

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 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). 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 the matters referred to in ''Special Considerations – European Monetary Union'' below) and references to ''euro'' and ''€'' are to the currency introduced on 1st January, 1999 pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union.

In connection with the issue of the Notes, Société Générale 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 31 relating to the Notes and the Portfolio Assets (as defined below) is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular.

Issuer	Paragon Auto and Secured Finance (No. 1) PLC, a public company incorporated under the laws of England with registered number 2173068 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.
Portfolio Assets	The assets forming part of the security for the Notes (the ''Portfolio Assets'') will comprise: the benefit of loans to individuals in the United Kingdom secured by second or subsequent-ranking charges over residential property in England, Wales and Scotland granted by PPF or another member of the Paragon Group (comprising PGC and its wholly owned subsidiaries) and acquired (and not subsequently sold) by the Issuer (''Portfolio Loans'') together with all security relating thereto including the estate and interest of the Issuer in the properties securing the loans; the benefit of motor vehicle hire purchase agreements and motor vehicle conditional sale agreements entered into by PCF or another member of the Paragon Group and acquired (and not subsequently sold) by the Issuer (''Portfolio Car Finance Contracts''); and legal and beneficial ownership of the vehicles that are the subject of Portfolio Car Finance Contracts (''Portfolio Motor Vehicles'' – but subject to certain limitations on the title in such motor vehicles – see ''Special Considerations'' below), all as more particularly described in the section entitled ''Portfolio Assets'' below. References in this Offering Circular to a Loan (as defined under ''Sellers of Portfolio Loans'' below) shall, so far as the context permits, include reference to the Mortgage (as defined under ''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 Loan relative thereto.
Sellers of Portfolio Loans	On the Closing Date, the Issuer is expected to acquire 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, 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's registered office is at St Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE. PPF is engaged in the business of, *inter alia*, originating secured and unsecured loans to individuals in the United Kingdom. The Issuer may, from time to time on any day (other than a Saturday or Sunday) on which banks are open for sterling and euro business in London (a ''London Business Day'') on or before the fourth anniversary of the Closing Date (as defined below) but subject to having sufficient Available Purchase Funds (as defined below), purchase further Loans (''Further Loans'') from PPF and/or another member of the Paragon Group, as more particularly described in the paragraph entitled ''Further 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 Loans, in this capacity, are each referred to in this Offering Circular as a "Seller".

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 Seller has a beneficial interest or has had such an interest, is referred to in this Offering Circular as a "Loan".

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 (as defined below), 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's registered office is at St Catherine's Court, Herbert Road, Solihull, West Midlands B91 3QE.

PCF is engaged in the business of, *inter alia*, originating and acquiring motor vehicle hire purchase agreements and motor vehicle conditional sale agreements to individuals and corporations in the United Kingdom.

The Issuer may, from time to time on any London Business Day on or before the fourth anniversary of the Closing Date but subject to having sufficient Available Purchase Funds, 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 another member of the Paragon Group, as more particularly described in the paragraph entitled "Further Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

In this capacity, PCF and any other member of the Paragon Group from which the Issuer purchases Further Car Finance Contracts are each also referred to in this Offering Circular as a "Seller".

Any motor vehicle hire purchase agreement or motor vehicle conditional sale agreement in which, at any time, a 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 PPF and PCF

In addition to PPF and PCF, other members of the Paragon Group may sell Loans and/or Car Finance Contracts to the Issuer provided that such Loans and/or Car Finance Contracts were originated by a company which at the time of such origination was a member of the Paragon Group. Prior to the sale to the Issuer of any such assets by any such other member of the Paragon Group, such other member of the Paragon Group will undertake to be bound by the terms and conditions of the documents to which PPF 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.

The Notes

€285,000,000 Class A Asset Backed Floating Rate Notes due 2031, £16,580,000 Class B Asset Backed Floating Rate Notes due 2031 and £9,750,000 Class C Asset Backed Floating Rate Notes due 2031.

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, PFPLC, PPF, PCF, CMS7 (as defined under "Summary – Shortfall Fund" below), PGC, the Trustee, the Managers, any company in the same group of companies as PGC (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 PFPLC, PPF, PCF, CMS7, PGC, the Trustee, the Managers, any company in the same group of companies as PGC (other than the Issuer) or by any other person other than the Issuer.

Payments in respect of the Class B Notes will only fall due if and to the extent that there are sufficient funds after paying or providing for certain liabilities, including in respect of the Cross-currency Basis Swap Interest Payments which are exchanged under the Cross-currency Basis Swap (as such terms are defined under "The Issuer-Hedging Arrangements" below) for the amounts required to pay interest on the Class A Notes. The Class B Notes rank after the Class A Notes in point of security.

Payments in respect of the Class C Notes will only fall due if and to the extent that there are sufficient funds after paying or providing for certain liabilities, including in respect of the Cross-currency Basis Swap Interest Payments referred to above and the Class B Notes. The Class C Notes rank after the Class A Notes and the Class B Notes in point of security.

Interest

The interest rate applicable to the Notes from time to time will be determined by reference to (in the case of the Class A Notes) EURIBOR for three-month euro deposits and (in the case of the Class B Notes and the Class C Notes) LIBOR for three-month sterling deposits (other than, in each case, 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, in each case, 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: 0.34% per annum up to and including the Interest Period ending in November 2006 and thereafter 0.68% per annum;

Class B Notes: 0.80% per annum up to and including the Interest Period ending in November 2006 and thereafter 1.60% per annum; and

Class C Notes: 1.80% per annum up to and including the Interest Period ending in November 2006 and thereafter 3.60% per annum.

The Interest Determination Dates for the Class A Notes will be the second Target Business Day prior to the Closing Date and the second Target Business Day prior to each Interest Payment Date thereafter. The Interest Determination Dates for the Class B Notes and the Class C Notes will be the Closing Date and each Interest Payment Date thereafter.

Interest payments on the Subordinated Notes will be subordinated to the Cross-currency Basis Swap Interest Payments (which are exchanged under the Cross-currency Basis Swap for the amounts required to pay interest on the Class A Notes) and interest payments on the Class C Notes will be subordinated not only to the Cross-currency Basis Swap Interest Payments but also to interest payments on the Class B Notes (see "Priority of Payments" below). Accordingly, Class B Noteholders and Class C Noteholders (each as defined below in "Description of the

Class A Notes, the Global Class A Notes and the Security'' and the Class A Noteholders, Class B Noteholders and Class C Noteholders together being the ''Noteholders'') will not be entitled to receive any payment of interest on an Interest Payment Date unless and until all Cross-currency Basis Swap Interest Payments due 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 Cross-currency Basis Swap Interest Payments and all amounts of interest due to Class B Noteholders on that Interest Payment Date have been paid in full.

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 fall due but will only fall due on subsequent Interest Payment Dates if and when there is sufficient cash flow which is surplus to the Issuer's liabilities of a higher priority (see ''Priority of Payments'' below) on the relevant Interest Payment Date. In the event of any such deferral, 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 euro (in the case of the Class A Notes) or in pounds sterling (in the case of the Class B Notes and the Class C Notes) in each case quarterly in arrear on 15th February, 15th May, 15th August and 15th November in each year (subject to adjustment in the manner described in this Offering Circular), the first payment being made on 15th February, 2001.

The first Interest Period will commence on (and include) the date (the ''Closing Date'') of the closing of the issue of the Notes, which is expected to be 23rd November, 2000, or such later date as may be agreed between the Issuer and the Managers and end on (but exclude) 15th February, 2001. 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. Interest payments will be made subject to applicable withholding tax (if any), without the Issuer being obliged to pay additional amounts therefor.

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 Portfolio Assets that are governed by Scots Law (the ''Scottish Loans'' and their related Scottish Mortgages (as defined below under ''Initial Portfolio Assets'') or ''Scottish Car Finance Contracts'', as appropriate) and which are held on trust for the Issuer by the relevant Seller) and in and to any contractually binding agreement, understanding or arrangement constituting in part such Portfolio Asset (a ''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 or in respect of such Portfolio Asset (each, in relation to a Portfolio Loan, a ''Borrower'' or, in relation to a Portfolio Car Finance Contract, a ''Hirer'';

(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 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 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 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 Agreements, the Deposit Agreement (and any other hedging arrangements entered into by the Issuer), the Collection Account Declarations of Trust, and the VAT Declaration of Trust (each as defined elsewhere in this Offering Circular) 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 (including, for the avoidance of doubt, the Deposit Agreement Account (as defined in "Summary – Deposit Agreement" below)).

These security interests will be fixed except: (a) in relation to certain investments and moneys standing to the credit of such 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 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, any amounts payable to the Swap Counterparties (as defined in "Summary – Hedging Arrangements" below) under the Swap Agreements, 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 Loan Sale Contract and/or Car Finance Sale Contract under which it is the Seller and the Administration Agreement, all amounts owing to PFPLC under the Administration Agreement, Fee Letter or the Services Letter (each as defined below),

all amounts owing to CMS7 (as defined below) under the Fee Letter and all amounts owing under the Subordinated Loan Agreement (as defined 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, and the Trustee, the fees and expenses 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 Counterparties under the Swap Agreements will rank in priority to payment of interest or 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, any Loan Sale Contract and any Car Finance Sale Contract, amounts owing to PFPLC or CMS7 under the Fee Letter and the Services Letter and amounts owing under the Subordinated Loan Agreement will rank in priority after all payments on the Notes.

Priority of Payments

Moneys received by the Issuer from Borrowers or Hirers (together, ''Obligors'') or recovered under the Portfolio Assets (other than amounts of principal, or its equivalent in relation to Portfolio Car Finance Contracts, but including any amount treated as an income receipt on the sale of a Portfolio Loan or a Portfolio Motor Vehicle or on the early settlement of a Portfolio Loan or a Portfolio Car Finance Contract (as more particularly described in ''Portfolio Asset Administration'' below) which will be dealt with in the manner described under ''Mandatory Redemption in Part'' below) and other net income of the Issuer (which will be an amount determined in accordance with the definition of (and referred to in this Offering Circular as) ''Available Revenue Funds'' in ''Description of the Class A Notes, the Global Class A Notes and the Security'') will be applied from time to time in making payment of certain moneys which properly belong to third parties (such as overpayments by Obligors) and of sums due to third parties under obligations incurred in the course of the Issuer's business (unless the intended recipient agrees otherwise) and in making certain provisions. 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 the amount of the Available Revenue Funds, 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 the preceding sentence (which may be made on any London Business Day)):

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

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

(iii) payment of any amounts payable to the Swap Counterparties under the Swap Agreements or any Permitted Hedge Provider under any other hedging arrangements entered into by the Issuer (other than any Swap Termination Amounts (as defined below) and amounts due to the Rate Swap Counterparty in payment under any Floor or to the

Basis Swap Counterparty in payment of any Cross-currency Basis Swap Purchase Price or of any Cross-currency Basis Swap Principal Payments) (using the euro proceeds received from the Basis Swap Counterparty in exchange for Cross-currency Basis Swap Interest Payments in payment of interest due or overdue on the Class A Notes) (all terms in this paragraph not previously defined being defined in "Summary – Hedging Arrangements" or "The Issuer – Hedging Arrangements" below);

(iv) payment of or provision for sums due to third parties under obligations incurred in the course of the Issuer's business (including the Issuer's liability (if any) to value added tax ("VAT") and to corporation tax in respect of profits attributable to the relevant Interest Period and the balance, if any, of the VAT liability of the Paragon VAT Group (as defined 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));

(v) payment of interest due or overdue on the Class B Notes together with (if applicable) interest thereon;

(vi) payment of interest due or overdue on the Class C Notes together with (if applicable) interest thereon;

(vii) provision for an amount necessary to replenish the First Loss Fund (as defined below) to the relevant amount specified in "First Loss Fund" below;

(viii) provision for an amount up to, and to that extent reducing, the provision (if any) in the Issuer's accounts (the "Principal Deficiency Ledger" as described in "Portfolio Asset Administration – Arrears and Default Procedures" below) against deficits suffered in recovering amounts of principal (or its equivalent) due from Obligors or resulting from principal (or its equivalent) being applied in making Cross-currency Basis Swap Interest Payments or in refunding reclaimed direct debit payments; the amount of any such reduction will be deemed to be principal (or its equivalent) received when calculating the amount of Available Purchase Funds on the immediately following Principal Determination Date;

(ix) provision for an amount up to, and to that extent reducing, the then Spread Requirement (as defined below); the amount of any such reduction will be deemed to be principal received when calculating the amount of Available Purchase Funds on the immediately following Principal Determination Date;

(x) payment of any amounts due to any Swap Counterparty or to any Permitted Hedge Provider (a) in respect of the partial or total termination of, or reduction in the notional amount of, a hedging arrangement entered into pursuant to a Swap Agreement or otherwise (each, a "Swap Termination Amount"), (b) under or in respect of any Floor and (c) in respect of any Cross-currency Basis Swap Purchase Price;

(xi) provision for any amounts then due or overdue to PFPLC or CMS7 under the Fee Letter;

(xii) provision for, at the option of the Issuer, a reserve to fund any purchases of hedging arrangements whether under the Swap Agreements or otherwise in accordance with the requirements of the Rating Agencies, in the next Interest Period;

(xiii) provision for interest due under the Subordinated Loan Agreement;

(xiv) provision for repayment of the outstanding amount of any advances made under the Subordinated Loan Agreement (i) to establish or increase the Shortfall Fund (as defined in ''Shortfall Fund'' below), (ii) to be applied in reducing any debit balance on the Principal Deficiency Ledger or (iii) to replenish the First Loss Fund (as defined in ''First Loss Fund'' below) subject to a maximum provision of the lesser of (a) the aggregate of such advances; and (b) the amount available for application having made in full all provisions and payments referred to at (i) to (xiii) (inclusive) above;

(xv) 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

(xvi) 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 the Issuer, the Trustee, PFPLC, PCF, CMS7, PPF, the Administrator and the Swap Counterparties on or about the Closing Date (the ''Deed of Charge'').

If and to the extent that the provisions specified in paragraphs (xi), (xii), (xiii), (xiv), (xv) and (xvi) 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 London Business Day after such Interest Payment Date to the extent that the Available Revenue Funds are then sufficient for such purpose. If the Available Revenue Funds are then insufficient for such purpose, such payments will not be made and the amount provided for will be added to the Available Revenue Funds on the next following Principal Determination Date.

If on any Interest Payment Date, while any Class A Note remains outstanding, application in the order set out above would result in the sum of:

(x) any debit balance on the Principal Deficiency Ledger; and

(y) the aggregate of the amounts specified in paragraphs (i) to (iv) inclusive above to the extent that such amounts would not be paid or provided for in full following such application,

exceeding the sum of:

(a) the then resulting current balance of the First Loss Fund; and

(b) the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class B Notes – the ''Class B Conditions'') of the Class B Notes (after deducting the amount of any Class B Available Redemption Funds (as defined in the Class B Conditions) on the Principal Determination Date relating to such Interest Payment Date); and

(c) the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class C Notes – the ''Class C Conditions'') of the Class C Notes (after deducting the amount of any Class C Available Redemption Funds (as defined in the Class C Conditions) on the Principal Determination Date relating to such Interest Payment Date),

then, to the extent of such excess, the payments specified in paragraphs (v) and (vi) shall on the next Interest Payment Date (and on each succeeding Interest Payment Date while such excess exists) be postponed and shall instead be paid immediately after payment of any provisions referred to in paragraphs (vii), (viii) and (ix).

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 referred to in paragraph (ix) but otherwise payments will be made in the same order of priority.

Save for the First Loss Fund and the Spread Requirement, the Issuer will not be required to accumulate surplus assets as security for any future payments on the Notes.

If so agreed in the Secured Loan Sale Agreement, any 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 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 Loan Sale Contract or 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 last London Business Day of the month preceding that in which such Interest Payment Date falls (each such London Business Day, a "Principal Determination Date").

Up to and including the first Interest Payment Date on which the ratio of the aggregate Principal Amounts Outstanding of the Class B Notes and Class C Notes to the sum of (a) the Sterling Equivalent (as defined in "The Issuer – Hedging Arrangements" below) of the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class A Notes – the "Class A Conditions") of the Class A Notes and (b) the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes is 59,242,500:195,000,000 or more (such circumstance constituting the "Determination Event"), all Available Redemption Funds will be applied in payment on such Interest Payment Date of the Cross-currency Basis Swap Principal Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap (using the euro proceeds received from the Basis Swap Counterparty in exchange for such Cross-currency Basis Swap Principal Payment in mandatory redemption of the Class A Notes).

After the occurrence of the Determination Event, on each Interest Payment Date, provided that on the immediately preceding Principal Determination Date (a) there is a balance of zero on the Principal Deficiency Ledger and (b) the aggregate of the then Current Balances of Portfolio Loans which are more than three months in arrears represents less than 10% of the aggregate of the then Current Balances of all of the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 95% of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Loans in such period and (c) the aggregate of the then

Current Balances of Portfolio Car Finance Contracts which are more than three months in arrears represents less than 4% of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period (and for the purposes of (b) and (c) above a Portfolio Asset 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 and/or have been capitalised within the 12 months immediately preceding such time), all Available Redemption Funds will be applied in redemption of the Notes so as to achieve and then maintain the above ratio provided that:

(i) if on any Interest Payment Date there will be a debit balance on the Principal Deficiency Ledger, all Available Redemption Funds will be applied in payment on such Interest Payment Date of the Cross-currency Basis Swap Principal Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap (using the euro proceeds received from the Basis Swap Counterparty in exchange for such Cross-currency Basis Swap Principal Payment in redemption of the Class A Notes); and

(ii) 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 £13,165,000 (the "Minimum Amount"). Accordingly, if any part of the Available Redemption Funds on any Interest Payment Date 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 Amounts 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 will be applied in payment on such Interest Payment Date of the Cross-currency Basis Swap Principal Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap (using the euro proceeds received from the Basis Swap Counterparty in exchange for such Cross-currency Basis Swap Principal Payment in redemption of the Class A Notes).

While any Class A Notes are outstanding, any amounts to be applied in redemption of the Class B Notes and the Class C Notes will be applied pro rata according to their respective Principal Amounts Outstanding on 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 on each Principal Determination Date the Available Redemption Funds and the amount of principal payable on each Note on the following Interest Payment Date.

"Available Redemption Funds" on any Principal Determination Date (the "relevant Principal Determination Date") means the aggregate of:

(a) the amount (if any) left when the amount (if any) of Available Purchase Funds (as defined below) at the relevant Principal Determination Date which the Issuer has notified to the Administrator pursuant to Clause 6.1 of the Administration Agreement that it then intends to apply in purchasing Loans and/or Car Finance Contracts and any related Motor Vehicles and/or in making a deposit with the Deposit Bank pursuant to the Deposit Agreement (each as defined in ''Summary – Hedging Arrangements'' below) and/or in making discretionary further advances in respect of the Portfolio Loans in each case at any time during the period from (but excluding) the relevant Principal 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 Principal Determination Date; and

(b) any Available Redemption Funds on the preceding Principal Determination Date (if any) not applied in making, in respect of the Class A Notes, the Cross-currency Basis Swap Principal Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap or in redeeming the Class B Notes and/or the Class C Notes during the period from (but excluding) the immediately preceding Principal Determination Date to (and including) the relevant Principal Determination Date (such period from (but excluding) one Principal Determination Date or the Closing Date to (and including) the next following Principal Determination Date being a ''Collection Period'').

''Available Purchase Funds'' on the relevant Principal Determination Date means the aggregate (avoiding double counting) of:

(a) the aggregate amount of all principal (or, in relation to Portfolio Car Finance Contracts, principal equivalent) credits made by the Administrator to the Debtor Ledger (as defined below) pursuant to Clause 7.11 of the Administration Agreement (see ''Portfolio Asset Administration – Debtor Ledger/Current Balance'') during the Collection Period ending on the relevant Principal Determination Date in respect of any Loan that was a Portfolio Loan and/or any Car Finance Contract that was a Portfolio Car Finance Contract and/or any Motor Vehicle that was a Portfolio Motor Vehicle at any time during such period; and

(b) any Allocated Purchase Funds on the preceding Principal Determination Date; and

(c) any part of the amount deducted, pursuant to paragraph (i) below, in determining Available Purchase Funds on the preceding Principal Determination Date (if any) which was not applied in making the Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap or any payments of a higher priority on the preceding Interest Payment Date; and

(d) any amount credited by the Administrator to the Principal Deficiency Ledger on the Interest Payment Date preceding the relevant Principal Determination Date in accordance with paragraph (viii) of ''Priority of Payments'' above; and

(e) any amount credited by the Administrator to the Spread Requirement Ledger on the Interest Payment Date preceding the relevant Principal Determination Date in accordance with paragraph (ix) of ''Priority of Payments'' above; and

(f) the aggregate of all amounts advanced to the Issuer during the Collection Period ending on the relevant Principal Determination Date pursuant to the Subordinated Loan Agreement in relation to the payment to a relevant Seller of commission paid by such Seller that has not been amortised under a Portfolio Loan or Portfolio Car

Finance Contract on the date the Issuer acquires such Portfolio Loan or Portfolio Car Finance Contract (''Unamortised Commission'') or which are borrowed in order to reduce any debit balance on the Principal Deficiency Ledger; and

(g) the aggregate of all payments made into the Transaction Account during the Collection Period ending on the relevant Principal Determination Date which are not income payments and which do not fall within (a) to (f) (inclusive) above (including without limitation such portion of each amount (the ''Repurchase Price'') paid to the Issuer by PFPLC in respect of the repurchase of Portfolio Assets pursuant to and calculated in accordance with the Secured Loan Sale Agreement (in the case of Loans) or the Repurchase Deed (in the case of Car Finance Contracts (and the related Motor Vehicles)) during that period which corresponds to the principal amount (or its equivalent) of a Portfolio Asset – see the paragraph entitled ''Portfolio Assets – Repurchase of Portfolio Assets'' in the section entitled ''Portfolio Assets'' below and (on the first Principal Determination Date) the gross proceeds of the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate (as defined in ''The Issuer – Hedging Arrangements'' below) pursuant to the terms of the Cross-currency Basis Swap), to the extent not applied in purchasing Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date (such net proceeds referred to above to the extent not so applied being also ''Allocated Purchase Funds'' on the Closing Date)),

less the aggregate (avoiding double counting) of:

(i) the amount calculated on the relevant Principal Determination Date by the Administrator (in accordance with Schedule 3 to the Administration Agreement) as being the estimated potential shortfall (if any) in the funds that will be available to the Issuer on the next Interest Payment Date to make a Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap and to make payment of items of higher priority (the ''Potential Interest Shortfall Amount'', an amount equal to such shortfall being credited to a ledger maintained by the Administrator pursuant to the Administration Agreement, such ledger being the ''Interest Shortfall Ledger''), such estimate to be made on the basis and the assumptions to be set out in the Administration Agreement;

(ii) the aggregate of all payments, made out of the Transaction Account during the Collection Period ending on the relevant Principal Determination Date (in respect of, *inter alia*, payments due to Obligors, making Authorised Investments (as defined below), making payments in the course of the Issuer's business when due and payable (except to the extent provided for on a previous Interest Payment Date), paying the costs of hedging arrangements, repaying principal on the Subordinated Loan Agreement and refunding overpayments to Obligors, in each case pursuant to the relevant clauses of the Deed of Charge) which are (a) not income payments or (b) income payments to the extent that they are stated in the relevant clauses of the Deed of Charge to reduce the Available Purchase Funds on the date of payment; and

(iii) the aggregate amount paid in cash during the Collection Period ending on the relevant Principal Determination Date in purchasing Further Loans and/or Further Car Finance Contracts (and the related Motor Vehicles) and/or in making discretionary further advances in respect of the Portfolio Loans other than such as have been funded by drawings under the Subordinated Loan Agreement in each case during such period in accordance with the Administration Agreement.

"Current Balance" on any Principal Determination Date means: (a) in relation to a Portfolio 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, the aggregate amount of those parts of each monthly payment payable by the Obligor that is attributable to principal in accordance with clause 7.11 of the Administration Agreement throughout the remaining term of the Portfolio Car Finance Contract (including amounts then due and payable but not paid) plus the assumed residual value of the relevant Portfolio Motor Vehicle (if such Portfolio Car Finance Contract comprises a conditional sale agreement) 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 (as defined below) for the relevant Portfolio Asset; and

"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" below.

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 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 November 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 (taking the Sterling Equivalent of the Principal Amount Outstanding in the case of the Class A Notes) is less than £39,000,000.

Furthermore, any optional redemption of all (but not some only) Class A Notes may only be made if each of the Rating Agencies has first confirmed that neither of its then current ratings of both the Class B Notes and Class C Notes would be adversely affected by such redemption.

In the event of an optional redemption of the Class A Notes, the Sterling Notional Amount and the Euro Notional Amount (as defined under "The Issuer – Hedging Arrangements" below) under the Cross-currency Basis Swap will be reduced to zero and the Cross-currency Basis Swap will be terminated (but without prejudice to any other hedging arrangements of the Issuer).

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 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 its 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 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.
Purchase of Notes	The Issuer may not purchase Notes of any Class at any time.
Final Redemption	To the extent not otherwise redeemed, the Notes of each Class will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in November 2031.
Principal Amount Outstanding and Pool Factor	The Principal Amount Outstanding of a Note, irrespective of class, will be its initial principal amount of (in the case of the Class A Notes) €10,000 or (in the case of the Class B Notes and the Class C Notes) £10,000 less in each case 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 sixth London Business Day after the Principal Determination Date immediately preceding such Interest Period or as soon as practicable thereafter.
Portfolio Loans	Provided that the aggregate Current Balances of any Portfolio Loans to be acquired will not exceed 50% of the aggregate Current Balances of the Portfolio Assets on the Closing Date, the Issuer is expected to acquire certain Loans and related second and subsequent-ranking

Mortgages from PPF pursuant to a loan sale contract (a "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 below) on the Closing Date setting out the terms on which Loans will be sold (the "Secured Loan Sale Agreement"), using part of the proceeds of the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) to the extent not applied: (i) in purchasing Car Finance Contracts and the relevant Motor Vehicles on the Closing Date; or (ii) in being initially credited to the Transaction Account to be applied in purchasing Loans or Car Finance Contracts on any London Business Day on or before the fourth anniversary of the Closing Date. Such loan sale contract will be concluded as a result of acceptance by the Issuer of a written offer by PPF (an "Offer to Sell") to sell the benefit of Loans. Acceptance by the Issuer of such Offer to Sell is subject to further conditions, as described in the paragraph entitled "Portfolio Assets – Further Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

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

The purchase price for an Initial Portfolio Loan will be its Current Balance on a date specified by the relevant Seller (the "Effective Date" – being no more than three London Business Days before the Issuer is due to acquire such Loan) 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 Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below. The terms "Purchased Accruals" and "Excluded Arrears" are defined in that section.

No notice of the transfer of the Initial Portfolio Loans will be given to Borrowers nor will the transfer of the Loans or the Mortgages relative thereto to the Issuer be perfected unless, *inter alia*, there has been 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 Loan, PFPLC is in breach of its repurchase obligations (as described below) under the Secured Loan Sale Agreement.

No Portfolio Loan has or will have an original maturity later than October 2029. There are no obligations to make further advances under any Portfolio Loan. All of the Portfolio Loans are governed by English or Scots law.

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

Further Loans

Provided that, *inter alia*:

(i) neither of the, Rating Agencies has notified the relevant Seller and the Issuer that any rating then assigned by them to any class of Notes would be adversely affected as a result of such acceptance, and

(ii) as a result of such acceptance, the aggregate Current Balances of the Portfolio Loans would not exceed 50% of the aggregate Current Balances of the Portfolio Assets at such time,

the Issuer may, from time to time on or before the fourth anniversary of the Closing Date, accept written offers from a Seller (each, also an "Offer to Sell") to sell Further Loans pursuant to the terms of the Secured Loan Sale Agreement. Such acquisition of Further Loans is

subject to further conditions, as described in the paragraph entitled "Further Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

The purchase price for a Further Loan will be its Current Balance on a date specified by the relevant Seller (the "Effective Date" – being no more than three London Business Days before the Issuer is due to acquire such Loan) 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 Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below. The terms "Purchased Accruals" and "Excluded Arrears" are defined in that section.

A Further Loan may be purchased on any London Business Day on or before the fourth anniversary of the Closing Date but only to the extent of any Available Purchase Funds on that day. Any such purchase will reduce the Available Purchase Funds and hence the amount potentially available to redeem the Notes on the next following Interest Payment Date.

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

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

No notice of the transfer of Further Loans will be given to Borrowers nor will the transfer of Further Loans or the Mortgages relative thereto to the Issuer be perfected unless, *inter alia*, there has been 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 Loan, PFPLC is in breach of its repurchase obligations under the Secured Loan Sale Agreement.

Portfolio Car Finance Contracts

Provided that the aggregate Current Balances of any Car Finance Contracts to be acquired would not exceed 75% of the aggregate Current Balances of the Portfolio Assets on the Closing Date 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 (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) to the extent not applied: (a) in purchasing Loans on the Closing Date; or (b) in being initially credited to the Transaction Account to be applied in purchasing Loans or Car Finance Contracts on any London Business Day on or before the fourth anniversary of the Closing Date. 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 (also an "Offer to Sell") to sell the benefit of Car Finance Contracts and related Motor Vehicles (a "Car Finance Sale Contract") on standard terms and conditions agreed on the Closing Date. Acceptance by the Issuer of such Offer to Sell is subject to further conditions, as described in the paragraph entitled "Further Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

The Issuer has agreed, in relation to each Portfolio Motor Vehicle, that legal and beneficial ownership in such Portfolio Motor Vehicle will pass to the relevant Hirer, in the case of a Portfolio Motor Vehicle that is the subject of a hire purchase agreement, 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 a date specified by the relevant Seller (the "Effective Date" – being no more than three London Business Days before the Issuer is due to acquire the Further Car Finance Contract and related Motor Vehicle) 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 Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below. The terms "Purchased Accruals" and "Excluded Arrears" are defined in that section.

No notice of transfer of Portfolio Car Finance Contracts (or of the transfer of legal and beneficial ownership in the related Portfolio Motor Vehicle) will be given to Hirers unless, *inter alia*, there has been a breach of the Administration Agreement that gives rise to the Trustee's right 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 October 2009. All Portfolio Car Finance Contracts are governed by English or Scots law.

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 of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts, the Issuer will not purchase a Scottish Car Finance Contract, if as a result of such purchase, the aggregate of the purchase prices of all Scottish Car Finance Contracts which are then Portfolio Assets would exceed £25,000,000.

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

Further Car Finance Contracts

Provided that, *inter alia*:

(i) neither of the Rating Agencies has notified the relevant Seller and the Issuer that any rating assigned by them to any class of Notes would be adversely affected as a result of such acceptance; and

(ii) as a result of such acceptance, the aggregate Current Balances of the Portfolio Car Finance Contracts would not exceed 75% of the aggregate Current Balances of the Portfolio Assets at such time,

the Issuer may, from time to time on or before the fourth anniversary of the Closing Date, accept written offers to sell from a Seller (each also an "Offer to Sell") in relation to Further Car Finance Contracts and the related Motor Vehicles. Acceptance by the Issuer of any such Offer to Sell is subject to further conditions, as described in the paragraph entitled "Further Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below.

The purchase price for a Further Car Finance Contract and the related Motor Vehicle will be its Current Balance on a date specified by the relevant Seller (the "Effective Date" – being no more than three London Business Days before the Issuer is due to acquire the Further Car Finance Contract and related Motor Vehicle) 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 Loans and Further Car Finance Contracts" in the section entitled "Portfolio Assets" below. The terms "Purchased Accruals" and "Excluded Arrears" are defined in that section.

A Further Car Finance Contract and the related Motor Vehicle may be purchased on any London Business Day on or before the fourth anniversary of the Closing Date but only to the extent of any Available Purchase Funds on that day. Any such purchase will reduce the Available Purchase Funds and hence the amount potentially available to redeem the Notes on the next following Interest Payment Date.

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 an Offer to Sell by a 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 agreed on the Closing Date and binding on the Issuer, PFPLC, the Trustee and each Seller described in more detail in "Portfolio Assets – Further Loans and Further Car Finance Contracts" below.

Any amounts received by the relevant 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.

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) will be given to Hirers unless, *inter alia*, there has been 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.

Each Car Finance Sale Contract and Loan Sale Contract is referred to in this Offering Circular as an "Asset Sale Contract".

Initial Portfolio Assets

The Portfolio Assets as at the Closing Date will have an aggregate of their respective Current Balances of approximately £153,500,000. Those Portfolio Assets will comprise 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 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. The Obligors in respect of the Portfolio Loans are all individuals. The statistical and other information contained in this Offering Circular is stated as at close of business on 29th September, 2000 and relates to certain Loans originated by PPF and which are currently 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 Loans and Car Finance Contracts being together referred to in this Offering Circular as the "Provisional Pool"). The 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 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 PPF's collection account with National Westminster Bank Plc, PCF's collection account with National Westminster Bank Plc or any 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 London 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" 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 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 Loans

The Portfolio Loans 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 discretionary further advances, the aggregate Current Balances of the Portfolio Loans must not as a result exceed 50% of the aggregate Current Balances of the Portfolio Assets), the Administrator on behalf of the Issuer may at its discretion make or fund discretionary further advances on the Portfolio Loans provided that there is a balance of zero on the Principal Deficiency Ledger on the immediately preceding Interest Payment Date.

Further advances may only be made on any Portfolio Loan if 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.

Conversion of Portfolio Loans

Any Portfolio Loan may, subject to certain conditions as will be provided for in the Administration Agreement (see also "Portfolio Asset Administration – Conversion of Portfolio Loans" below), be converted into a different type of secured loan (a "Converted Loan"). Accordingly, any Converted Loan may differ from the Portfolio 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 not to do so would adversely affect any of the then current ratings of the Notes (see "The Issuer – Hedging Arrangements – Interest Rate Hedging" below).

Portfolio Asset Administration

Pursuant to an agreement to be entered into on the Closing Date between PFPLC, the Issuer, the Trustee, PPF and PCF (the "Administration Agreement"), PFPLC will agree to administer the Portfolio Assets on behalf of the Issuer, carrying out all administrative functions with the diligence and skill as would a reasonably prudent lender or financier administering its own secured consumer loans and car finance products. PFPLC carries on the business of administering mortgage loans, car finance contracts and other receivables and investments for members of the Paragon Group.

Subject to the terms of the relevant Loan Agreement or Car Finance Agreement, the Administrator will have authority to change the rates of interest (or equivalent revenue charges) applicable to the Portfolio Assets. The Trustee may revoke the Administrator's authority to change such rates in certain circumstances.

If at any time the Administrator wishes to set (or does not wish to change) the rate of interest applicable to the Portfolio Loans (or any of them), to purchase any Further Loans or to consent to a Portfolio Loan becoming a Converted Loan with, in any case, the result that the weighted average of the interest rates applicable to the Portfolio Loans taking account of all hedging arrangements entered into by the Issuer 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 Subordinated Notes and the Cross-currency Basis Swap 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. 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 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 in relation to that acquisition, as more particularly described in "The Issuer – Hedging Arrangements – Interest Rate Hedging" below.

The Administrator will receive, in priority to payments of interest on the Notes, an annual fee of not more than 0.5% (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 on the Principal 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 would receive a fee consistent with that commonly charged at that time for the provision of administration services for 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 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 Loans) the Secured Loan Sale Agreement or (in the case of Portfolio Car Finance Contracts) a repurchase deed to be dated on or about the Closing Date between PFPLC, the Issuer, the Trustee and PCF (the "Repurchase Deed"), PFPLC will agree to repurchase, or procure the purchase by a third party of, certain Portfolio Assets in the event that any warranty given by PFPLC in respect of a Portfolio Asset under the Secured Loan Sale Agreement or (as the case may be) 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 where such breach of warranty is capable of remedy PFPLC's obligation to repurchase or procure the repurchase of such Portfolio Asset will only arise if the breach is not remedied within 30 days of notice from the Issuer.

The Repurchase Price for each Portfolio Asset will be its Current Balance on the date of repurchase 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 by that Seller.

Any Portfolio Assets that are repurchased in the above circumstances may be replaced by further assets (for further details, see the paragraph entitled "Further Loans" and the paragraph entitled "Further Car Finance Contracts" above).

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

Insurances

The security for the Notes will include the relevant interests of the Issuer in respect of certain insurances as described in the paragraph entitled "Other" 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 purpose of establishing a fund (the "First Loss Fund").

The First Loss Fund will be applied by the Issuer on any Interest Payment Date towards the payment of the amounts referred to in items (i) to (iv) and, subject to the following paragraph, (v) and (vi) in "Priority of Payments" above where the aggregate amount of interest paid by Borrowers in respect of Portfolio Loans or its equivalent paid by Hirers in respect of Portfolio Car Finance Contracts and the amount available to the Issuer (if any) on such Interest Payment Date by reason of any Shortfall Fund as described below, is insufficient to create sufficient Available Revenue Funds to pay such amounts.

Notwithstanding the above, the First Loss Fund will not be applied towards payment of interest due or overdue on the Class B Notes or the Class C Notes to the extent that the priority of payment of such interest is postponed (as set out in "Priority of Payments" above).

The First Loss Fund may also be used to meet certain out-of-pocket expenses incurred by the Issuer and required to be paid otherwise than on an Interest Payment Date, including payments to the Inland Revenue in respect of stamp duty and payments to third parties in the course of its business and payments of an interest or an equivalent nature to or on behalf of Obligors but only to the extent that those items are of an income or an equivalent nature and that the Issuer's income is insufficient to meet those expenses.

On each Interest Payment Date, revenue of the Issuer in excess of the amounts required to pay or provide for items (i) to (vi) inclusive (or, to the extent that the priority of payments of interest due on the Class B Notes and the Class C Notes is postponed, as set out in "Priority of Payments" above, items (i) to (iv) inclusive) in "Priority of Payments" above will be applied to replenish the First Loss Fund to the Required Amount (as defined in the next paragraph). The First Loss Fund may also be replenished out of sums borrowed for such purpose under the Subordinated Loan Agreement.

Subject as provided in the next paragraph, the "Required Amount" will be at all times on or after the Closing Date the aggregate of:

(i) a sum equal to 3% of the aggregate of (x) the Current Balances of any Loans or Car Finance Contracts that are acquired by the Issuer on the Closing Date and (y) any Purchased Accruals, less any Excluded Arrears, of each such Loan or Car Finance Contract; and

(ii) a sum equal to 3% of the balance of the Note proceeds (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) that the Issuer does not apply in acquiring Loans or Car Finance Contracts on the Closing Date; and

(iii) 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 of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts, £1,000,000, and thereafter, zero; and

(iv) any additional amount which may from time to time be agreed between the Issuer and the Rating Agencies,

unless otherwise reduced as described in this paragraph or with the prior agreement of the Rating Agencies. If, on any Interest Payment Date falling in or after November 2005 (a) there is a balance of zero on the Principal Deficiency Ledger, (b) the aggregate of the then

Current Balances of the Portfolio Loans which are then more than three months in arrears in aggregate comprise less than 10% of the then Current Balances of all the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 95% of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Loans in such period, (c) the aggregate of the then Current Balances of the Portfolio Car Finance Contracts which are then more than three months in arrears in aggregate comprise less than 4% of the then Current Balances of all the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period (and for the purposes of (b) and (c) a Portfolio Asset 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 and/or have been capitalised within the 12 months immediately preceding such time) and (d) the amount which is 10% of the then Current Balances of the Portfolio Assets (the ''10% amount'') is less than the amount of the First Loss Fund on the first Principal Determination Date or, as the case may be, any lower figure to which the Required Amount has been reduced on any previous Interest Payment Date as described in this paragraph, the Required Amount will be reduced on such Interest Payment Date to the 10% amount provided that while any of the Notes remain outstanding the Required Amount may not be less than £3,900,000. If on any such Interest Payment Date the conditions in (a), (b), (c) and (d) above are not satisfied, the Required Amount will not be reduced but will remain at the Required Amount on the immediately preceding Interest Payment Date or, in the case of the first Interest Payment Date, the Required Amount on the first Principal Determination Date.

If after application of any funds required to be applied from the First Loss Fund towards the items referred to above, there remains on any Interest Payment Date a surplus over the Required Amount in the First Loss Fund, that surplus will be released from the First Loss Fund and applied in repayment of principal amounts outstanding under the Subordinated Loan Agreement.

Shortfall Fund

The Issuer may at any time with the prior consent of Collateralised Mortgage Securities (No. 7) PLC (''CMS7''), a company incorporated under the laws of England with registered number 02173117 and a wholly owned subsidiary of PGC, drawdown under the Subordinated Loan Agreement sums for the purpose of establishing a shortfall fund (the ''Shortfall Fund''). If at any time the Administrator wishes to set (or does not wish to change) the rate of interest applicable to any Portfolio Loan so that the weighted average of the interest rates applicable to the Portfolio Loans taking account of all hedging arrangements entered into by the Issuer is less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above the LIBOR applicable to the Subordinated Notes and the Cross-currency Basis Swap for the then current Interest Period, then the Administrator may do so only if there is a sufficient credit balance in the Shortfall Fund (net of all provisions previously made

during the then current Interest Period) in order to provide for the shortfall which would arise and the Issuer makes a provision in the Shortfall Fund equal to such shortfall.

On each Interest Payment Date, the full amount of the Shortfall Fund will be available to the Issuer to be applied, together with the Issuer's other net income, to the items referred to in "Priority of Payments" above.

Spread Requirement

On each Interest Payment Date, revenue of the Issuer in excess of the amounts required to pay or provide for items (i) to (viii) inclusive (or, to the extent that the priority of payments of interest due on the Class B Notes and the Class C Notes is postponed, as set out in "Priority of Payments" above, items (i) to (viii) inclusive, other than items (v) and (vi)) in "Priority of Payments" above, will be set aside up to the then Spread Requirement and added to the amount of Available Purchase Funds on the next Principal Determination Date.

On any date, the Spread Requirement will be the aggregate of:

(i) an amount equal to 1.5% of the aggregate of (x) the Current Balances of any Loans or Car Finance Contracts that are acquired by the Issuer on the Closing Date and (y) the Purchased Accruals, less the Excluded Arrears, of each such Loan or Car Finance Contract; and

(ii) a sum equal to 1.5% of the balance of the Note proceeds (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) that the Issuer does not apply in acquiring Loans or Car Finance Contracts on the Closing Date; and

(iii) any additional amount which may from time to time be agreed between the Issuer and the Rating Agencies,

less the aggregate of all provisions made, on any preceding Interest Payment Date or on the Closing Date, in accordance with paragraph (ix) of "Priority of Payments".

Hedging Arrangements

On the Closing Date, the Issuer will have entered into hedging arrangements which will include an ISDA Master Agreement (together with any confirmations for specific transactions, the "Rate Swap Agreement") with Société Générale, London Branch as swap counterparty (such person (and/or any replacement) acting in such capacity from time to time, the "Rate Swap Counterparty" or the "Rate Swap Provider") in accordance with the requirements of the Rating Agencies to hedge any Initial Portfolio Loans which are fixed rate, capped rate or collared rate Loans and all Portfolio Car Finance Contracts that are acquired on the Closing Date. These hedging arrangements will include one or more interest rate swaps and interest rate caps and/or floors (each a "Cap" or "Floor" as appropriate) which will be made available to the Issuer by means of one or more Cap or Floor agreements entered into with a counterparty (a "Cap Provider" or "Floor Provider", as appropriate) or may comprise other interest rate hedging arrangements entered into with the Rate Swap Provider under the Rate Swap Agreement.

On the Closing Date, the Issuer will also have entered into hedging arrangements which will include an ISDA Master Agreement (together with any confirmations for specific transactions, the "Basis Swap Agreement" and together with the Rate Swap Agreement, the "Swap Agreements" with Société Générale, London Branch as swap counterparty (such person (and/or any replacement) acting in such capacity from time to time, the "Basis Swap Counterparty" or the "Basis Swap Provider" and together with the Rate Swap Counterparty/Rate Swap Provider, the "Swap Counterparties" or

the "Swap Providers") and one or more currency and interest rate swaps, each in accordance with the requirements of the Rating Agencies to hedge the currency and interest rate exposure arising from the fact that subscription amounts for the Class A Notes will be paid by investors in euro, but the consideration for the purchase by the Issuer of Portfolio Assets will be in sterling and further, that payments from Obligors in relation to the Portfolio Assets will be in sterling, but the payment obligations of the Issuer in relation to interest and principal on the Class A Notes will be denominated in euro and, in the case of interest, calculated by reference to EURIBOR.

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").

On the Closing Date, the Issuer will enter into an agreement with Société Générale, London Branch (in this capacity, the "Deposit Bank"), PFPLC and the Trustee (the "Deposit Agreement") under which the Issuer will agree to open an interest-bearing deposit account with Société Générale (the "Deposit Agreement Account") no later than the Closing Date. Under the Deposit Agreement Société Générale will agree to accept deposits from the Issuer on each Interest Payment Date from (and including) the Interest Payment Date falling in May 2001 up to (and including) the Interest Payment Date falling in November 2004 of an amount up to but not exceeding the Class A Available Redemption Funds on the immediately preceding Principal Determination Date and to pay interest during each Interest Period at a rate equal to the aggregate of (a) LIBOR applicable for calculating the Cross-currency Basis Swap Interest Payment in respect of such Interest Period under the Cross-currency Basis Swap and (b) the then applicable Basis Swap LIBOR Margin (as defined under "The Issuer-Hedging Arrangements" below). The Issuer will give instructions (expressed to be irrevocable) under the terms of the Deposit Agreement that any repayment by Société Générale of amounts standing to the credit of the Deposit Agreement Account shall be made by transferring the amount in question to the Transaction Account.

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

Reinvestment of Income

Cash (including cash that is surplus to the Issuer's requirements) 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 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+.

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 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.

Relationship between Noteholders

The trust deed constituting the Notes 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 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 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 constituting the Notes 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.

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. CMS7 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.

The Issuer will agree under a fee letter to be entered into on the Closing Date (the "Fee Letter") that it will pay PFPLC an arrangement fee of 0.4% of the Sterling Equivalent of the aggregate principal amount of the Class A Notes and 0.4% of the aggregate principal amount of the Class B Notes and the Class C Notes and that it will repay CMS7 the Sterling Equivalent of all commissions and expenses paid by CMS7 in connection with the issue of the Class A Notes together with all commissions and expenses paid by CMS7 in connection with the issue of the Class B Notes and the Class C Notes, in each case, 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, CMS7 and the Issuer agree to be a fair commercial rate at the time) payable quarterly in arrear.

Services Letter

PFPLC will agree under a services letter to be entered into on the Closing Date (the "Services Letter") to undertake certain management and administration 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, of the costs incurred by PFPLC in respect of the services.
Subordinated Loan Agreement	CMS7 will make available to the Issuer under a subordinated loan agreement to be entered into on 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 establish the First Loss Fund on the Closing Date; (ii) to reimburse the relevant Seller of an Initial Portfolio Asset for any Unamortised Commission on the Closing Date and (iii) to achieve the initial ratings assigned to the Notes by the Rating Agencies. The Issuer may from time to time borrow further sums from CMS7 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.
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 (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 will be solely the obligations of the Issuer. The Notes will not be obligations or the responsibility of, or be guaranteed by, PFPLC, PPF, PCF, CMS7 or PGC, any company in the same group of companies as PGC (other than the Issuer), the Trustee, the Managers, or any other person other than the Issuer. Furthermore, none of PFPLC, PPF, PCF, CMS7, PGC, any company in the same group as PGC (other than the Issuer), the Trustee, the Managers, 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 ability of the Issuer to meet its obligations to pay principal of and interest on the Notes and its operating and administration expenses will be dependent, *inter alia*, on funds being received in respect of Portfolio Assets, the Transaction Account deposit arrangements, the extent of the First Loss Fund and the Shortfall Fund (if any), any and all hedging arrangements whether entered into under the Swap Agreements or otherwise, any Authorised Investments, the Deposit Agreement, the Subordinated Loan Agreement, the arrangements for maintaining the Spread Requirement and the insurances (if any) in which the Issuer has an interest.

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, including the First Loss Fund and the Shortfall Fund (if any). The Issuer and the Trustee will have no recourse to any of PFPLC, PPF, PCF, CMS7 or PGC other than, in the case of PFPLC's liability, as provided in the Secured Loan Sale Agreement (in the case of Portfolio Loans) and in the Warranty Deed and the Repurchase Deed (in the case of Portfolio Car Finance Contracts) in respect of breaches of warranty (as more particularly described in the section entitled "Portfolio Assets" below).

The Issuer may receive an amount under a direct debit which subsequently has to be repaid to the bank making the payment, if that bank is unable to recoup such amount itself from its customer's account. If the Issuer has insufficient revenue funds to make the repayment, such an amount may be repaid by applying principal (or principal equivalent) amounts received.

If, upon default by Obligors and the exercise by the Issuer or the Administrator of all available remedies under any Loan Agreement or Car Finance Agreement and the enforcement of any related security and the sale of any related Motor Vehicle, the Issuer does not receive the full amount due from those Obligors, a debit will be made to the Principal Deficiency Ledger referred to under "Summary – Priority of Payments" above in an amount equal to the then Current Balance of the relevant Portfolio Loan or Portfolio Car Finance Contract. Similarly, if in relation to a Portfolio Loan or a Portfolio Car Finance Contract, an Obligor defaults and the Portfolio Loan or Portfolio Car Finance Contract becomes twelve months or more in arrears, a debit will be made to the Principal Deficiency Ledger in an amount equal to the then Current Balance of such Portfolio Loan or Portfolio Car Finance Contract to the extent not already debited to the Principal Deficiency Ledger. If an amount is debited to the Principal Deficiency Ledger in the circumstances described above or if principal receipts from Borrowers, or its equivalent from Hirers are applied to make a Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap on an Interest Payment Date or in refunding reclaimed direct debit payments (as set out above) and, in any case, if otherwise there would be insufficient funds available for these purposes, then the following consequences may ensue: first, the Issuer's interest and other net income may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Class B Notes and/or the Class C Notes; secondly, the Issuer may be unable to redeem the Class C Notes (and, to the extent that any shortfall in principal funds exceeds the aggregate of the Principal Amount Outstanding of the Class C Notes, the Class B Notes) at their face value on their final maturity date unless prior to such final maturity date the Issuer's interest and other net income is sufficient, after making other payments to be made in priority thereto, where applicable, to reduce to nil any shortfall in principal funds which arises from deficits suffered in recovering sums due from Obligors or which results from the application of principal (or principal equivalent) receipts from Obligors to make a Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap or in refunding reclaimed direct debit payments; thirdly, if the aggregate provision against such deficits (even to the extent reduced as aforesaid) should exceed the aggregate face

value of the Class B Notes and the Class C Notes, Class A Noteholders may receive by way of principal repayment less than the face value of their Class A Notes; and, fourthly, the Issuer may be unable to pay, in full or at all, interest due on the Class A Notes.

Subscription amounts for the Class A Notes will be paid by investors in euro, but the consideration for the purchase by the Issuer of Portfolio Assets will be in sterling. Further, payments from Obligors in relation to the Portfolio Assets will be in sterling, but the payment obligations of the Issuer in relation to interest and principal on the Class A Notes are denominated in euro and, in the case of interest, calculated by reference to EURIBOR. This currency and interest rate exposure will be hedged in accordance with the requirements of the Rating Agencies (see ''The Issuer – Hedging Arrangements – Currency Hedging'' below).

A failure by the Basis Swap Counterparty to make Cross-currency Basis Swap Principal Payments or Cross-currency Basis Swap Interest Payments under the Cross-currency Basis Swap or of the Deposit Bank to make payments under the Deposit Agreement when due or a termination of the Cross-currency Basis Swap following the giving of an Enforcement Notice under Condition 9 of the Class A Notes or Condition 10 of the Class B Notes or the Class C Notes (an ''Enforcement Notice'') will result in a currency exposure for all Noteholders. If the Issuer does not receive euro-denominated payments from the Basis Swap Counterparty to fund its euro-denominated obligations to the holders of Class A Notes, it will need to fund these obligations by converting sterling amounts it receives from Obligors into euro at a prevailing spot rate of exchange which may differ from the Cross-currency Basis Swap Exchange Rate provided in the Cross-currency Basis Swap. The initial Basis Swap Counterparty will be Société Générale, London Branch which is described in ''Société Générale'' below whose short-term unsecured and unguaranteed debt obligations are currently rated A-1+ by Standard & Poor's and P-1 by Moody's and whose long-term unsecured and unguaranteed debt obligations are currently rated AA- by Standard & Poor's and Aa3 by Moody's.

The Administrator will on behalf of the Issuer and the Trustee, in respect of the Portfolio Loans, set where relevant the rates of interest applicable to the Portfolio Loans (other than, in the case of those which are fixed rate, capped rate or collared rate Portfolio Loans, during any applicable fixed rate, capped rate or collared rate period). The Administrator will be obliged to ensure that the weighted average of the rates of interest applicable to the Portfolio Loans taking account of all hedging arrangements entered into by the Issuer is not less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above LIBOR applicable to the Subordinated Notes and the Cross-currency Basis Swap at that time. The Administrator may set or maintain a lower average mortgage rate if and to the extent that the resultant shortfall can be provided for out of an available credit balance in the Shortfall Fund.

The weighted average rate applicable to any portfolio of Car Finance Contracts being acquired by the Issuer at any time may not on the relevant sale date be less than a specific margin above the rate payable by the Issuer under the hedging arrangements entered into in relation to that acquisition, as more particularly described in ''The Issuer – Hedging Arrangements – Interest Rate Hedging'' below.

In respect of any fixed rate Portfolio Loans, the Administrator will be unable to vary the rate of interest during any fixed rate period provided in the relevant Loan Agreement and, in respect of capped rate and collared rate Portfolio Loans, the Administrator will be unable to increase the rate of interest above the capped or maximum rate during the period for which the capped or collared rate applies as provided in the relevant Loan Agreement. As a result, the Issuer may be exposed to the risk of an adverse interest differential between the rate of interest receivable in respect of the fixed rate, capped rate and collared rate Portfolio Loans, on the one hand, and the rate of interest payable on the Subordinated Notes and under the Cross-currency Basis Swap on the other hand. This risk is addressed in part by the hedging arrangements described in ''The Issuer – Hedging Arrangements'' below.

In view of the First Loss Fund, the Shortfall Fund (if any) and the interest rate setting and hedging arrangements referred to above, the terms and conditions of the Class A Notes, the Class B Notes and the Class C Notes will provide that a Trustee's certificate, to the effect that the Issuer had sufficient funds available for the purpose, will be necessary to constitute an Event of Default if one or more interest payments on the Class A Notes, the Class B Notes or the Class C Notes is or are missed or not paid in full (see ''Description of the Class A Notes, the Global Class A Notes and the Security – Events of Default'', ''Description of the Class B Notes, the Global Class B Notes and the Security – Events of Default'' and ''Description of the Class C Notes, the Global Class C Notes and the Security – Events of Default'' below). The Trust Deed will provide that in giving such certification the Trustee may rely on any determination made by any independent accountants of recognised standing in England and Wales and any such determination shall be conclusive and binding on the Issuer and the Noteholders.

PFPLC will warrant to the Issuer and the Trustee in the Secured Loan Sale Agreement (in relation to Portfolio Loans) and in the Warranty Deed (in relation to Portfolio Car Finance Contracts) in respect of certain matters relating to the Portfolio Assets (see the section entitled "Portfolio Assets – 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 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 nor the Trustee 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 Loans) and in the Warranty Deed (in relation to Portfolio Car Finance Contracts). The Issuer's and the Trustee's sole remedy against PFPLC in respect of breach of warranty 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 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 (in the case of the Class A Notes, after the proceeds of such realisation have been converted into euros) to redeem the Notes. There can be no assurance that the Portfolio Assets will realise such an amount. Either the Issuer or the Trustee or any receiver of the security may be unable to enforce or sell the Portfolio Assets on appropriate terms should either of them be required to do so.

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 they provide for the fees payable to a substitute administrator to be consistent with those commonly charged at that time for the provision of 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 – Priority of Payments" above.

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 either the Class B Noteholders 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") 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.

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) 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, as the case may be, absolutely for the Issuer under declarations of trust or supplemental declarations of trust in the form set out as an appendix to the Standard Terms and Conditions (in the case of Portfolio Car Finance Contracts) or in the form set out in

the Secured Loan Sale Agreement (in the case of Portfolio 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 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 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 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.

The sales to the Issuer of Loans and their related Mortgages will not be perfected unless, *inter alia*, there has been 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 Portfolio 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 their interests in the Portfolio Loans and the related Portfolio Mortgages. They will also not be giving notice to any Obligor in respect of any transfer of any Portfolio Loan or its related security. For further information, see "Portfolio Assets – Acquisition of Portfolio Assets" below.

In the case of Portfolio Car Finance Contracts governed by English law, giving 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 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.

(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 has warranted or will warrant in respect of each Portfolio Asset which is a Car Finance Contract as at a specified date no more than five London Business Days before the date on which the Issuer acquires or acquired such Portfolio Asset, 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 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 Loan Agreement or Car Finance Agreement. However, pursuant to the Secured Loan Sale Agreement and the Standard Terms and Conditions (as defined below), the Sellers will undertake not to amend any 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 Loans or Scottish Car Finance Contracts, the holding of a beneficial interest in a Portfolio Asset granted 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 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 registrations made in respect of related English Mortgages.

Some Obligors under Portfolio 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 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 Car 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 – Other'' below).

As regards Portfolio Car Finance Contracts, these are unsecured monetary obligations on the part of the Hirers. However, the Issuer owns the Portfolio Motor Vehicles in question, subject as described above and subject to the Hirers' rights of possession and use and to the Hirers' rights to acquire the relevant Portfolio Motor Vehicle on expiry or earlier settlement of the Car Finance Agreement. These 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 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.

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. 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 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. The law 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. 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 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.

The Issuer will rely on the Administrator to exercise the rights and carry out the obligations described in "Portfolio Asset Administration".

Each Portfolio Loan or Portfolio Car Finance Contract with an individual Borrower or Hirer for an amount of £25,000 or less is regulated by the CCA.

If a 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. 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 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. Any deviation from these requirements results 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.

A Borrower or Hirer under a 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 Loan or Portfolio Car Finance Contract in full, less 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 a Borrower or Hirer under a Loan Agreement or Car Finance Agreement governed by the CCA, the court may, on application by such Borrower or Hirer 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, make a time order to permit such Borrower or Hirer to make payments under the relevant Portfolio 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 Borrower or Hirer.

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.

Many of the Loan Agreements and all Car Finance Agreements 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 Loan Agreements and Car Finance Agreements are DCS agreements only by virtue of the relevant Seller, 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 or Hirer during negotiations prior to execution of the relevant 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 or Hirer 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 and the application of the Sale of Goods Act 1979 to conditional sale agreements, whereby a Hirer 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, Borrowers and/or Hirers 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 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 Loans and/or Portfolio Car Finance Contracts to the Issuer and may give rise to a number of consequences including the following:

(a) a Borrower or Hirer, 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 Loan or Portfolio Car Finance Contract as a result of liabilities arising under a Loan Agreement or Car Finance Agreement with that Obligor which is subject to Section 56 or 75 of the CCA;

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

(c) a Borrower or Hirer may, in certain circumstances, exercise a right of set-off in respect of his or her obligations under a Loan Agreement (if the relevant Portfolio Loan is not a Scottish 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 a DCS agreement which is subject to Section 56 or 75 of the CCA and which does not relate to a Portfolio Loan or Portfolio Car Finance Contract but which is made by the relevant Seller to the same Borrower or Hirer,

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 Borrower or Hirer of the assignment to the Issuer of the benefit of the relevant Portfolio 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 Borrower or Hirer of the assignment to the Issuer of one but not the other of the relevant Portfolio Loans or Portfolio Car Finance Contracts in favour of that Borrower or Hirer.

Any Portfolio Loans or Portfolio Car Finance Contracts which are Scottish 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 Borrower or Hirer if it derives from a DCS agreement entered into after the relevant Scottish Loan or Scottish Car Finance Contract is held on trust.

In the case of a claim brought by a Borrower or Hirer 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 a Borrower or Hirer. 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.

It is possible that an Obligor may settle early (or terminate) the 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 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, early settlement and payment in this way will entitle the Obligor to acquire title to the relative Portfolio 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, 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 relevant Seller 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 Portfolio Car Finance Agreement.

An Obligor under a 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 or hire-purchase charges. 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 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.

Various documents which may be executed in connection with an Offer to Sell in respect of a Car Finance Contract in connection with a 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 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 of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts. The Required Amount on the Closing Date of the First Loss Fund will include an amount sufficient to pay any such stamp duty, if payable.

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 London 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 co-mingled with other moneys of the relevant Seller 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 Seller) 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.

Any proceeds of the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) that are not applied on the Closing Date in the acquisition of Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date will be deposited in the Transaction Account and may be invested in Authorised Investments or under the Deposit Agreement from time to time until allocated by the Issuer for the purchase of Further Loans or Further Car Finance Contracts (and the related Motor Vehicles) or used by PFPLC on the Issuer's behalf to redeem Notes after conversion, where necessary, into euros pursuant to the Cross-currency Basis Swap. It is expected that the amount so deposited on the Closing Date will be approximately £41,000,000.

European Monetary Union

It is possible that prior to the maturity of the Class B Notes and Class C 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 Class B Notes and Class C Notes and/or the Portfolio Assets may become payable in euros; (ii) applicable provisions of law may allow the Issuer to redenominate the Class B Notes and the Class C Notes into euros and take additional measures in respect of the Class B Notes and Class C 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 Class B Notes and Class C 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.

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

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.

The issue of the €285,000,000 Class A Asset Backed Floating Rate Notes due 2031 (the ''Class A Notes'') was authorised by a resolution of the Board of Directors of Paragon Auto and Secured Finance (No. 1) PLC (the ''Issuer'') passed on 20th November, 2000. The Class A Notes are constituted by a trust deed (the ''Trust Deed'') to be dated the Closing Date (as defined below) 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 below) (the ''Class B Noteholders'') and the holders for the time being of the Class C Notes (as defined below) (the ''Class C Noteholders''). The net proceeds from the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) will be applied, among other things, 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 (as defined below), 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 the deed of charge and assignment (the ''Deed of Charge'') dated the Closing Date (as defined in Class A Condition 4(a)) between the Issuer, the Trustee, Paragon Finance PLC (''PFPLC''), Paragon Personal Finance Limited (''PPF''), Paragon Car Finance Limited (''PCF''), PFPLC in its capacity as administrator, Société Générale, London Branch in its capacity as interest rate swap counterparty (the ''Rate Swap Counterparty''), Société Générale, London Branch in its capacity as cross-currency basis swap counterparty (the ''Basis Swap Counterparty'') and Société Générale, London Branch in its capacity as Deposit Bank under the Deposit Agreement. 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'') 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 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 11 Old Jewry, London EC2R 8DU, and at the specified offices for the time being of the Paying Agents.

Class A Notes and Coupons (as defined 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 €285,000,000. 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 Note 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator 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, 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator 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 20th November, 2000, 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 was 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 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 (other than the Portfolio Motor Vehicles (both 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 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 Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, 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 Secured Loan Scottish Trust Property or the Car Finance Scottish Trust Property or in respect of 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 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 Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, 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 Agreements, the Deposit 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 paragraph (2) 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 Administrator, any Subordinated Lender, the Swap Providers, PPF, PCF, CMS7 and PFPLC under the Notes and any Coupons, the Trust Deed, 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, the Swap Agreements and any agreement with PFPLC referred to in Clause 6.2.2(o) of the Deed of Charge (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 and the Trustee, amounts payable to the Administrator (including fees, out-of-pocket expenses and commissions), amounts payable to the Swap Providers and amounts of all commissions (if any) paid by insurance companies to each of PFPLC, PPF and PCF pursuant to Clause 11.2 of the Administration Agreement will rank in priority to payments on the Class A Notes.

Terms and Conditions

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 £16,580,000 Class B Asset Backed Floating Rate Notes due 2031 of the Issuer (the "Class B Notes") and the £9,750,000 Class C Asset Backed Floating Rate Notes due 2031 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 or the other persons entitled to the benefit of the Security (as defined in the Master Definitions Schedule).

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 20th November, 2000 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 Loan Agreement (or its related Mortgage), Car Finance Agreement or Vehicle Agreement (each as defined in the Master Definitions Schedule)) 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;

(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 Agreements, the Deposit 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, in particular, indebtedness under the Deed of Charge, the Fee Letter, the Services Letter, the Swap Agreements and 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 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 secured consumer loans and motor vehicle finance contracts in England, Wales and Scotland. 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 23rd November, 2000 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 February, 15th May, 15th August and 15th November 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 which is both a London Business Day and a Target Business Day. "London Business Day" means a day (other than a Saturday or Sunday) on which banks are open for sterling and euro business in London and "Target Business Day" means a day on which the Trans-European Automated Real-Time Gross Settlement Express System (TARGET) is open.

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 360 day year. The first interest payment will be made on 15th February, 2001 in respect of the period from (and including) the Closing Date to (but excluding) 15th February, 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 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 second Target Business Day prior to the Closing Date (an "Interest Determination Date") in respect of the first Interest Period, the Reference Agent will determine the interest rate on the linear interpolation between euro deposits for a period of two months and euro deposits for a period of three months quoted on the Telerate Screen Page 248 (or any other page on which Telerate is for the time being posting offered rates quoted to leading banks in the euro interbank market) at or about 11.00 a.m. (Brussels time) on such Interest Determination 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 the second Target Business Day prior to 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 euro deposits for a period of three months quoted on the Telerate Screen Page 248 (or any other page on which Telerate is for the time being posting offered rates quoted to

leading banks in the euro interbank market) at or about 11.00 a.m. (Brussels 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 0.34% per annum up to and including the Interest Period ending in November 2006 and thereafter 0.68% per annum.

(ii) If, on any Interest Determination Date, no such rates are being quoted on the Telerate Screen Page 248 (or such other appropriate page) at such time and on such date, the Reference Agent will request the principal Eurozone office of each of Barclays Bank PLC, Lloyds Bank 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 euro deposits or, in the case of the first Interest Period, for two-month and three-month euro deposits, of €10,000,000 in London for same day value as at 11.00 a.m. (Brussels 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. (Brussels 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 360 and rounding the resultant figure to the nearest euro (half a euro being rounded downwards).

(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 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 Principal Determination Date (as defined below) relating thereto 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 and after conversion into euros at the Cross-currency Basis Swap Exchange Rate pursuant to the Cross-currency Basis Swap) on the Principal 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 euro); provided always that no Principal Payment may exceed the Principal Amount Outstanding of a Class A Note.

The Principal Determination Date relating to an Interest Payment Date means the last London Business Day of the month preceding that in which such Interest Payment Date falls.

''Available Redemption Funds'' on any Principal Determination Date (the ''Relevant Date'') means the aggregate of:

(A) 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 Clause 6.1 of the Administration Agreement, that it then intends to apply in purchasing Loans and/or Car Finance Contracts and any relevant Motor Vehicles and/or in making a deposit with the Deposit Bank pursuant to the Deposit Agreement and/or in making discretionary further advances in respect of the Portfolio Loans in each case at any time during the period from (but excluding) the Relevant Date to (and including) the fourth anniversary of the Closing Date (the ''Allocated Purchase Funds'') is subtracted from Available Purchase Funds at that Principal Determination Date; and

(B) any Available Redemption Funds on the preceding Principal Determination Date (if any) not applied in making, in respect of the Class A Notes, the Cross-currency Basis Swap Principal Payments due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap or in redeeming the Class B Notes and/or the Class C Notes during the period from (but excluding) the immediately preceding Principal Determination Date to (and including) the Relevant Date.

''Available Purchase Funds'' means on any Principal Determination Date (the ''Relevant Date'') the aggregate (avoiding double counting) of:

(i) the aggregate amount of all principal (or, in relation to Portfolio Car Finance Contracts, principal equivalent) credits made by the Administrator to the Debtor Ledger pursuant to Clause 7.11 of the Administration Agreement during the period commencing on (but excluding)

the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in respect of any loan or car finance product that was a Portfolio Asset at any time during such period; and

(ii) any Allocated Purchase Funds on the preceding Principal Determination Date; and

(iii) any part of the amount deducted, pursuant to paragraph (a) below, in determining Available Purchase Funds on the preceding Principal Determination Date (if any) which was not applied in making the Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap or any payments of a higher priority on the preceding Interest Payment Date; and

(iv) any amount credited by the Administrator to the Principal Deficiency Ledger on the Interest Payment Date preceding the Relevant Date in accordance with paragraph (h) of Clause 6.2.2 of the Deed of Charge; and

(v) any amount credited by the Administrator to the Spread Requirement Ledger on the Interest Payment Date preceding the Relevant Date in accordance with paragraph (i) of Clause 6.2.2 of the Deed of Charge; and

(vi) the aggregate of all amounts advanced to the Issuer during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 2(D)(i) or (E) of the Subordinated Loan Agreement; and

(vii) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of all payments, made into the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date, which are not income payments and which do not fall within (i) to (vi) (inclusive) above including without limitation such portion of each amount (the ''Repurchase Price'') paid to the Issuer by PFPLC in respect of the repurchase of Portfolio Assets pursuant to and calculated in accordance with the Secured Loan Sale Agreement (in the case of Loans) or the Repurchase Deed (in the case of Car Finance Contracts (and the related Motor Vehicles)) during that period which corresponds to the principal (or its equivalent) amount of a Portfolio Asset and (on the first Principal Determination Date) the gross proceeds of the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap), to the extent not applied in purchasing Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date (such net proceeds to such extent being also ''Allocated Purchase Funds'' on the Closing Date),

less the aggregate (avoiding double counting) of:

(a) the amount calculated on the Relevant Date by the Administrator in accordance with Schedule 3 to the Administration Agreement as being the estimated potential shortfall (if any) in the funds that will be available to the Issuer on the next Interest Payment Date to make a Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap and to make payment of items of a higher priority (the ''Potential Interest Shortfall Amount''), such estimate to be made on the basis and the assumptions to be set out in the Administration Agreement; and

(b) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of all payments, made out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1, Clause 6.3 or Clause 6.4 of the Deed of Charge, which are (i) not income payments or (ii) income payments to the extent that they are stated in Clause 6.2.1 or Clause 6.4 of the Deed of Charge to reduce the Available Purchase Funds on the date of payment; and

(c) the aggregate amount paid in cash during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in purchasing Further Loans and/or Further Car Finance Contracts (and the related Motor Vehicles) and/or

in making discretionary further advances in respect of the Portfolio Loans other than such as have been funded by drawings under the Subordinated Loan Agreement in each case during such period in accordance with Clause 6 of the Administration Agreement.

"Available Revenue Funds" means at any Principal Determination Date (the "Relevant Date") the aggregate (avoiding double counting) of:

(i) the aggregate amount of all income (or, in relation to Portfolio Car Finance Contracts, income equivalent) credits made by the Administrator to the Debtor Ledger pursuant to Clause 7.11 of the Administration Agreement during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in respect of any asset that was a Portfolio Asset at any time during such period; and

(ii) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of any other net income paid into the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date (including without limitation all net receipts under the Rate Swap Agreement, to the extent that any such receipt does not fall within paragraph (vii) of the definition of Available Purchase Funds (above) on that Principal Determination Date, interest earned on the Transaction Account, interest received under the Deposit Agreement, any income earned on any Authorised Investment made pursuant to Clause 4.7 of the Administration Agreement, and the portion of each Repurchase Price paid to the Issuer during that period which does not correspond to the principal (or principal equivalent) amount of a Portfolio Asset); and

(iii) any provisions, not being transfers to the First Loss Fund or the Spread Requirement Ledger, made on the preceding Interest Payment Date pursuant to Clause 6.2.2 of the Deed of Charge, to the extent that the payments for which such provisions were made have not been made; and

(iv) the aggregate of all amounts (if any) transferred on the preceding Interest Payment Date from the Interest Shortfall Ledger to be added to the Available Revenue Funds pursuant to Clause 7.13 and Clause 7.14 of the Administration Agreement; and

(v) the amount (if any) transferred on the preceding Interest Payment Date from the First Loss Fund and/or Shortfall Fund to be added to the Available Revenue Funds pursuant to Clause 5.8 or Clause 7.9 of the Administration Agreement; and

(vi) any Available Revenue Funds on the preceding Principal Determination Date (if any),

less the aggregate (avoiding double counting) of:

(a) all income amounts paid out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1, Clause 6.2.2 or Clause 6.4 of the Deed of Charge, to the extent that each such amount is there stated to reduce the Available Revenue Funds on the date of payment and all provisions (including without limitation to any fund or ledger) made on the preceding Interest Payment Date in accordance with Clause 6.2.2 of the Deed of Charge; and

(b) all principal amounts paid out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1 of the Deed of Charge, to the extent that each such amount is there stated to reduce the Available Revenue Funds on the date of payment.

The Available Redemption Funds on a Principal 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 Principal Determination Date.

The Class A Available Redemption Funds shall equal:

(i) on any Principal Determination Date falling prior to the occurrence of the Determination Event (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 (a) the Sterling

Equivalent of the aggregate Principal Amount Outstanding (as defined in Class A Condition 5(b)) of the Class A Notes, (b) the aggregate Principal Amount Outstanding of the Class B Notes and (c) the aggregate Principal Amount Outstanding of the Class C Notes is 59,242,500: 195,000,000 or more), all of the Available Redemption Funds determined as at such Principal Determination Date; and

(ii) on any other Principal 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 Principal Determination Date falls prior to the occurrence of the Determination Event or on any Principal Determination Date thereafter on which it is determined by the Issuer that (a) there is a debit balance on the Principal Deficiency Ledger or (b) the aggregate of the then Current Balances (as defined in the Trust Deed) of Portfolio Loans which are more than three months in arrears (construed in accordance with the Master Definitions Schedule) represent 10% or more of the aggregate of the then Current Balances of all of the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination Date is less than 95% of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Loans in such period or (c) the aggregate of the then Current Balances of Portfolio Car Finance Contracts which are more than three months in arrears represent 4% or more of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is less than 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period, nil;

(ii) on any other Principal Determination Date on which Class A Notes are outstanding, provided (a) there is a balance of zero on the Principal Deficiency Ledger and (b) the aggregate of the then Current Balances of Portfolio Loans which are more than three months in arrears represent less than 10% of the aggregate of the then Current Balances of all of the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 95% of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Loans in such period and (c) the aggregate of the then Current Balances of Portfolio Car Finance Contracts which are more than three months in arrears represent less than 4% of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period, 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 (a) the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Class A Notes, (b) the aggregate Principal Amount Outstanding of the Class B Notes and (c) 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 Principal Determination Date) after such application to become as nearly as possible equal to 59,242,500:195,000,000; 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 £13,165,000, the Subordinated Available Redemption Funds shall be reduced by an amount equal to such part of the Available Redemption Funds.

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 Principal 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 Principal 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 fifth London Business Day after the Principal Determination Date immediately preceding the relevant Interest Payment Date, 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 UK Listing Authority and admitted to trading by the London Stock Exchange) the UK Listing Authority 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 London 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 neither of its then current ratings of both the Class B Notes and Class C Notes would 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 November 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 Sterling Equivalent of 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 £39,000,000.

(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 November 2031.

(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 euro cheque drawn on a branch in the City of London of, or transfer to a euro account (or any other account to which euro may be transferred) maintained by the payee, 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 0JP.

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 which is (i) a London Business Day, (ii) a Target Business Day, (iii) a day 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 (iv) 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.

If interest is not paid in respect of a Class A 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 A Notes until there are sufficient funds on an Interest Payment Date for payment of such interest and interest thereon and notice thereof has been duly given in accordance with Class A Condition 12.

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 PGCB) 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 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 50% 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 in relation to the validity, value, sufficiency and enforceability (which the Trustee has not investigated) of the Security and provisions relieving it from taking any action under the Trust Deed which may involve it in incurring personal liability or expense including 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 subject to loss, theft or reduction in value or 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.

The Trustee is not responsible for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless it has actual knowledge to the contrary.

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.

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

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.

The issue of the £16,580,000 Class B Asset Backed Floating Rate Notes due 2031 (the "Class B Notes") was authorised by a resolution of the Board of Directors of Paragon Auto and Secured Finance (No. 1) PLC (the "Issuer") passed on 20th November, 2000. The Class B Notes are constituted by a trust deed (the "Trust Deed") to be dated the Closing Date (as defined below) 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 below) (the "Class A Noteholders") and the holders for the time being of the Class C Notes (as defined below) (the "Class C Noteholders"). The net proceeds from the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) will be applied, among other things, 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 (as defined below), 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 the deed of charge and assignment (the "Deed of Charge") dated the Closing Date (as defined in Class B Condition 4(a)) between the Issuer, the Trustee, Paragon Finance PLC ("PFPLC"), Paragon Personal Finance Limited ("PPF"), Paragon Car Finance Limited ("PCF"), PFPLC in its capacity as administrator, Société Générale, London Branch in its capacity as interest rate swap counterparty (the "Rate Swap Counterparty"), Société Générale, London Branch in its capacity as cross-currency basis swap counterparty (the "Basis Swap Counterparty") and Société Générale, London Branch in its capacity as Deposit Bank under the Deposit Agreement. 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") 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 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 11 Old Jewry, London EC2R 8DU, and at the specified offices for the time being of the Paying Agents.

Class B Notes and Coupons (as defined 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) will be initially represented by a Temporary Global Class B Note in bearer form, without coupons or talons, in the principal amount of £16,580,000. 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator 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, 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator 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 20th November, 2000, 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 was 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 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 (other than the Portfolio Motor Vehicles (both 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 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 Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, 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 Secured Loan Scottish Trust Property or the Car Finance Scottish Trust Property or in respect of 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 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 Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, 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 Agreements, the Deposit 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 paragraph (2) 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 Administrator, any Subordinated Lender, the Swap Providers, PPF, PCF, CMS7 and PFPLC under the Notes and any Coupons, the Trust Deed, 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, the Swap Agreements and any agreement with PFPLC referred to in Clause 6.2.2(o) of the Deed of Charge (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 and the Trustee, amounts payable to the Administrator (including fees, out-of-pocket expenses and commissions), amounts payable to the Swap Providers, amounts of all commissions (if any) paid by insurance companies to each of PFPLC, PPF and PCF pursuant to Clause 11.2 of the Administration Agreement and amounts due and payable to Class A Noteholders will rank in priority to payments on the Class B Notes.

Terms and Conditions

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 €285,000,000 Class A Asset Backed Floating Rate Notes due 2031 of the Issuer (the "Class A Notes") in accordance with the provisions of Class B Condition 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 £9,750,000 Class C Asset Backed Floating Rate Notes due 2031 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 (as defined in the Master Definitions Schedule) 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 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 20th November, 2000 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 Loan Agreement or its related Mortgage, Car Finance Agreement or Vehicle Agreement (as defined in the Master Definitions Schedule)) 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;

(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 Agreements, the Deposit 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, in particular, indebtedness under the Deed of Charge, the Fee Letter, the Services Letter, the Swap Agreements and 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 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 secured consumer loans and motor vehicle finance contracts in England, Wales and Scotland. 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 23rd November, 2000 or such later date as may be agreed between the Issuer and the Manager for the issue of the Class B Notes (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 February, 15th May, 15th August and 15th November 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, payment of the shortfall ("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 then fall due but will instead, subject to Class B Condition 7, be deferred until the first Interest Payment Date immediately succeeding the earliest Principal Determination Date thereafter 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. 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 Interest Payment Date immediately succeeding the earliest Principal Determination Date thereafter on which funds are available to the Issuer to pay such Additional Interest to the extent of such available funds. To the extent that any such Deferred Interest or Additional Interest is not subsequently paid, the Issuer's obligation to the Class B Noteholders in respect of any such Deferred Interest and/or Additional Interest will be subject to Class B Condition 7. As used in these Class B Conditions except Class B Condition 6, "Business Day" means a day which is both a London Business Day and a Target Business Day. "London Business Day" means a day (other than a Saturday or Sunday) on which banks are open for sterling and euro business in London and "Target Business Day" means a day on which the Trans-European Automated Real-Time Gross Settlement Express System (TARGET) is open.

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 15th February, 2001 in respect of the period from (and including) the Closing Date to (but excluding) 15th February, 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 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 on the linear interpolation between 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 0.80% per annum up to and including the Interest Period ending in November 2006 and thereafter 1.60% 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 Bank 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 Principal 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 Principal 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 Principal Determination Date 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 Principal 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 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 on 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 London 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 Principal Determination Date (as defined below) relating thereto 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 Principal 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 Principal Determination Date relating to an Interest Payment Date means the last London Business Day of the month preceding that in which such Interest Payment Date falls.

"Available Redemption Funds" on any Principal Determination Date (the "Relevant Date") means the aggregate of:

(A) 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 Clause 6.1 of the Administration Agreement, that it then intends to apply in purchasing Loans and/or Car Finance Contracts and any relevant Motor Vehicles and/or in making a deposit with the Deposit Bank pursuant to the Deposit Agreement and/or in making discretionary further advances in respect of the Portfolio Loans in each case at any time during the period from (but excluding) the Relevant Date to (and including) the fourth anniversary of the Closing Date (the "Allocated Purchase Funds") is subtracted from Available Purchase Funds at that Principal Determination Date; and

(B) any Available Redemption Funds on the preceding Principal Determination Date (if any) not applied in making, in respect of the Class A Notes, the Cross-currency Basis Swap Principal Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap or in redeeming the Class B Notes and/or the Class C Notes during the period from (but excluding) the immediately preceding Principal Determination Date to (and including) the Relevant Date.

"Available Purchase Funds" means on any Principal Determination Date (the "Relevant Date") the aggregate (avoiding double counting) of:

(i) the aggregate amount of all principal (or, in relation to Portfolio Car Finance Contracts, principal equivalent) credits made by the Administrator to the Debtor Ledger pursuant to Clause 7.11 of the Administration Agreement during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in respect of any loan or car finance product that was a Portfolio Asset at any time during such period; and

(ii) any Allocated Purchase Funds on the preceding Principal Determination Date; and

(iii) any part of the amount deducted, pursuant to paragraph (a) below, in determining Available Purchase Funds on the preceding Principal Determination Date (if any) which was not applied in making the Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap or any payments of a higher priority on the preceding Interest Payment Date; and

(iv) any amount credited by the Administrator to the Principal Deficiency Ledger on the Interest Payment Date preceding the Relevant Date in accordance with paragraph (h) of Clause 6.2.2 of the Deed of Charge; and

(v) any amount credited by the Administrator to the Spread Requirement Ledger on the Interest Payment Date preceding the Relevant Date in accordance with paragraph (i) of Clause 6.2.2 of the Deed of Charge; and

(vi) the aggregate of all amounts advanced to the Issuer during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 2(D)(i) or (E) of the Subordinated Loan Agreement; and

(vii) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of all payments, made into the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date, which are not income payments and which do not fall within (i) to (vi) (inclusive) above including without limitation such portion of each amount (the "Repurchase Price") paid to the Issuer by PFPLC in respect of the repurchase of Portfolio Assets pursuant to and calculated in accordance with the Secured Loan Sale Agreement (in the case of Loans) or the Repurchase Deed (in the case of Car Finance Contracts (and the related Motor Vehicles)) during that period which corresponds to the principal (or its equivalent) amount of a Portfolio Asset and (on the first Principal Determination Date) the gross proceeds of the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap), to the extent not applied in purchasing Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date (such net proceeds to such extent being also "Allocated Purchase Funds" on the Closing Date),

less the aggregate (avoiding double counting) of:

(a) the amount calculated on the Relevant Date by the Administrator in accordance with Schedule 3 to the Administration Agreement as being the estimated potential shortfall (if any) in the funds that will be available to the Issuer on the next Interest Payment Date to make a Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap and to make payment of items of a higher priority (the "Potential Interest Shortfall Amount"), such estimate to be made on the basis and the assumptions to be set out in the Administration Agreement;

(b) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of all payments, made out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1, Clause 6.3 or Clause 6.4 of the Deed of Charge, which are (i) not income payments or (ii) income payments to the extent that they are stated in Clause 6.2.1 or Clause 6.4 of the Deed of Charge to reduce the Available Purchase Funds on the date of payment; and

(c) the aggregate amount paid in cash during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in purchasing Further Loans and/or Further Car Finance Contracts (and the related Motor Vehicles) and/or in making discretionary further advances in respect of the Portfolio Loans other than such as have been funded by drawings under the Subordinated Loan Agreement in each case during such period in accordance with Clause 6 of the Administration Agreement.

"Available Revenue Funds" means at any Principal Determination Date (the "Relevant Date") the aggregate (avoiding double counting) of:

(i) the aggregate amount of all income (or, in relation to Portfolio Car Finance Contracts, income equivalent) credits made by the Administrator to the Debtor Ledger pursuant to Clause 7.11 of the Administration Agreement during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in respect of any asset that was a Portfolio Asset at any time during such period; and

(ii) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of any other net income paid into the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date (including without limitation all net receipts under the Rate Swap Agreement, to the extent that any such receipt does not fall within paragraph (vii) of the definition of Available

Purchase Funds (above) on that Principal Determination Date, interest earned on the Transaction Account, interest received under the Deposit Agreement, any income earned on any Authorised Investment made pursuant to Clause 4.7 of the Administration Agreement, and the portion of each Repurchase Price paid to the Issuer during that period which does not correspond to the principal (or principal equivalent) amount of a Portfolio Asset); and

(iii) any provisions, not being transfers to the First Loss Fund or the Spread Requirement Ledger, made on the preceding Interest Payment Date pursuant to Clause 6.2.2 of the Deed of Charge, to the extent that the payments for which such provisions were made have not been made; and

(iv) the aggregate of all amounts (if any) transferred on the preceding Interest Payment Date from the Interest Shortfall Ledger to be added to the Available Revenue Funds pursuant to Clause 7.13 and Clause 7.14 of the Administration Agreement; and

(v) the amount (if any) transferred on the preceding Interest Payment Date from the First Loss Fund and/or Shortfall Fund to be added to the Available Revenue Funds pursuant to Clause 5.8 or Clause 7.9 of the Administration Agreement; and

(vi) any Available Revenue Funds on the preceding Principal Determination Date (if any),

less the aggregate (avoiding double counting) of:

(a) all income amounts paid out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1, Clause 6.2.2 or Clause 6.4 of the Deed of Charge, to the extent that each such amount is there stated to reduce the Available Revenue Funds on the date of payment and all provisions (including without limitation to any fund or ledger) made on the preceding Interest Payment Date in accordance with Clause 6.2.2 of the Deed of Charge; and

(b) all principal amounts paid out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1 of the Deed of Charge, to the extent that each such amount is there stated to reduce the Available Revenue Funds on the date of payment.

The Available Redemption Funds on a Principal 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 Principal Determination Date.

The Class A Available Redemption Funds shall equal:

(i) on any Principal Determination Date falling prior to the occurrence of the Determination Event (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 (a) the Sterling Equivalent of the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class A Notes) of the Class A Notes, (b) the aggregate Principal Amount Outstanding of the Class B Notes and (c) the aggregate Principal Amount Outstanding of the Class C Notes is 59,242,500: 195,000,000 or more), all of the Available Redemption Funds determined as at such Principal Determination Date; and

(ii) on any other Principal 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 Principal Determination Date falls prior to the occurrence of the Determination Event or on any Principal Determination Date thereafter on which it is determined by the Issuer that (a) there is a debit balance on the Principal Deficiency Ledger or (b) the aggregate of the then Current Balances (as defined in the Trust Deed) of Portfolio Loans which are more than three months in arrears (construed in accordance with the Master Definitions Schedule) represent 10% or more of the aggregate of the then Current Balances of all of the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination Date is less than 95% of the aggregate of interest which fell due for payment by

Obligors in respect of all Portfolio Loans in such period or (c) the aggregate of the then Current Balances of Portfolio Car Finance Contracts which are more than three months in arrears represents 4% or more of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is less than 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period, nil;

(ii) on any other Principal Determination Date on which Class A Notes are outstanding, provided (a) there is a balance of zero on the Principal Deficiency Ledger and (b) the aggregate of the then Current Balances of Portfolio Loans which are more than three months in arrears represent less than 10% of the aggregate of the then Current Balances of all the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 95% of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Loans in such period and (c) the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts which are more than three months in arrears represent less than 4% of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period, 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 (a) the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Class A Notes, (b) the aggregate Principal Amount Outstanding of the Class B Notes and (c) 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 Principal Determination Date) after such application to become as nearly as possible equal to 59,242,500:195,000,000; 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 £13,165,000 the Subordinated Available Redemption Funds shall be reduced by an amount equal to such part of the Available Redemption Funds.

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 Principal Determination Date on which there are Class A Notes outstanding, shall be determined in accordance with the following formula:

BARF = SARF x 16,580,000/26,330,000

where:

(i) "BARF" means the Class B Available Redemption Funds on such Principal Determination Date; and

(ii) "SARF" means the Subordinated Available Redemption Funds on such Principal Determination Date; and

(b) on any Principal 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 Principal 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 Principal 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 fifth London Business Day after the Principal Determination Date immediately preceding the relevant Interest Payment Date, 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 UK Listing Authority and admitted to trading by the London Stock Exchange) the UK Listing Authority 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 B Condition 13 on the next following London 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 hedging arrangement, 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 7(a)) 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 subject, in the case of a redemption pursuant to such an Extraordinary Resolution, to Class B Condition 7.

(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 its 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 7(a)) 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 November 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, subject, in the case of a redemption pursuant to such an Extraordinary Resolution, to Class B Condition 7.

(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 November 2031, subject to Class B Condition 7.

(f) Purchases

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

(g) Cancellation

All Class B Notes redeemed in full 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 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 0JP.

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 which is (i) a London Business Day, (ii) a day 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 (iii) 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

(a) Interest

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 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 this Class B Condition, 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 this Class B Condition, 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 any Interest Payment Date in accordance with this Class B Condition falls short of the aggregate amount of interest payable on the Class B Notes on that date pursuant to Class B Condition 4 and the provisions of Class B Condition 4(a) shall apply.

(b) Principal

The Class B Noteholders will not be entitled to any repayment of principal in respect of the Class B Notes prior to the occurrence of the Determination Event.

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 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 subject to Class B Condition 7 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 and Coupons 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* therein, then the Class B Noteholders and the Class B Couponholders 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 or Class B Couponholder (as the case may be) 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 PGCB) 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 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 50% 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 the 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 in relation to the validity, value, sufficiency and enforceability (which the Trustee has not investigated) of the Security and provisions relieving it from taking any action under the Trust Deed which may involve it in incurring personal liability or expense including 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 subject to loss, theft or reduction in value or 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.

The Trustee is not responsible for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless it has actual knowledge to the contrary.

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.

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

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.

The issue of the £9,750,000 Class C Asset Backed Floating Rate Notes due 2031 (the ''Class C Notes'') was authorised by a resolution of the Board of Directors of Paragon Auto and Secured Finance (No. 1) PLC (the ''Issuer'') passed on 20th November, 2000. The Class C Notes are constituted by a trust deed (the ''Trust Deed'') to be dated the Closing Date (as defined below) 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 below) (the ''Class A Noteholders'') and the holders for the time being of the Class B Notes (as defined below) (the ''Class B Noteholders''). The net proceeds from the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap) will be applied, amongst other things, 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 Trustee and the Issuer (the ''Master Definitions Schedule'')) and in the purchase, either on or during the period of four years after the Closing Date (as defined below), 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 the deed of charge and assignment (the ''Deed of Charge'') dated the Closing Date (as defined in Class C Condition 4(a)) between the Issuer, the Trustee, Paragon Finance PLC (''PFPLC''), Paragon Personal Finance Limited (''PPF''), Paragon Car Finance Limited (''PCF''), PFPLC in its capacity as administrator, Société Générale, London Branch in its capacity as interest rate swap counterparty (the ''Rate Swap Counterparty''), Société Générale, London Branch in its capacity as cross-currency basis swap counterparty (the ''Basis Swap Counterparty'') and Société Générale, London Branch in its capacity as Deposit Bank under the Deposit Agreement. 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'') 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 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 11 Old Jewry, London EC2R 8DU, and at the specified offices for the time being of the Paying Agents.

Class C Notes and Coupons (as defined 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 £9,750,000. 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 exchangeable 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator 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 Morgan Guaranty Trust Company of New York, Brussels office, as operator 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 20th November, 2000, 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 was 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 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 (other than the Portfolio Motor Vehicles (both 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 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 Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, 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 Secured Loan Scottish Trust Property or the Car Finance Scottish Trust Property or in respect of 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 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 Secured Loan Scottish Trust Property, the Car Finance Scottish Trust Property, 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 Agreements, the Deposit 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 paragraph (2) 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 Administrator, any Subordinated Lender, the Swap Providers, PPF, PCF, CMS7 and PFPLC under the Notes, and any Coupons, the Trust Deed, 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, the Swap Agreements and any agreement with PFPLC referred to in Clause 6.2.2(o) of the Deed of Charge (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 and the Trustee, amounts payable to the Administrator (including fees, out-of-pocket expenses and commissions), amounts payable to the Swap Providers, amounts of all commissions (if any) paid by insurance companies to each of PFPLC, PPF and PCF pursuant to Clause 11.2 of 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

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 €285,000,000 Class A Asset Backed Floating Rate Notes due 2031 of the Issuer (the "Class A Notes") and payments of principal and interest on the £16,580,000 Class B Asset Backed Floating Rate Notes due 2031 of the Issuer (the "Class B Notes") in accordance with the provisions of Class C Condition 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 (as defined in the Master Definitions Schedule) 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 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 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 20th November, 2000 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 Loan Agreement (or its related Mortgage), Car Finance Agreement or Vehicle Agreement (each as defined in the Master Definitions Schedule)) 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;

(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 Agreements, the Deposit 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, in particular, indebtedness under the Deed of Charge, the Fee Letter, the Services Letter, the Swap Agreements and 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 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) 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 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 secured consumer loans and motor vehicle finance contracts in England, Wales and Scotland. 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 23rd November, 2000 or such later date as may be agreed between the Issuer and the Manager for the issue of the Class C Notes (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 February, 15th May, 15th August and 15th November 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, payment of the shortfall ("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 then fall due but will instead, subject to Class C Condition 7, be deferred until the first Interest Payment Date immediately succeeding the earliest Principal Determination Date thereafter 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. 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 Interest Payment Date immediately succeeding the earliest Principal Determination Date thereafter on which funds are available to the Issuer to pay such Additional Interest to the extent of such available funds. To the extent that any such Deferred Interest or Additional Interest is not subsequently paid, the Issuer's obligation to the Class C Noteholders in respect of any such Deferred Interest and/or Additional Interest will be subject to Class C Condition 7. As used in these Class C Conditions except Class C Condition 6, "Business Day" means a day which is both a London Business Day and a Target Business Day. "London Business Day" means a day (other than a Saturday or Sunday) on which banks are open for sterling and euro business in London and "Target Business Day" means a day on which the Trans-European Automated Real-Time Gross Settlement Express System (TARGET) is open.

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 15th February, 2001 in respect of the period from (and including) the Closing Date to (but excluding) 15th February, 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 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 on the linear interpolation between 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 1.80% per annum up to and including the Interest Period ending in November 2006 and thereafter 3.60% 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 Bank 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 Principal 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 Principal 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 Principal Determination Date 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 Principal 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 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 on 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 London 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 Principal Determination Date (as defined below) relating thereto 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 Principal 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 Principal Determination Date relating to an Interest Payment Date means the last London Business Day of the month preceding that in which such Interest Payment Date falls.

"Available Redemption Funds" on any Principal Determination Date (the "Relevant Date") means the aggregate of:

(A) 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 Clause 6.1 of the Administration Agreement, that it then intends to apply in purchasing Loans and/or Car Finance Contracts and any relevant Motor Vehicles and/or in making a deposit with the Deposit Bank pursuant to the Deposit Agreement and/or in making discretionary further advances in respect of the Portfolio Loans at any time during the period from (but excluding) the Relevant Date to (and including) the fourth anniversary of the Closing Date (the "Allocated Purchase Funds") is subtracted from Available Purchase Funds at that Principal Determination Date; and

(B) any Available Redemption Funds on the preceding Principal Determination Date (if any) not applied in making, in respect of the Class A Notes, the Cross-currency Basis Swap Principal Payment due to the Basis Swap Counterparty pursuant to the Cross-currency Basis Swap or in redeeming the Class B Notes and/or the Class C Notes during the period from (but excluding) the immediately preceding Principal Determination Date to (and including) the Relevant Date.

"Available Purchase Funds" means on any Principal Determination Date (the "Relevant Date") the aggregate (avoiding double counting) of:

(i) the aggregate amount of all principal (or, in relation to Portfolio Car Finance Contracts, principal equivalent) credits made by the Administrator to the Debtor Ledger pursuant to Clause 7.11 of the Administration Agreement during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in respect of any loan or car finance product that was a Portfolio Asset at any time during such period; and

(ii) any Allocated Purchase Funds on the preceding Principal Determination Date; and

(iii) any part of the amount deducted, pursuant to paragraph (a) below, in determining Available Purchase Funds on the preceding Principal Determination Date (if any) which was not applied in making the Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap or any payments of a higher priority on the preceding Interest Payment Date; and

(iv) any amount credited by the Administrator to the Principal Deficiency Ledger on the Interest Payment Date preceding the Relevant Date in accordance with paragraph (h) of Clause 6.2.2 of the Deed of Charge; and

(v) any amount credited by the Administrator to the Spread Requirement Ledger on the Interest Payment Date preceding the Relevant Date in accordance with paragraph (i) of Clause 6.2.2 of the Deed of Charge; and

(vi) the aggregate of all amounts advanced to the Issuer during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 2(D)(i) or (E) of the Subordinated Loan Agreement; and

(vii) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of all payments, made into the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date, which are not income payments and which do not fall within (i) to (vi) (inclusive) above including without limitation such portion of each amount (the "Repurchase Price") paid to the Issuer by PFPLC in respect of the repurchase of Portfolio Assets pursuant to and calculated in accordance with the Secured Loan Sale Agreement (in the case of loans) or the Repurchase Deed (in the case of care finance contracts (and the related Motor Vehicles)) during that period which corresponds to the principal (or its equivalent) amount of a Portfolio Asset and (on the first Principal Determination Date) the gross proceeds of the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap), to the extent not applied in purchasing Loans or Car Finance Contracts (and the related Motor Vehicles) on the Closing Date (such net proceeds to such extent being also "Allocated Purchase Funds" on the Closing Date),

less the aggregate (avoiding double counting) of:

(a) the amount calculated on the Relevant Date by the Administrator in accordance with Schedule 3 to the Administration Agreement as being the estimated potential shortfall (if any) in the funds that will be available to the Issuer on the next Interest Payment Date to make a Cross-currency Basis Swap Interest Payment due to the Basis Swap Counterparty under the Cross-currency Basis Swap and to make payment of items of a higher priority (the "Potential Interest Shortfall Amount"), such estimate to be made on the basis and the assumptions to be set out in the Administration Agreement; and

(b) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of all payments, made out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1, Clause 6.3 or Clause 6.4 of the Deed of Charge, which are (i) not income payments or (ii) income payments to the extent that they are stated in Clause 6.2.1 or Clause 6.4 of the Deed of Charge to reduce the Available Purchase Funds on the date of payment; and

(c) the aggregate amount paid in cash during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in purchasing Further Loans and/or Further Car Finance Contracts (and the related Motor Vehicles) and/or in making discretionary further advances in respect of the Portfolio Loans other than any such as have been funded by drawings under the Subordinated Loan Agreement in each case during such period in accordance with Clause 6 of the Administration Agreement.

"Available Revenue Funds" means at any Principal Determination Date (the "Relevant Date") the aggregate (avoiding double counting) of:

(i) the aggregate amount (the "Portfolio Income Received") of all income (or, in relation to Portfolio Car Finance Contracts, income equivalent) credits made by the Administrator to the Debtor Ledger pursuant to Clause 7.11 of the Administration Agreement during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date in respect of any asset that was a Portfolio Asset at any time during such period; and

(ii) the aggregate (as determined pursuant to the last sentence of Clause 7.1 of the Administration Agreement) of any other net income paid into the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date (including without limitation all net receipts under the Rate Swap Agreement, to the extent that any such receipt does not fall within paragraph (vii) of the definition of Available

Purchase Funds (above) on that Principal Determination Date, interest earned on the Transaction Account, interest received under the Deposit Agreement, any income earned on any Authorised Investment made pursuant to Clause 4.7 of the Administration Agreement, and the portion of each Repurchase Price paid to the Issuer during that period which does not correspond to the principal (or principal equivalent) amount of a Portfolio Asset); and

(iii) any provisions, not being transfers to the First Loss Fund or the Spread Requirement Ledger, made on the preceding Interest Payment Date pursuant to Clause 6.2.2 of the Deed of Charge, to the extent that the payments for which such provisions were made have not been made; and

(iv) the aggregate of all amounts (if any) transferred on the preceding Interest Payment Date from the Interest Shortfall Ledger to be added to the Available Revenue Funds pursuant to Clause 7.13 and Clause 7.14 of the Administration Agreement; and

(v) the amount (if any) transferred on the preceding Interest Payment Date from the First Loss Fund and/or Shortfall Fund to be added to the Available Revenue Funds pursuant to Clause 5.8 or Clause 7.9 of the Administration Agreement; and

(vi) any Available Revenue Funds on the preceding Principal Determination Date (if any),

less the aggregate (avoiding double counting) of:

(a) all income amounts paid out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1, Clause 6.2.2 or Clause 6.4 of the Deed of Charge, to the extent that each such amount is there stated to reduce the Available Revenue Funds on the date of payment and all provisions (including without limitation to any fund or ledger) made on the preceding Interest Payment Date in accordance with Clause 6.2.2 of the Deed of Charge; and

(b) all principal amounts paid out of the Transaction Account during the period commencing on (but excluding) the preceding Principal Determination Date or, if the Relevant Date is the first Principal Determination Date, the Closing Date to (and including) the Relevant Date pursuant to Clause 6.2.1 of the Deed of Charge, to the extent that each such amount is there stated to reduce the Available Revenue Funds on the date of payment.

The Available Redemption Funds on a Principal 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 Principal Determination Date.

The Class A Available Redemption Funds shall equal:

(i) on any Principal Determination Date falling prior to the occurrence of the Determination Event (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 (a) the Sterling Equivalent of the aggregate Principal Amount Outstanding (as defined in the terms and conditions of the Class A Notes) of the Class A Notes, (b) the aggregate Principal Amount Outstanding of the Class B Notes and (c) the aggregate Principal Amount Outstanding of the Class C Notes is 59,242,500: 195,000,000 or more), all of the Available Redemption Funds determined as at such Principal Determination Date; and

(ii) on any other Principal 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 Principal Determination Date falls prior to the occurrence of the Determination Event or on any Principal Determination Date thereafter on which it is determined by the Issuer that (a) there is a debit balance on the Principal Deficiency Ledger or (b) the aggregate of the then Current Balances (as defined in the Trust Deed) of Portfolio Loans which are more than three months in arrears (construed in accordance with the Master Definitions Schedule) represent 10% or more of the aggregate of the then Current Balances of all of the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal

Determination Date is less than 95% of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Loans in such period or (c) the aggregate of the then Current Balances of Portfolio Car Finance Contracts which are more than three months in arrears represent 4% or more of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is less than 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period, nil;

(ii) on any other Principal Determination Date on which Class A Notes are outstanding, provided (a) there is a balance of zero on the Principal Deficiency Ledger and (b) the aggregate of the then Current Balances of Portfolio Loans which are more than three months in arrears represent less than 10% of the aggregate of the then Current Balances of all of the Portfolio Loans or the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 95% of the aggregate of interest which fell due for payment by Obligors in respect of all Portfolio Loans in such period and (c) the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts which are more than three months in arrears represent less than 4% of the aggregate of the then Current Balances of all of the Portfolio Car Finance Contracts or the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination Date is at least equal to 96% of the aggregate of interest (or its equivalent) which fell due for payment by Obligors in respect of all Portfolio Car Finance Contracts in such period, 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 (a) the Sterling Equivalent of the aggregate Principal Amount Outstanding of the Class A Notes, (b) the aggregate Principal Amount Outstanding of the Class B Notes and (c) 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 Principal Determination Date) after such application to become as nearly as possible equal to 59,242,500:195,000,000; 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 £13,165,000, the Subordinated Available Redemption Funds shall be reduced by an amount equal to such part of the Available Redemption Funds.

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 Principal Determination Date on which there are Class A Notes outstanding, shall be determined in accordance with the following formula:

BARF = SARF x 16,580,000/26,330,000

where:

(a) ''BARF'' means the Class B Available Redemption Funds on such Principal Determination Date; and

(b) ''SARF'' means the Subordinated Available Redemption Funds on such Principal Determination Date; and

(ii) on any Principal 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 Principal Determination Date on which there are Class A Notes outstanding, shall be determined in accordance with the following formula:

CARF = SARF x 9,750,000/26,330,000

where:

(a) "CARF" means the Class C Available Redemption Funds on such Principal Determination Date; and

(b) "SARF" has the meaning given to that term above; and

(ii) on any Principal Determination Date on which there are Class B Notes outstanding, but no Class A Notes outstanding, shall equal nil; and

(iii) on any Principal 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 Principal 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 Principal 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 fifth London Business Day after the Principal Determination Date immediately preceding the relevant Interest Payment Date, 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 C Notes are listed by the UK Listing Authority and admitted to trading by the London Stock Exchange) the UK Listing Authority 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 London 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 hedging arrangement, 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 7(a)) 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 subject, in the case of a redemption pursuant to such an Extraordinary Resolution, to Class C Condition 7.

(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 7(a)) 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 November 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, subject, in the case of a redemption pursuant to such an Extraordinary Resolution, to Class C Condition 7.

(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 November 2031, subject to Class C Condition 7.

(f) Purchases

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

(g) Cancellation

All Class C Notes redeemed in full 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 0JP.

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 which is (i) a London Business Day, (ii) a day 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 (iii) 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

(a) Interest

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 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 this Class C Condition, due on the Class C Notes on such Interest Payment Date (such aggregate available funds being referred to in this Class C Condition as

the "Residual Amount") are not sufficient to satisfy in full the aggregate amount of interest which is, subject to this Class C Condition, 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 any Interest Payment Date in accordance with this Class C Condition falls short of the aggregate amount of interest payable on the Class C Notes on that date pursuant to Class C Condition 4 and the provisions of Class C Condition 4(a) shall apply.

(b) Principal

The Class C Noteholders will not be entitled to any repayment of principal in respect of the Class C Notes prior to the occurrence of the Determination Event.

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 subject to Class C Condition 7 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, an 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 and Coupons 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* therein, then the Class C Noteholders and the Class C Couponholders 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 or Class C Couponholder (as the case may be) 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 PGCB) 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 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 50% 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 in relation to the validity, value, sufficiency and enforceability (which the Trustee has not investigated) of the Security and provisions relieving it from taking any action under the Trust Deed which may involve it in incurring personal liability or expense including 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 subject to loss, theft or reduction in value or 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.

The Trustee is not responsible for monitoring or supervising the performance by any other person of its obligations to the Issuer and may assume these are being performed unless it has actual knowledge to the contrary.

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.

USE OF PROCEEDS

The gross proceeds from the issue of the Class A Notes will be €285,000,000, those from the issue of the Class B Notes will be £16,580,000 and those from the issue of the Class C Notes will be £9,750,000. Commissions of 0.25% of the principal amount of the Class A Notes, of 0.35% of the principal amount of the Class B Notes and of 0.45% 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 CMS7 as described in "The Issuer – Fee Letter" below. The proceeds from the issue of the Notes (after converting the euro proceeds of the issue of the Class A Notes into sterling at the Cross-currency Basis Swap Exchange Rate pursuant to the terms of the Cross-currency Basis Swap), which, taking into account such payment or reimbursement and conversion, will be approximately £194,998,700, will be applied in acquiring 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 £41,000,000 of the gross proceeds of the Notes (taking into account the conversion referred to above) will not be applied in acquiring Loans, Car Finance Contracts and the related Motor Vehicles on the Closing Date but will be applied in the acquisition of 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 Baa2 rating by Moody's and 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 2173068, as a private limited company under the Companies Act 1985 on 1st October, 1987 under the name Notiontilt Limited. It changed its name to Finance For Home Loans (14) Limited on 28th December, 1987 and then to Collateralised Mortgage Securities (No. 8) Limited on 5th December, 1989. It then re-registered as a public limited company on 27th November, 1990. The Issuer changed its name to Paragon Auto and Secured Finance (No. 1) PLC on 25th September, 2000. 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 invest in mortgage loans and other similar investments, to lend or advance money and to give credit to any persons, to carry on business as money lenders, financiers and investors and to carry on all kinds of loan, financial and other operations.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its registration and re-registration as a public limited company under the Companies Act 1985, the authorisation and the issue in March 1991 of £200,000,000 mortgage backed Notes due 2028 (the "2028 Notes"), the subsequent redemption of the 2028 Notes on 30th September, 1996, the activities described in the report set out under "Accountants' Report" below, the acquisition, sale and/or investment in mortgage loans, related assets and other investments, the borrowing or raising of money (with or without security), the authorisation of the issue of the Notes and the matters contemplated in this Offering Circular, obtaining a standard licence under the Consumer Credit Act 1974, registering under the Data Protection Acts 1984 and 1998, applying to join the Paragon VAT Group 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	Director of Financial Accounting and Secretary of PGC and Director and Secretary of PFPLC, PPF, PCF, PSFL and CMS7
Nicholas Keen	St. Catherine's Court Herbert Road Solihull West Midlands B91 3QE	Finance Director of PGC, PFPLC, PPF, PCF, PSFL and CMS7
Adem Mehmet	6 Greencoat Place London SW1P 1PL	Director of PFPLC, PPF, PCF and PSFL
Richard Shelton	St. Catherine's Court Herbert Road Solihull West Midlands B91 3QE	Solicitor and Company Director of PFPLC, PPF, PCF, PSFL and CMS7
Anthony Raikes	Cannon Centre 78 Cannon Street London EC4P 5LN	Managing Director 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 or before 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 – Priority of Payments'' above.

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. CMS7 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.

The Issuer will agree under the Fee Letter that it will pay PFPLC an arrangement fee of 0.4% of the Sterling Equivalent of the aggregate principal amount of the Class A Notes and 0.4% of the aggregate principal amount of the Class B Notes and the Class C Notes. It has also agreed under the Fee Letter that it will repay CMS7 the Sterling Equivalent of all commissions and expenses paid by CMS7 in connection with the issue of the Class A Notes together with all commissions and expenses paid by CMS7 in connection with the issue of the Class B Notes and the Class C Notes. 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, CMS7 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 and CMS7 under the Fee Letter will be subordinated in the manner described in ''Summary – Priority of Payments'' above.

Subordinated Loan Facility

By the Subordinated Loan Agreement (which is to be made between CMS7, the Issuer and the Trustee and is to be dated on or before the Closing Date) CMS7 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 to establish the First Loss Fund and to achieve the initial ratings assigned to the Notes by the Rating Agencies. Under the terms of the Subordinated Loan Agreement, CMS7 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 commissions (''Unamortised Commissions'') that such Seller has paid but which have not been amortised under the relevant Loan or Car Finance Contract. In addition, CMS7 may, at its discretion, make available to the Issuer further amounts under the Subordinated Loan Agreement if and to the extent that the Issuer does not have sufficient Available Purchase Funds to enable it to make any discretionary further advances in respect of Portfolio Loans. The Issuer shall not be entitled to make a discretionary further advance where it is unable to fund such discretionary further advance accordingly.

CMS7 will also agree to make further amounts available to the Issuer under the Subordinated Loan Agreement on any Interest Payment Date if and to the extent that the Issuer would not have sufficient funds available to it, after making the payments and provisions specified in items (i) to (ix) inclusive set out in ''Summary – Priority of Payments'' above, by paying directly to the relevant Swap Provider or relevant Permitted Hedge Provider any amounts referred to in item (x) set out in ''Summary – Priority of Payments'' above which are due and payable on such Interest Payment Date.

Further drawings may be made by the Issuer under the Subordinated Loan Agreement, with the prior consent of CMS7, for the purpose of establishing or increasing the Shortfall Fund or replenishing the First Loss Fund. The Issuer may from time to time borrow further sums from CMS7, PFPLC or other lenders (''Subordinated Lenders'') on the terms of the Subordinated Loan Agreement.

In addition, further drawings may be made by the Issuer under the Subordinated Loan Agreement, with the prior consent of CMS7, in order to fund (if necessary) purchases of (i) Caps, Floors, or other hedging arrangements (and any related guarantee) to hedge the Issuer's interest rate exposure on fixed rate, capped rate and/or collared rate Portfolio Loans and (ii) hedging arrangements (and any related guarantee) to hedge the Issuer's interest rate and currency exposure on the Class A Notes. Furthermore, the Issuer may with the agreement of CMS7 or any other subordinated lender borrow funds under the Subordinated Loan Agreement on any date for application in reduction of any debit balance on the Principal Deficiency Ledger. Any amount so applied will be deemed to be added to the Available Purchase Funds on the date of application.

Amounts owing to CMS7 and any Subordinated Lenders under the Subordinated Loan Agreement will be subordinated in the manner described in ''Summary – Priority of Payments'' above.

Interest under the Subordinated Loan Agreement is payable by the Issuer on or after the London Business Day falling next after each Interest Payment Date commencing with the Interest Payment Date falling in February 2001. Interest will accrue at the rate of 4% per annum above LIBOR (or such other rate which CMS7 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 November 2031 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 of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts, an amount equal to £1,000,000 may be repaid to the extent of funds available to the Issuer to do so and (b) on any Interest Payment Date (aa) sums borrowed under the Subordinated Loan Agreement will be repaid to the extent of any amounts released from the First Loss Fund (as described in ''Summary – First Loss Fund'' above) and (bb) to the extent there is outstanding any advance made to establish or increase the Shortfall Fund or to reduce any debit balance on the Principal Deficiency Ledger or to replenish the First Loss Fund, sums borrowed for such purposes may be repaid to the extent of the funds available to the Issuer to do so (see ''Summary – Priority of Payments'' above). Payments of interest under the Subordinated Loan Agreement may only be made by the Issuer if after applying its net income receipts (other than principal or its equivalent) in making a number of other payments or provisions, the Issuer still has sufficient funds for the purpose as more particularly described in ''Summary – Priority of Payments'' above.

Hedging Arrangements

Interest Rate Hedging

On the Closing Date, the Issuer will have entered into hedging arrangements under the Rate Swap Agreement all in accordance with the requirements of the Rating Agencies to hedge the mismatch between its floating rate interest payment obligations under the Notes and its fixed rate income under any fixed rate, capped rate, or collared rate Portfolio Loans and its essentially fixed rate income under all Portfolio Car Finance Contracts.

It is a continuing requirement of the Rating Agencies in order to maintain the ratings of the Notes that such 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 Loans or Further Car Finance Contracts and in relation to any fixed rate, capped rate, or collared rate Portfolio Loans arising upon conversion of any Portfolio Loan which was not prior to such conversion a fixed rate, capped rate or collared rate Portfolio Loan. Any amendment or addition must always meet the requirements of the Rating Agencies.

Any Further Loans will be acquired on the basis that hedging arrangements are entered into on acquisition, where necessary, so that the weighted average interest rate applicable to all Portfolio Loans including such Further Loans, taking account of all hedging arrangements entered into by the Issuer, is at least 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above the LIBOR applicable to the Subordinated Notes and the Cross-currency Basis Swap 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 the Shortfall Fund equal to such shortfall.

On the Closing Date, the Issuer will have entered 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 acquired on the Closing Date will be at least 5% higher than the rate (the "Car Product Hedging Rate") payable by the Issuer under such hedging arrangements.

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

These hedging arrangements may, but need not, include one or more Caps and/or Floors made available to the Issuer by means of one or more Cap or Floor agreements entered into with a Cap Provider or Floor Provider as appropriate or may comprise other interest rate hedging arrangements entered into with the Rate Swap Provider under the Rate 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 Loans and the Portfolio Car Finance Contracts. This may give rise to a termination 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 – Priority of Payments" above.

Currency Hedging

Subscription amounts for the Class A Notes will be paid by investors in euro, but the consideration for the purchase by the Issuer of Portfolio Assets will be in sterling. Further, payments from Obligors in relation to the Portfolio Assets will be in sterling, but the payment obligations of the Issuer in relation to interest and principal on the Class A Notes are denominated in euro and, in the case of interest, calculated by reference to EURIBOR. This currency and interest rate exposure will be hedged in accordance with the requirements of the Rating Agencies.

On the Closing Date, the Issuer will enter into a cross-currency basis swap (the "Cross-currency Basis Swap") with the Basis Swap Counterparty. Under the Cross-currency Basis Swap, the Issuer will pay to the Basis Swap Counterparty on the Closing Date an amount equal to the gross proceeds of the issue of the Class A Notes in euro. In return the Issuer will be paid by the Basis Swap Counterparty the sterling equivalent (calculated at a rate of exchange of €1 to £0.59182 (the "Cross-currency Basis Swap Exchange Rate" and an amount of sterling converted from a euro amount at that rate being the "Sterling Equivalent" of such corresponding euro amount)) of those gross proceeds.

Thereafter, the Basis Swap Counterparty will pay on each Interest Payment Date to or at the direction of the Issuer an amount denominated in euro calculated by reference to EURIBOR for three-month euro deposits plus the margin applicable for the time being and from time to time to the Class A Notes (the "Class A Note Margin") on the Euro Notional Amount at such time of the Cross-currency Basis Swap (the "Euro Notional Amount" at any time being (i) up to the Interest Payment Date falling in November 2004 (but subject to any reduction as provided in the next paragraph), the amount which equals €285,000,000 (being the Principal Amount Outstanding of the Class A Notes on the Closing Date) and (ii) thereafter, in relation to each Interest Period, the amount which equals the Principal Amount Outstanding of the Class A Notes on the first day of that Interest Period). In return the Issuer will pay to the Basis Swap Counterparty on each Interest Payment Date an amount in sterling (the "Cross-currency Basis Swap Interest Payment") calculated at a rate of LIBOR for three-month sterling deposits plus a margin (the "Basis Swap LIBOR Margin") which will be (i) up to the Interest Payment Date falling in November 2004, a margin agreed by the Issuer and the Basis Swap Counterparty on the Closing Date such as will not prejudice the initial ratings assigned by the Rating Agencies to the Notes or (ii) thereafter, the Class A Note Margin, in each case on the Sterling Notional Amount at such time of the Cross-currency Basis Swap (the "Sterling Notional Amount" at any time being the Sterling Equivalent of the Euro Notional Amount at such time).

In addition, on each Interest Payment Date falling in the period up to (and including) the fourth anniversary of the Closing Date, the Issuer will either (i) pay to the Basis Swap Counterparty an amount in sterling (the "Cross-currency Basis Swap Principal Payment") equal to the Class A Available Redemption Funds (if any) to be applied in redemption of the Class A Notes in which case (a) the Basis Swap Counterparty will pay to or at the direction of the Issuer an amount denominated in euro which is equivalent to such sterling payment (calculated at the Cross-currency Basis Swap Exchange Rate) and (b) the Issuer will apply the proceeds received from the Basis Swap Counterparty to redeem the Class A Notes and the Euro Notional Amount of the Cross-Currency Basis Swap will automatically be reduced by a

corresponding amount so that it equals the Principal Amount Outstanding of the Class A Notes after such redemption and/or (ii) to the extent that the Issuer could have but does not elect to redeem Class A Notes as set out in (i)(b), invest an amount not exceeding the amount which would have been equal to the Class A Available Redemption Funds had the Allocated Purchase Funds on the immediately preceding Principal Determination Date been zero pursuant to the Deposit Agreement with the result that, whether the Issuer does (i) and/or (ii) above, the Issuer will ensure that the Euro Notional Amount is at all times equal to the Principal Amount outstanding of the Class A Notes.

On each Interest Payment Date after the fourth anniversary of the Closing Date the Issuer will pay to the Basis Swap Counterparty a Cross-currency Basis Swap Principal Payment in a sterling amount equal to the Available Redemption Funds (if any) to be applied in redemption of the Class A Notes and the Basis Swap Counterparty will pay to or at the direction of the Issuer an amount denominated in euro which is equivalent to such sterling payment (calculated at the Cross-currency Basis Swap Exchange Rate). The Issuer will apply the proceeds received from the Basis Swap Counterparty to redeem the Class A Notes and the Euro Notional Amount of the Cross-currency Basis Swap will automatically be reduced by a corresponding amount so that it equals the Principal Amount Outstanding of the Class A Notes after such redemption. On any Interest Payment Date after the fourth anniversary of the Closing Date in respect of which the Cross-currency Basis Swap Principal Payment is zero, the Issuer will be obliged to pay to the Basis Swap Counterparty a sum denominated in Sterling to be determined in accordance with the Cross-currency Basis Swap (the "Cross-currency Basis Swap Purchase Price").

The reduction of the Euro Notional Amount of the Cross-currency Basis Swap in the circumstances described in either of the two preceding paragraphs whether occurring before or after the fourth anniversary of the Closing Date may give rise to a termination payment due either to or from the Issuer. The Swap Providers will agree that any such termination payment which may be incurred or payable by the Issuer to the Basis Swap Counterparty (being a Swap Termination Amount) upon any reduction in the Euro Notional Amount (and Sterling Notional Amount) of the Cross-currency Basis Swap and any Cross-currency Basis Swap Purchase Price in each case which relates to an Interest Period commencing on or after the fourth anniversary of the Closing Date will be subject to a cap of an amount agreed between the Issuer and the Basis Swap Counterparty. Any Swap Termination Amounts which may be incurred by the Issuer and any Cross-currency Basis Swap Purchase Price payable by the Issuer at any time will be subordinate to all items in paragraphs (i) to (ix) in the priority of payments set out in "Summary – Priority of Payments" above which include all payments of interest due to the Noteholders and the replenishment of the First Loss Fund (see "Summary – Priority of Payments" above).

The terms of the Cross-currency Basis Swap will provide that the obligation of the Basis Swap Counterparty to continue to make payments to the Issuer under the Cross-currency Basis Swap in respect of each Interest Period will not be conditional upon the Issuer paying in full or at all any amounts payable to the Basis Swap Counterparty under the Cross-currency Basis Swap (whether comprising the Cross-currency Basis Swap Purchase Price or Swap Termination Amounts or otherwise) which appear lower in the order of priority than item (iii) nor will the non-payment of any such amounts as a result of the Issuer having insufficient available funds to do so in accordance with such order of priority give rise to any right on the part of the Basis Swap Counterparty to terminate the Cross-currency Basis Swap.

The Issuer will only make payments to the Basis Swap Counterparty (whether comprising any Cross-currency Basis Swap Interest Payment, Cross-currency Basis Swap Principal Payment, Cross-currency Basis Swap Purchase Price or Swap Termination Amounts or otherwise) (a) subject to and in accordance with the order of priorities referred to in "Summary – Priority of Payments" above to the extent that it has sufficient available funds to do so after making all payments and provisions of higher priority and (b) subject to applicable withholding tax (if any) without the Issuer being obliged to pay additional amounts in respect thereof.

General

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 is a Permitted Hedge Provider. After payment of or provision for items (i) to (xi) in "Summary – 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 Agreements and any other hedging arrangement entered into by the Issuer will contain downgrade protection for the Issuer. In the event that:-

(i) the long-term unsecured and unguaranteed debt obligations of the Basis Swap Provider cease to be rated at least as high as AA- by Standard & Poor's and Aa3 by Moody's; or

(ii) either the long-term unsecured and unguaranteed debt obligations of the Rate Swap Provider cease to be rated AAA by Standard & Poor's and Aaa by Moody's or the short-term unsecured and unguaranteed debt obligations of the Rate Swap Provider cease to be rated A-1 by Standard & Poor's and P-1 by Moody's,

(the ratings referred to in (i) and (ii) above being hereafter referred to as the ''Relevant Required Ratings'' in respect of the Basis Swap Agreement and Rate Swap Agreement, respectively) 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 relevant Swap Provider will be required to take one of the following steps:

(a) put in place appropriate mark-to-market collateral arrangements with the mark-to-market value being determined as being the amount which would be payable by the relevant Swap Provider under the relevant Swap Agreement upon a termination upon an event of default; or

(b) transfer all of its rights and obligations under the relevant Swap Agreement to a replacement swap counterparty which is a 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.

The Deposit Agreement

Under the Deposit Agreement, if and to the extent that there are Class A Available Redemption Funds, Société Générale, London Branch will agree to accept deposits from the Issuer on each Interest Payment Date from (and including) the Interest Payment Date falling in May 2001 up to (and including) the Interest Payment Date falling in November 2004 of an amount up to but not exceeding the Class A Available Redemption Funds on the immediately preceding Principal Determination Date and to pay interest during each Interest Period at a rate equal to the aggregate of (a) LIBOR applicable for calculating the Cross-currency Basis Swap Interest Payment in respect of such Interest Period under the Cross-currency Basis Swap and (b) the Basis Swap LIBOR Margin. The Issuer will give an instruction (expressed to be irrevocable) under the terms of the Deposit Agreement that any repayment by Société Générale of amounts standing to the credit of the Deposit Agreement Account shall be made by transferring the amount in question to the Transaction Account.

The Deposit Agreement will terminate on the earlier of the Interest Payment Date on or next following the fourth anniversary of the Closing Date and the service by the Issuer or the Trustee on Société Générale of a notice of termination. The Issuer or the Trustee may only serve a notice of termination (a) if a deduction or withholding for tax is imposed on interest receivable on the Deposit Agreement Account, (b) if S&P downgrades its rating of Société Générale's short-term unsecured and unguaranteed debt to less than A-l, (c) if Moody's downgrades its rating of Société Générale's short-term unsecured and unguaranteed debt to less than P-1, (d) with the prior written consent of the Trustee or (e) following the service of an Enforcement Notice.

Upon termination of the Deposit Agreement all sums standing to the credit of the Deposit Agreement Account (together with accrued interest) shall, prior to the service of an Enforcement Notice, be paid immediately to the Issuer or, after the service of an Enforcement Notice, be paid to the Trustee.

If the Deposit Agreement is terminated following a downgrade of Société Générale's rating by one or both of the Rating Agencies the Issuer will use its reasonable endeavours to procure that another entity (which satisfies the conditions required to be met by an entity with which the Transaction Account may be maintained and which shall replace Société Générale as the Deposit Bank from such time) will provide an investment account to replace the Deposit Agreement Account on substantially the terms set out in the Deposit Agreement.

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 Auto and Secured Finance (No. 1) plc
St Catherine's Court
Herbert Road
Solihull
West Midlands
B91 3QE

and

The Directors
Société Générale
5th Floor
SG House
41 Tower Hill
London
EC3N 4SG

20 November 2000

Dear Sirs

Paragon Auto and Secured Finance (No. 1) PLC (the "Company")

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular to be dated 20 November 2000 (the "Offering Circular"), relating to the issue of the €285,000,000 Class A Asset Backed Floating Rate Notes due 2031, £16,580,000 Class B Asset Backed Floating Rate Notes due 2031 and £9,750,000 Class C Asset Backed Floating Rate Notes due 2031 (the "Issue").

Basis of preparation

The Company was incorporated and registered as a private limited company in England and Wales on 1 October 1987 under the name of Notiontilt Limited. The name of the Company was changed to Finance for Home Loans (14) Limited on 28 December 1987, and to Collateralised Mortgage Securities (No 8) Limited ("CMS8") on 5 December 1989. The company was re-registered as a public company on 27 November 1990. It changed its name to Paragon Auto and Secured Finance (No. 1) PLC on 25 September 2000.

The Company commenced trading on 22 March 1991 following the issue of £200,000,000 Mortgage Backed Floating Rate Notes due 2028 (the "CMS8 Issue") as detailed in the Offering Circular dated 15 March 1991 (the "CMS8 Offering Circular"). The board of the Company exercised the redemption option (as described in the CMS8 Offering Circular) with effect from 30 September 1996 by the issue of a Notice of Early Redemption on 9 September 1996. From 1 October 1996, the Company continued to hold a number of non-performing mortgages, funded by the subordinated loan from Paragon Finance PLC provided as part of the CMS8 Issue. During the year ended 30 September 1998, these mortgages were sold to another group company, and the outstanding subordinated loan balance transferred to a non-interest bearing intra-group account. This intra-group balance was repaid from proceeds of the share issue described below.

The Company issued 600,001 shares for a total consideration of £562,501. The directors have represented that since 1 October 1998, no material contracts or transactions have been entered into save for those detailed in the Offering Circular in connection with the Issue.

We have been auditors of the Company since our appointment on 24 October 1990.

The financial information set out in this report is based on the audited financial statements of the Company for the period from 1 October 1997 to 20 November 2000 to which no adjustments were considered necessary.

This information does not constitute statutory financial statements.

Responsibility

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The directors of the Company 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. 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 30 September 1998, 30 September 1999 and 30 September 2000, and that obtained by us relating to the audit of the non-statutory financial statements for the period ended 20 November 2000, underlying the financial information. It also included an assessment 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. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 purpose of the Offering Circular, a true and fair view of the Company's affairs as at 30 September 1998, 30 September 1999, 30 September 2000, and 20 November 2000, and the result for the periods then ended.

PROFIT AND LOSS ACCOUNT

Years ended 30 September 1998, 30 September 1999, and 30 September 2000, and period ended 20 November 2000.

	Note	Year ended 30 September 1998 £'000	1999 £'000	2000 £'000	Period ended 20 November 2000 £'000
Interest payable	2	(95)	—	—	—
Operating expenses		(1)	(1)	(1)	—
Provision for losses		95	(1)	—	—
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(1)	(2)	(1)	—
Tax charge on loss on ordinary activities	5	(5)	—	—	—
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION BEING RETAINED LOSS FOR THE YEAR/PERIOD	8	(6)	(2)	(1)	—

All material activities derive from continuing operations.

There are no recognised gains or losses, or other movements in shareholders' deficit, other than the losses for the periods noted above.

BALANCE SHEET

As at 30 September 1998, 30 September 1999, 30 September 2000 and 20 November 2000.

	Note	1998 £'000	30 September 1999 £'000	2000 £'000	20 November 2000 £'000
ASSETS EMPLOYED					
FIXED ASSETS					
Investments		—	—	—	—
CURRENT ASSETS					
Debtors falling due within one year	6	1,105	1,106	—	—
Cash at bank and in hand		11	10	10	37
		1,116	1,116	10	37
FINANCED BY					
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)					
Called up share capital	7	12	12	12	562
Profit and loss account	8	(522)	(524)	(525)	(525)
		(510)	(512)	(513)	37
CREDITORS					
Amounts falling due within one year	9	1,626	1,628	523	—
		1,116	1,116	10	37

NOTES TO THE ACCOUNTS

As at 30 September 1998, 30 September 1999, 30 September 2000 and 20 November 2000.

1. ACCOUNTING POLICIES

The financial information is prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below:

Accounting convention

The financial information is prepared under the historical cost convention.

Fixed assets – Investments

Mortgage loans are stated at cost less any provision for diminution in value.

Deferred taxation

Deferred taxation is provided at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

Funding costs

Initial costs incurred in arranging funding facilities are amortised over the period of the facility. Unamortised initial costs are deducted from the associated liability and costs amortised during the year are included with interest payable.

Transactions with other group companies

The company 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. INTEREST PAYABLE

	Year ended 30 September			*Period ended 20 November*
	1998	*1999*	*2000*	*2000*
	£'000	*£'000*	*£'000*	*£'000*
On loans repayable within one year:				
Subordinated loan	95	—	—	—

3. DIRECTORS AND EMPLOYEES

None of the five directors received any remuneration from the Company during the period (Year ended 30 September 2000, 1999 and 1998: £Nil).

There were no other employees during either the period or the preceding three years.

4. OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 September			*Period ended 20 November*
	1998	*1999*	*2000*	*2000*
	£'000	*£'000*	*£'000*	*£'000*
Loss on ordinary activities before taxation is after charging:				
Auditors' remuneration – audit services	1	1	1	—

5. TAXATION CHARGE

There is no tax charge on the losses for the period or the preceding two years due to losses being surrendered to fellow group companies for which no payment was received. The charge for the year ended 30 September 1998 represents corporation tax in respect of prior years.

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

6. DEBTORS

	30 September 1999 £'000	30 September 2000 £'000	20 November 2000 £'000
Amounts falling due within one year:			
Amounts due from group companies	1,106	—	—

7. CALLED UP SHARE CAPITAL

	30 September 1999		30 September 2000		20 November 2000	
	No.	£	No.	£	No.	£
Authorised:						
Ordinary shares of £1 each	50,000	50,000	50,000	50,000	600,000	600,000
1 Special share of £1	1	1	1	1	1	1
	50,001	50,001	50,001	50,001	600,001	600,001
Allotted:						
Ordinary shares of £1 each	50,000	12,500	50,000	12,500	600,000	562,500
1 Special share of £1 (fully paid)	1	1	1	1	1	1
	50,001	12,501	50,001	12,501	600,001	562,501

During the period ended 20 November 2000, the company raised its authorised share capital to 600,000 £1 ordinary shares and one £1 special share; and issued 550,000 new ordinary shares of £1 each, for which £550,000 was received in consideration.

As at 30 September 1998, 30 September 1999 and 30 September 2000, the £1 ordinary shares were 25p paid up. As at 20 November, 50,000 ordinary shares were 25p paid up, and the remaining 550,000 ordinary shares were fully paid. The £1 special share is fully paid.

8. RESERVES

	30 September 1999 £'000	30 September 2000 £'000	20 November 2000 £'000
Profit and loss account			
Balance at 1 October	(522)	(524)	(525)
Retained loss for the year/period	(2)	(1)	—
Balance at 30 September/20 November	(524)	(525)	(525)

9. CREDITORS

	30 September 1999 £'000	30 September 2000 £'000	20 November 2000 £'000
Amounts falling due within one year:			
Amounts due to group companies	1,627	522	—
Accruals	1	1	—
	1,628	523	—

10. ULTIMATE PARENT COMPANY

The Company'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, is as follows:

Share Capital
Authorised
600,000 Ordinary Shares of £1 each.
1 Special Share of £1.(1)

Issued

600,000 Ordinary Shares of £1 each (550,000 £1 paid and 50,000 25p paid)	£562,500.00
1 Special Share of £1 (£1 paid)	£1.00
Total Share Capital	£562,501.00

Loan Capital

€285,000,000 Class A Asset Backed Floating Rate Notes due 2031 (now being issued)	€285,000,000
£16,580,000 Class B Asset Backed Floating Rate Notes due 2031 (now being issued)	£16,580,000
£9,750,000 Class C Asset Backed Floating Rate Notes due 2031 (now being issued)	£9,750,000
Total Loan Capital	€285,000,000 and £26,330,000(2)
Total Capitalisation	€285,000,000 and £26,892,501

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 or 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 sufficient, *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 £7,000,000.

3 The current financial period of the Issuer will end on 30th September, 2001.

4 Save as disclosed above, 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.

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").

SOCIÉTÉ GÉNÉRALE

Société Générale is a company incorporated in France with limited liability, has its principal office located in 29, boulevard Haussmann, 75009 Paris, France and is listed on the Paris Stock Exchange. Société Générale is a financial institution offering a full range of retail, corporate and investment, and private banking as well as fund management services to clients globally. Société Générale is regulated by the Securities and Futures Authority for the conduct of investment business in the United Kingdom.

As at 30th June, 2000 Société Générale had total assets of €459.1 billion, total customer loans of €136.5 billion, total customer deposits of €115.5 billion, total assets under management of €203.1 billion and consolidated shareholders' equity of €12.8 billion.

The short-term unsecured and unguaranteed debt obligations of Société Générale are currently rated A-1+ by Standard & Poor's and P-1 by Moody's. The long-term unsecured and unguaranteed debt obligations of Société Générale are currently rated AA- by Standard & Poor's and Aa3 by Moody's.

A. PORTFOLIO ASSETS

Origination of the Portfolio Assets

All of the Loans that are expected to form part of the initial security for the Notes have been or will have been originated by PPF and any Further Loans have or will have been originated by the relevant Seller at a time at which it was a member of the Paragon Group. All Portfolio Loans are currently, or will immediately prior to their acquisition by the Issuer be, beneficially owned by PSFL or another member of the Paragon Group. Each Seller of 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 each other Seller of Loans are (or will be) to originate, and acquire from third parties, secured and unsecured consumer loans.

PPF currently distributes Loans through credit brokers and other intermediaries.

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 the relevant Seller at a time at which it was a member of the Paragon Group. All Portfolio Car Finance Contracts are currently, or will immediately prior to their acquisition by the Issuer be, 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 Loans and Further Car Finance Contracts, see ''Further Loans and Further Car Finance Contracts'' below.

Acquisition of Portfolio Assets

Loans

On the Closing Date, the Issuer is expected to acquire a pool of secured consumer loans, pursuant to a Loan Sale Contract, entered into in accordance with the terms of the Secured Loan Sale Agreement, with PPF. For a description of these 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 Loans from PPF or other members of the Paragon Group pursuant to additional Loan Sale Contracts.

Under any Loan Sale Contracts which the Issuer may enter into in relation to Loans and Further Loans pursuant to the Secured Loan Sale Agreement, the Issuer would acquire the relevant Seller's right, title, interest and benefit in and to each Loan (and its related Mortgage) the subject thereof and the corresponding Loan Agreement, which would include, without limitation:

(a) all sums of principal, interest and any other sum payable by the Borrower under the corresponding Loan Agreement and the right to demand, sue for, recover, receive and give receipts for all principal moneys payable or to become payable thereunder and the interest to become due thereon;

(b) the benefit of and the right to sue on all covenants and undertakings with and to, and vested in, the relevant Seller in respect of such Loan and any Mortgage related thereto and the right to exercise all powers of the relevant Seller, as the case may be, thereunder;

(c) all causes and rights of action of the relevant Seller against any person arising in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any Loan and its related Mortgage or affecting any decision to make the relevant Loan the subject thereof;

(d) 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 Loan the subject thereof;

(e) all the estate and interest of the relevant Seller in the property on which the Loan is secured; and

(f) the benefit of all indemnities, insurance and security interests given to or held by the relevant Seller in connection with the repayment of each Loan the subject thereof.

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

A statutory set of "Standard Conditions" is automatically imported into all standard securities, although the majority of these Conditions may be varied by agreement between the parties. For most major lenders in the residential mortgage market the Standard Conditions are varied 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 and motor vehicle conditional sale 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 to be acquired by the Issuer would be acquired pursuant to Car Finance Sale Contracts made between the Issuer and the relevant Seller which incorporate an agreed set of 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 such 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 amounts of principal (or principal equivalent), interest (or equivalent revenue charges) and any other amount payable by the Hirer under the relevant Car Finance Contract and the right to demand, sue for and recover any such amounts payable thereunder and the right to sue on all covenants, obligations and undertakings on the part of the relevant Hirer 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, including without limitation the benefit of all manufacturer's or other warranties in relation to the related Motor Vehicle; and

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

(c) the benefit of all 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.

In relation to Car Finance Contracts and Further Car Finance Contracts which are Scottish Car Finance Contracts, the relevant Seller would execute a declaration of trust or supplemental declarations of trust in favour of the Issuer, pursuant to which the relevant Seller would hold all of its right, title 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 would 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 Loans

No Portfolio Loan has or will have an original maturity later than 31st October, 2029. There are no obligations to make further advances under any of the Portfolio Loans. All of the Portfolio Loans will be governed by either English or Scots law.

PPF currently offers a single 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 31st October 2009. There are no obligations to enter into further Car Finance Contracts with any Hirer 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 two types: motor vehicle hire purchase agreements and motor vehicle conditional sale agreements. 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.

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'' below.

Warranties

Portfolio Loans

Under the Secured Loan Sale Agreement to be entered into on or about the Closing Date initially between PPF, PSFL, PFPLC, the Issuer and the Trustee, PFPLC will give certain warranties in favour of the Issuer and the Trustee in relation to the Portfolio Loans as at the Closing Date. These warranties will also be given in relation to any Further Loans sold to the Issuer by any Seller. Each such warranty will be given as at, or as at a date no more than five London Business Days before, the date on which the Issuer acquires the relevant Loan. The warranties given by PFPLC to the Issuer and the Trustee under the Secured Loan Sale Agreement as at the relevant date include warranties as to the following: that the Loan and Mortgage are valid and binding obligations of the relevant Borrower; that each Loan (including any further advance) is secured by a Mortgage; 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; 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; that, subject to the foregoing, the relevant Seller is the absolute beneficial owner of each Mortgage free and clear of security interests other than those that will be created by the Deed of Charge; that, prior to making the original advance or any further advance, the lending criteria of the originator were satisfied so far as applicable; that, before the 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 Loan on the purposed terms; that, before the 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 Loan on the purposed terms; 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 Loan; that where any agreement for a Loan is in whole or in part a regulated agreement or a consumer credit agreement (as defined in section 8 of the Consumer Credit Act 1974) or, to the extent that any 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 Loan to be invalid or irrecoverable; as to the records maintained by each relevant Seller; that each Loan Agreement is in a form which would be acceptable to a reasonably prudent mortgage lender; and 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 material breach of any of the warranties given by PFPLC to the Issuer therein.

Portfolio Car Finance Contracts

Under the Warranty Deed, PFPLC will also give certain warranties in favour of the Issuer in relation to any Car Finance Contract and the related Motor Vehicle acquired on the Closing Date. Those warranties will be given as at, or as at a date no more than five London Business Days before, the Closing Date. Those warranties will also be given in relation to any Further Portfolio Car Finance Contract and related Motor Vehicle as at, or as at a date no more than five London Business Days before, the date on which the Issuer acquires the relevant Further Car Finance Contract and relative Motor Vehicle. The warranties to be given by PFPLC to the Issuer under the Warranty Deed in relation to Portfolio Car Finance Contracts (including Further Car Finance Contracts) include warranties as to the following: that the Portfolio Car Finance Contracts constitute the valid and binding obligations of the relevant Obligor; that, except for any such rights arising in respect of claims by Obligors under or by virtue of sections 56 and 75 of the Consumer Credit Act 1974, no lien or right of set-off or analogous right has arisen under any Portfolio Car Finance Contract; that no right of cancellation has arisen under any Portfolio Car Finance Contract that is regulated by the CCA and that the relevant Seller has not done anything that would cause any Portfolio Car Finance Contract to be invalid or revocable; that each Portfolio Car Finance Contract that is regulated by the CCA complies with the CCA and the delegated legislation made thereunder; that the terms of each Car Finance Agreement would be acceptable to a reasonably prudent provider of motor vehicle finance; as to the information provided in relation to each Portfolio Car Finance Contract; as to any warranties given in respect of any related Portfolio Motor Vehicle to a Hirer; that the terms of each Portfolio Car Finance Contract require the Hirer to insure the Portfolio Motor Vehicle the subject thereof; as to the unfettered ownership and rights to assign of the relevant Seller in respect of each Portfolio Car Finance Contract and related Portfolio Motor Vehicle (subject to limited exceptions); and 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.

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 material breach of any of the warranties given therein by PFPLC to the Issuer in respect of Portfolio Car Finance Contracts.

Repurchase of Portfolio Assets

Under the Secured Loan Sale Agreement (in the case of Portfolio Loans) or the Repurchase Deed (in the case of 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 it becomes apparent that any warranty given by PFPLC under the Secured Loan Sale Agreement (in the case of Portfolio Loans) or under the Warranty Deed (in the case of Portfolio Car Finance Contracts) in relation to or affecting that Portfolio Asset was untrue or materially 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 London Business Days after the expiry of such 30-day period.

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; 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 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 by the relevant Seller 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 by the relevant Seller 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 Loan) or the Repurchase Deed (in the case of 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 Issuer will give no warranties in respect of such sale other than warranties in respect of title, quiet possession and freedom from encumbrances which will be implied. The repurchase memorandum will, if it relates to Portfolio Car Finance Contracts having Repurchase Prices of £60,000 or more in aggregate, 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 Loans and Further Car Finance Contracts

In accordance with the Secured Loan Sale Agreement (in the case of Further Loans) and in accordance with the standard terms and conditions of sale agreed on the Closing Date between PCF, the Issuer and the Trustee (in the case of Further Car Finance Contracts) (the ''Standard Terms and Conditions''), any member of the Paragon Group which is or has become a Seller may, but is not obliged to, from time to time, make offers to sell Further 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 London Business Day on or before the fourth anniversary of the Closing Date.

However, any purchase of a Further Loan or Further Car Finance Contract (and the purchase of any 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 sections 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 sections 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 any sale of a Further Loan, the sum of the aggregate Current Balances of the Portfolio Loans exceeding 50% of the aggregate Current Balances of the Portfolio Assets;

(e) in the case of any sale of a Further Car Finance Contract, the sum of the aggregate of the Current Balances of the Portfolio Car Finance Contracts exceeding 75% of the aggregate Current Balances of the Portfolio Assets;

(f) not only the aggregate of the then Current Balances of Portfolio Loans 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 Loans but also the aggregate of payments of interest received from Obligors in respect of all Portfolio Loans during the period of three months ending on the immediately preceding Principal Determination 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 Loans in such period;

(g) not only the aggregate of the then Current Balances of Portfolio Car Finance Contracts 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 but also the aggregate of payments of interest (or its equivalent) received from Obligors in respect of all Portfolio Car Finance Contracts during the period of three months ending on the immediately preceding Principal Determination 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 in such period;

(h) in the case of any sale of a further Car Finance Contract occurring before (but not after) the Issuer has received an adjudication from the United Kingdom Stamp Office that no stamp duty is payable on the transfer to the Issuer of the benefit of the Initial Portfolio Car Finance Contracts which are Scottish Car Finance Contracts, the aggregate of the purchase prices of all Scottish Car Finance Contracts which are then Portfolio Assets exceeding £25,000,000;

(i) there being a debit balance on the Principal Deficiency Ledger; or

(j) the current balance of the First Loss Fund being less than the Required Amount

(conditions (f) and (g) being applied separately to Portfolio Loans (or, as the case may be, to Portfolio Car Finance Contracts) purchased on the Closing Date and those purchased thereafter) and will be further conditional on additional criteria (if any) as may be agreed from time to time by the Rating Agencies in order to maintain the current ratings of the Notes and neither Rating Agency having notified the relevant Seller and the Issuer that the rating assigned by it to any class of Notes will be adversely affected as a result of the Issuer accepting any such offer.

The purchase price for a Further Loan or Further Car Finance Contract (and the relevant Motor Vehicle) (and any 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 Loan or Further Car Finance Contract (and the relevant Motor Vehicle), as the case may be. Such withdrawals may be made on any London Business Day but only to the extent of Available Purchase Funds on that day.

Any Car Finance Contract (and the relevant Motor Vehicle) will be transferred on completion of an offer and acceptance in Jersey by payment of the purchase price. The transfer of any 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 a Loan will constitute an Asset Sale Contract (being a Car Finance Sale Contract or, as the case may be, a Loan Sale Contract) which, in the case of a Car Finance Sale Contract, will incorporate the Standard Terms and Conditions by reference or, in the case of a 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, 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 Car Finance Contracts (and the relevant Motor Vehicles) 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 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 by the relevant Seller, substantially in the 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 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.

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, the Central Land Charges Registry or the Registers of Scotland is required to effect the transfer of the Mortgages to the Issuer or the Trustee 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 London 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 Repurchase Deed or the Secured Loan Sale Agreement 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 payment 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. OTHER

Creditor Insurance

Some, but not all of the Borrowers and Hirers from (respectively) PPF and PCF have the benefit of insurance with London & Edinburgh Insurance Company Limited, Norwich Union Insurance Limited, Norwich Union Life and Pensions Limited and the National Insurance and Guarantee Corporation PLC trading as NIG under which the relevant insurer is required to make payment in the event of the death, total disability or unemployment of any such Borrower and Hirer . PPF 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 or PCF (as the case may be).

The proceeds of any claims received by PPF and PCF are applied by them in reducing (respectively) the relevant Borrower's or Hirer's liability to PPF and PCF (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 goods supplied, repaired, tested or serviced 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 (''GAP'')

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. 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 and PFPLC 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 and PCF to assess an applicant's creditworthiness. The procedures outlined are not the only assessment methods employed by PPF and PCF and are subject to change in line with the then current practice of PPF and PCF. PPF and PCF will 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 a Loan Agreement or Car Finance Agreement with an applicant. Any Seller other than PPF or PCF will use similar methods of credit assessment to those used by PCF and PPF 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

PPF and PCF will, 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

PPF and PCF may request references and/or any other information deemed necessary in connection with an application. These may include employer or bank references, bank statements, company accounts, searches of the register maintained by the Registrar of Companies in England and Wales, the computerised index of winding up petitions, or a search of the manual index of High Court petitions for Administration Orders at the Central Registry of Winding Up Petitions.

D. THE PROVISIONAL POOL

The information given in this section relates to the Provisional Pool (as defined above in ''Summary – Initial Portfolio Assets''). It is stated as at 29th September, 2000 (the ''Provisional Pool Date''). The Loans included in the Provisional Pool (the ''Provisional Loan Pool'') had an aggregate Current Balance of

£71,262,182.07 as at close of business on the Provisional Pool Date. This aggregate Current Balance will have been reduced by repayments and redemptions of such Loans during the period from 29th September, 2000 to the Closing Date. The Car Finance Contracts in the Provisional Pool (the "Provisional Car Finance Contract Pool") had an aggregate Current Balance of £81,104,877.93 as at the Provisional Pool Date. This aggregate Current 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 29th September, 2000 to the Closing Date.

The Portfolio Assets to be purchased by the Issuer on the Closing Date may contain Loans and Car Finance Contracts which, because they were originated since 29th September, 2000, are not comprised in the respective provisional pools but in respect of which the warranties in the Secured Loan Sale Agreement or, as the case may be, in the Warranty Deed 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.

Portfolio Loans originated by PPF

Portfolio Loans Key Features

Weighted average Loan to Value	84.51%
Average current balance outstanding	£11,527.37
Weighted average seasoning	5.92 months
Weighted average annual yield	12.52%
Weighted average remaining term	9.926 years

Portfolio Loans Distribution by Loan-to-Value Ratios ("LTV")

	Current Balance (£)	*%*	*Number*	*%*
<=25%	1,140,318.43	1.60	137	2.22
>25% <=50%	3,319,998.96	4.66	378	6.11
>50% <=55%	1,069,704.65	1.50	127	2.05
>55% <=60%	1,615,897.09	2.27	164	2.65
>60% <=65%	1,955,398.81	2.74	195	3.15
>65% <=70%	2,839,551.37	3.98	265	4.29
>70% <=75%	3,128,415.67	4.39	296	4.79
>75% <=80%	4,516,924.59	6.34	430	6.96
>80% <=85%	6,918,567.02	9.71	612	9.90
>85% <=90%	10,680,447.62	14.99	874	14.14
>90% <=95%	11,760,559.33	16.50	991	16.03
>95% <=100%	14,398,554.50	20.21	1,186	19.18
over 100%	7,917,844.03	11.11	527	8.52
Totals	71,262,182.07		6,182	

Portfolio Loans Distribution by Current Balance Outstanding

	Current Balance (£)	*%*	*Number*	*%*
0 – 15,000	39,315,534.53	55.17	4,832	78.16
15,000.01 – 30,000	23,693,700.16	33.25	1,134	18.34
30,000.01 – 45,000	6,593,550.32	9.25	183	2.96
45,000.01 – 60,000	1,532,779.75	2.15	31	0.50
60,000.01 – 70,000	126,617.31	0.18	2	0.03
Total	71,262,182.07		6,182	

Portfolio Loans Distribution by Annual Yield to Issuer

	Current Balance(£)	*%*	*Number*	*%*
>9.00% <=10.00%	2,010,028.11	2.82	62	1.00
>10.00% <=11.00%	9,800,285.73	13.75	455	7.36
>11.00% <=12.00%	2,167,977.26	3.04	116	1.88
>12.00% <=13.00%	28,187,634.97	39.55	2,394	38.73
>13.00% <=14.00%	23,684,332.89	33.24	2,421	39.16
>14.00% <=15.00%	3,690,568.10	5.18	477	7.72
>15.00%	1,721,355.01	2.42	257	4.16
Totals	71,262,182.07		6,182	

Portfolio Loans Distribution by Remaining Term

	Current Balance (£)	*%*	*Number*	*%*
<5 years	21,871,684.55	30.69	2,945	47.64
>=5 <10 years	23,892,774.05	33.53	1,922	31.09
>=10 <15 years	13,777,038.70	19.33	780	12.62
>=15 <20 years	7,983,001.98	11.20	380	6.15
>=20 <25 years	3,287,390.67	4.61	135	2.18
>=25 <30 years	450,292.12	0.63	20	0.32
Totals	71,262,182.07		6,182	

Portfolio Loans Distribution by Geographical Regions

	Current Balance (£)	*%*	*Number*	*%*
North	3,156,291.23	4.43	332	5.37
North West	6,753,337.34	9.48	672	10.87
Yorkshire	4,310,473.88	6.05	455	7.36
East Midlands	4,639,475.65	6.51	440	7.12
West Midlands	5,771,229.11	8.10	536	8.67
East Anglia	3,259,824.30	4.57	281	4.55
South East	23,090,483.61	32.40	1,673	27.06
South West	7,487,160.67	10.51	620	10.03
Greater London	2,997,313.93	4.21	209	3.38
Wales	3,933,640.87	5.52	392	6.34
Scotland	5,862,951.48	8.23	572	9.25
	71,262,182.07		6,182	

Portfolio Loans Distribution by Seasoning

	Current Balance (£)	*%*	*Number*	*%*
July 1999	914,109.90	1.28	121	1.96
August 1999	1,787,742.30	2.51	214	3.46
September 1999	2,269,837.28	3.19	283	4.58
October 1999	3,188,229.25	4.47	332	5.37
November 1999	4,300,798.18	6.04	398	6.44
December 1999	3,351,404.88	4.70	297	4.80
January 2000	3,226,450.16	4.53	288	4.66
February 2000	3,841,485.99	5.39	353	5.71
March 2000	5,406,660.02	7.59	475	7.68
April 2000	4,778,265.69	6.71	398	6.44
May 2000	5,707,400.89	8.01	477	7.72
June 2000	7,664,797.45	10.76	608	9.84
July 2000	7,588,475.53	10.65	601	9.72
August 2000	8,888,676.82	12.47	694	11.23
September 2000	8,347,847.73	11.71	643	10.40
Totals	71,262,182.07		6,182	

Portfolio Loans Number of Months In Arrears

	Current Balance (£)	*%*	*Number*	*%*	*Arrears(£)*
Performing	70,163,079.12	98.46	6,096	98.61	25,900.11
>1 <=2	550,028.68	0.77	47	0.76	15,735.83
>2 <=3	230,503.19	0.32	19	0.31	9,852.18
>3 <=4	59,877.62	0.08	9	0.15	4,660.53
>4 <=5	88,926.11	0.12	4	0.06	5,431.74
>5 <=6	33,477.77	0.05	3	0.05	4,255.12
>6 <=7	93,003.26	0.13	3	0.05	8,146.04
>7	43,286.32	0.06	1	0.02	4,380.70
Totals	71,262,182.07		6,182		78,362.25

Portfolio Car Finance Contracts originated by PCF

Portfolio Car Finance Contracts Key Features

Average current balance outstanding	£6,657.22
Weighted average seasoning	4.66 months
Weighted average annual yield	13.81%
Weighted average remaining term	48.30 months

Portfolio Car Finance Contracts Distribution by Remaining Term

	Current Balance (£)	*%*	*Number*	*%*
0 to 12 months	318,461.54	0.39	137	1.12
13 to 24 months	2,511,530.23	3.10	641	5.26
25 to 36 months	12,210,023.19	15.05	2,218	18.21
37 to 48 months	18,862,326.80	23.26	2,965	24.34
49 to 60 months	47,202,536.17	58.20	6,222	51.07
	81,104,877.93		12,183	

Portfolio Car Finance Contracts Distribution by Geographical Regions

	Current Balance (£)	*%*	*Number*	*%*
North	7,785,418.35	9.60	1,188	9.75
North West	11,633,355.40	14.34	1,704	13.99
Yorkshire	4,077,569.91	5.03	658	5.40
East Midlands	2,591,808.58	3.20	360	2.95
West Midlands	4,673,118.30	5.76	650	5.34
East Anglia	500,524.75	0.62	72	0.59
South East (excl Greater London)	10,919,517.72	13.46	1,528	12.54
South West	8,728,949.32	10.76	1,444	11.85
Greater London	1,540,405.79	1.90	144	1.18
Wales	5,508,240.66	6.79	1,012	8.31
Scotland	20,816,563.62	25.67	3,141	25.78
British Forces	2,329,405.53	2.87	282	2.31
	81,104,877.93		12,183	

Portfolio Car Finance Contracts Distribution by Current Balance Outstanding

	Current Balance (£)	*%*	*Number*	*%*
under £2,000	606,387.27	0.75	411	3.37
£2,000 to £3,999	6,809,417.71	8.40	2,162	17.75
£4,000 to £5,999	18,348,960.62	22.62	3,658	30.03
£6,000 to £7,999	18,893,495.48	23.30	2,730	22.41
£8,000 to £9,999	14,236,443.59	17.55	1,597	13.11
£10,000 to £11,999	8,611,398.85	10.62	794	6.52
£12,000 to £13,999	4,459,234.71	5.50	346	2.84
£14,000 to £15,999	2,694,719.37	3.32	181	1.49
£16,000 and above	6,444,820.33	7.95	304	2.50
	81,104,877.93		12,183	

Portfolio Car Finance Contracts Distribution by Annual Yield to Issuer

	Current Balance (£)	*%*	*Number*	*%*
Under 10.00%	9,151,305.11	11.28	1,149	9.43
10.00% to 10.99%	12,342,182.07	15.22	1,450	11.90
11.00% to 11.99%	7,162,436.23	8.83	1,003	8.23
12.00% to 12.99%	10,658,044.46	13.14	1,486	12.20
13.00% to 13.99%	4,849,081.89	5.98	736	6.04
14.00% to 14.99%	9,627,861.10	11.87	1,572	12.90
15.00% to 15.99%	5,960,241.26	7.35	928	7.62
16.00% to 16.99%	3,733,311.65	4.60	639	5.25
17.00% to 17.99%	9,635,199.17	11.88	1,659	13.62
18.00% to 18.99%	2,726,414.30	3.36	484	3.97
19.00% to 19.99%	1,357,874.05	1.67	269	2.21
20.00% and above	3,900,926.64	4.81	808	6.63
	81,104,877.93		12,183	

Portfolio Car Finance Contracts Distribution by Seasoning

	Current Balance (£)	*%*	*Number*	*%*
July 1999	191,755.14	0.24	24	0.20
August 1999	242,297.43	0.30	29	0.24
September 1999	276,880.44	0.34	28	0.23
October 1999	545,448.75	0.67	41	0.34
November 1999	3,259,566.66	4.02	523	4.29
December 1999	4,574,324.88	5.64	721	5.92
January 2000	3,765,846.22	4.64	664	5.45
February 2000	5,067,744.37	6.25	869	7.13
March 2000	8,571,648.39	10.57	1,435	11.78
April 2000	6,859,773.64	8.46	1,088	8.93
May 2000	6,929,480.26	8.54	1,073	8.81
June 2000	6,856,909.92	8.45	978	8.03
July 2000	10,528,693.03	12.98	1,456	11.95
August 2000	12,063,114.68	14.87	1,730	14.20
September 2000	11,371,394.12	14.02	1,524	12.51
	81,104,877.93		12,183	

Portfolio Car Finance Contracts Number of Months in Arrears

	Current Balance (£)	*%*	*Number*	*%*
Performing	80,026,226.22	98.67	12,030	98.74
> 1 < =2 months	735,649.59	0.91	103	0.85
> 2 < =3 months	177,512.89	0.22	25	0.21
> 3 < =4 months	50,067.83	0.06	8	0.07
> 4 < =5 months	37,307.00	0.05	4	0.03
> 5 < =6 months	37,336.29	0.05	5	0.04
> 6 months	40,778.11	0.05	8	0.07
	81,104,877.93		12,183	

Portfolio Car Finance Contracts by Product Type

	Current Balance (£)	*%*	*Number*	*%*
Motor Vehicle Hire Purchase Agreements	76,085,207.22	93.81	11,765	96.57
Motor Vehicle Conditional Sale Agreements	5,019,670.71	6.19	418	3.43
	81,104,877.93		12,183	

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 administering its own secured consumer loans and car finance contracts, 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 in respect of which the option to purchase of the Hirer is not exercised or subject to motor vehicle conditional sale agreements where the final payment is not made; or (b) repossessed upon default by the Hirer. 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.

As at 29th September, 2000, PFPLC employed approximately 251 people in loan and car finance origination and administration.

Portfolio Asset Interest Rate, Shortfalls and Shortfall Fund

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 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.

The Issuer may at any time with the prior consent of CMS7 draw down under the Subordinated Loan Agreement for the purpose of establishing a Shortfall Fund for purposes including that of providing funds, in the manner described in more detail below, to meet any shortfall arising from the interest rates set by the Administrator for the Portfolio Loans averaging less than a specified rate above LIBOR then applicable to the Subordinated Notes and the Cross-currency Basis Swap.

If at any time the Administrator wishes to set (or does not wish to change) the rate of interest applicable to any Portfolio Loan, to purchase any Further Loans or to consent to a Portfolio Loan becoming a Converted Loan which, in any case, would have the result that the weighted average of the interest rates applicable to the Portfolio Loans taking account of all hedging arrangements entered into by the Issuer is less than 5% (or such other percentage as may be agreed from time to time by the Rating Agencies) above the LIBOR applicable to the Subordinated Notes and the Cross-currency Basis Swap at that time, it may 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 Interest Payment Date, the Shortfall Fund (if any) will be applied on such day to the extent necessary to pay or provide for the items referred to in "Summary – Priority of Payments" above.

Furthermore, the weighted average of the interest rates used to calculate the payments under any portfolio of Car Finance Contracts 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 in relation to that acquisition.

These features and the hedging arrangements described above and under "Issuer – Hedging Arrangements" above and the arrangements for supplementing revenue income of the Issuer with its principal income, provide limited protection for Noteholders against a shortfall as between, on the one hand, the revenue income of the Issuer and, on the other hand, the amount of interest payable on the Subordinated Notes and the LIBOR payments to be made under the Cross-currency Basis Swap.

Debtor Ledger/Current Balance

Pursuant to Clause 7.11 of 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; 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 Loan on any date will be the sum of: (i) the aggregate amount of principal outstanding on that date (whether or not then due and payable); and (ii) all interest and other amounts then due and payable on that date by the Borrower.

The Current Balance of a Portfolio Car Finance Contract on any date will be the sum of: (i) the aggregate of all amounts payable by the Hirer throughout the term of the Portfolio Car Finance Contract that the Administrator will attribute to principal equivalent (as described below) that have not been received on or before such date (whether or not then due and payable); (ii) the assumed residual value of the relevant Portfolio Motor Vehicle (in the case of a Portfolio Car Finance Contract comprising a motor vehicle conditional sale agreement); and (iii) all amounts of interest (or its equivalent) and other amounts due and payable on that date by the Hirer.

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).

Interest due in respect of a Portfolio Loan is calculated on the basis of the rate of interest applicable to the Portfolio Loan and the then outstanding principal amount of the Portfolio Loan. The amount of interest payable is then debited to the corresponding Debtor Ledger. To the extent that any debit is made to the corresponding Debtor Ledger in respect of interest payable by the Borrower, a receipt from a Borrower will be treated as interest. Any part of a receipt that is not attributable to interest will be treated as principal and will reduce the outstanding principal amount of the Portfolio Loan by way of a credit to the Debtor Ledger.

The equivalent of interest due in respect of a Portfolio Car Finance Contract is calculated on the basis of the interest rate applicable to such Portfolio Car Finance Contract and the outstanding balance of the capital amount that was financed under such Portfolio Car Finance Contract (being the cost of the Portfolio Motor Vehicle, less any deposit, plus any insurance premium paid by the relevant Seller to an insurer on behalf of the Hirer). This capital amount is amortised on an annuity basis to the assumed residual value (if any) over the life of the Portfolio Car Finance Contract. The amount of interest due and payable is debited to the corresponding Debtor Ledger. To the extent that any debit is made to the corresponding Debtor Ledger in respect of interest equivalent payable by the Hirer, a payment by a Hirer will be treated as interest equivalent. Any part of a payment by a Hirer that is not attributable to interest will be treated as principal equivalent and will reduce the outstanding capital amount of the related Portfolio Car Finance Contract by way of a credit to the Debtor Ledger.

In accordance with the above, the Current Balance of a Portfolio Asset on any date will be the debit balance of the corresponding Debtor Ledger on that date.

For all Portfolio Assets, any amount received on termination or early settlement or by way of sale proceeds of the relevant Portfolio Motor Vehicle (in the case of a Portfolio Car Finance Contract) will be applied against and treated as: (i) interest equivalent to the extent that any interest equivalent is outstanding on the date of receipt; (ii) principal equivalent (if any) to the extent that the remainder after application against outstanding interest equivalent is less than or equal to the outstanding capital amount ; and (iii) interest equivalent to the extent of any remainder, after application against outstanding interest equivalent and outstanding principal equivalent in accordance with (i) and (ii).

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 relevant Seller. The Administrator will give the instructions necessary for amounts to be debited from Obligors in accordance with the direct

debiting scheme. However, the Administrator may agree with the Obligor that the direct debiting scheme need not apply to that Obligor, provided that alternative arrangements apply that are intended to ensure timely payment of amounts due in respect of the relevant Portfolio Asset.

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

PPF will execute on or before the Closing Date a declaration of trust over its collection account at National Westminster Bank Plc (the "PPF 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 Loans will be held on trust for the Issuer until they are applied in the manner described above.

PCF will execute on or before the Closing Date a declaration of trust over its collection account at National Westminster Bank Plc (the "PCF Collection Account Declaration of Trust") under which it will declare 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.

Any Seller (other than PPF and PCF) will execute on or before it sells any 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 and the PCF Collection Account Declaration 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 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 Loan, the 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 Loan and discharge the related Mortgage. If an amount is still outstanding in respect of such Portfolio Loan and Mortgage (the "outstanding amount"), a provision will be made for the outstanding amount (to the extent it represents principal owing in respect of such Portfolio Loan and Mortgage) in the Principal Deficiency Ledger, although circumstances may arise in which this provision is subsequently reduced. In addition in relation to a Loan and also in relation to a Car Finance Contract, if an Obligor defaults and the Loan or Car Finance Contract, as the case may be, becomes twelve months or more in arrears, a debit will be made to the Principal Deficiency Ledger in an amount equal to the then Current Balance of such Loan or Car Finance Contract, as the case may be to the extent not already debited to the Principal Deficiency Ledger.

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 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 Loans

In relation to the Portfolio 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 Loan Agreements. The Administrator on behalf of the Issuer may, however, at its discretion, but subject to certain conditions in the Administration Agreement and provided that there is a balance of zero on the Principal Deficiency Ledger on the immediately preceding Interest Payment Date, decide to make a discretionary further advance, in respect of a Portfolio 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 Loan to a Borrower as part of its arrears and default procedures by capitalising certain outstanding arrears of interest payable by a Borrower. The capitalisation of outstanding arrears constitutes a capitalisation for these purposes if the capitalised amount is added to the principal balance of the Portfolio Loan and the relevant Borrower's arrears are discharged.

The Issuer will fund any discretionary further advance in respect of a Portfolio Loan out of its Available Purchase Funds and where such Available Purchase Funds are insufficient, it will be entitled to request a further drawdown under the Subordinated Loan Agreement, although CMS7 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 Loan unless it can fund it out of Available Purchase Funds, or unless CMS7 has agreed, at its discretion, to make available an advance under the Subordinated Loan Agreement for such purpose.

The Administration Agreement shall provide that discretionary further advances may only be made by the Issuer on a Portfolio 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 to extend the final maturity date of a Portfolio Loan beyond 31st October 2029; and (c) as a result of making any such further advance, the aggregate Current Balances of the Portfolio Loans will not exceed 50% of the aggregate Current Balances of the Portfolio Assets.

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 Loan concerned).

Conversion of Portfolio Loans

The Administrator may agree or elect to convert a Portfolio 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 Loan the Issuer must, on or before the date of conversion, enter 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 not to do so would adversely affect any of the then current ratings of the Notes (See "The Issuer – Hedging Arrangements" above). The ability of the Issuer to convert a Portfolio Loan to another type is subject to certain further conditions to be set out in the Administration Agreement including, *inter alia*, that no Converted Loan must mature later than 31st October, 2029.

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-l by Moody's and A-1 by Standard & Poor's or such that the then current ratings 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 would not be adversely affected 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 (a) in sterling denominated securities, bank accounts or other obligations of or rights against entities either the long-term unsecured and unguaranteed debt of which is rated Aaa by Moody's and AAA by Standard & Poor's or whose short-term unsecured and unguaranteed debt is rated P-l by Moody's and A-1 by Standard & Poor's or (b) 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 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 always mature on or before the Interest Payment Date immediately following acquisition or deposit.

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+.

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

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 in arrear of not more than 0.5% (inclusive of VAT) per annum on the Current Balances of the Portfolio Assets on the Principal Determination Date immediately preceding such 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 secured consumer loans and motor vehicle finance agreements) may be payable to any substitute administrator appointed following termination of PFPLC's appointment.

Each of PCF and PPF 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 London 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; and (iii) such substitute administrator is capable of administering secured consumer loans to, and motor vehicle finance agreements with, Obligors in England, Wales and Scotland and is approved by the Trustee. 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.

UNITED KINGDOM TAXATION

Taxation of Interest Paid

United Kingdom withholding tax (including withholding or deduction for tax by issuers, paying and collecting agents) will be abolished in relation to interest payments made on or after 1st April 2001 on the Notes. Therefore, the summary set out below will not apply in respect of interest payments made on or after that date. Instead, the Inland Revenue will be able to obtain information about persons to whom or, in certain circumstances, for whose benefit, interest is paid.

Under current Inland Revenue practice the Notes will be regarded as bearer securities for the purposes of section 124 of the Income and Corporation Taxes Act 1988 (the "Act") notwithstanding that they are represented by the Global Notes. Accordingly interest payments on each Note will be treated as interest paid on a "quoted Eurobond" within the provisions of section 124 of the Act, so long as the Notes are represented by the Global Notes and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Act (the London Stock Exchange is currently a recognised stock exchange). Accordingly where the Notes are thus represented and continue to be thus listed, and are held within a recognised clearing system within the meaning of section 841A of the Act (Euroclear, Clearstream, Luxembourg, European Settlements Office, First Chicago Clearing Center and the Depositary Trust Company of New York have each been designated as a recognised clearing system for this purpose) payments of interest on the Notes may, under current law and practice, be made without withholding or deduction for or on account of United Kingdom income tax (provided that, where payment is made to, or at the direction of a depositary for the clearing system, in accordance with regulations made by the Inland Revenue, the depositary has given a declaration to the person by or through whom the payment is made or the payer has received notice as mentioned below). This paragraph will not apply if the Notes cease to be represented by the Global Notes.

If the Notes cease to be represented by the Global Notes and definitive Notes are issued, the definitive Notes will constitute "quoted Eurobonds" within the provisions of section 124 of the Act, provided that they continue to be listed on a recognised stock exchange within the meaning of section 841 of the Act and remain in bearer form. Accordingly, under current law and practice, payments of interest on the Notes may in such circumstances be made without withholding or deduction for or on account of United Kingdom income tax where:

(a) the person by or through whom the payment is made is not in the United Kingdom; or

(b) the payment is made by or through a person who is in the United Kingdom and either:

  (i) the Notes and related Coupons are held in a recognised clearing system (as to which see above) and where payment is made to or at the direction of a depositary for the clearing system, the depositary has made a declaration in the required manner to the person by or through whom the payment is made in respect of payments of interest on the Notes or the Inland Revenue has issued a notice to that person to the effect that the condition in this paragraph (i) is satisfied, or

  (ii) a person who is not resident in the United Kingdom beneficially owns the Notes and related Coupons (provided that a separate declaration in the required form has been made in advance to the person by or through whom the payment is made in respect of each payment of interest, or the Inland Revenue has issued a notice to that person to the effect that the condition in this paragraph (ii) is satisfied).

In all other cases, interest will be paid under deduction of United Kingdom income tax at the lower rate, currently 20%, subject to any direction to the contrary by the Inland Revenue in respect of such relief as may be available pursuant to the provisions of any appropriate double taxation treaty. If interest is paid under deduction of United Kingdom income tax, the Issuer is not obliged to pay any additional amount in respect of the Notes.

Where:

(a) any person in the United Kingdom, in the course of a trade or profession:

  (i) acts as custodian of a Note or Coupon in respect of which he receives any interest or such interest is paid at his direction or with his consent to another person; or

  (ii) by means of Coupons (including any warrant for or bill of exchange purporting to be drawn or made in payment of interest) collects or secures payment of or receives interest for another person, or otherwise arranges to collect or secure payment for such a person; or

(b) any bank in the United Kingdom sells or otherwise realises Coupons (including any warrant for or bill of exchange, as above) and pays over the proceeds or carries them into an account; or

(c) any dealer in coupons in the United Kingdom purchases any Coupons (including any warrant for or bill of exchange, as above) otherwise than from a bank or another dealer in coupons,

that person, bank or dealer (except in the case where acting only to clear a cheque or arrange for the clearance of a cheque) is liable to account for United Kingdom income tax at the lower rate, currently 20% on such interest or proceeds of realisation and is entitled to deduct an amount in respect thereof unless an exemption from such liability is applicable, including where:

(aa) a person who is not resident in the United Kingdom beneficially owns the Note and is beneficially entitled to the interest or proceeds; or

(bb) the interest or proceeds arise to trustees of certain discretionary or accumulation trusts where the trustees and each of the beneficiaries are not resident in the United Kingdom; or

(cc) the person entitled to the interest is eligible under specified provisions for certain relief from United Kingdom tax in respect of the interest (for example, charities or pension funds); or

(dd) the Notes are held in a recognised clearing system (as to which see above) and the person pays or accounts for interest directly or indirectly to the recognised clearing system; or

(ee) the Notes are held in a recognised clearing system (as to which see above) for which the person is acting as depositary,

and, in each of (aa) – (dd) above, the person, bank or dealer concerned has received a declaration in the form required by regulations made by the Inland Revenue or the Inland Revenue has given notice to the effect that it considers that one or more of (aa) – (dd) above is satisfied.

The interest on the Notes will have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Noteholders may be liable to pay further United Kingdom tax on the interest received or be entitled to a refund of all or part of the tax deducted at source, depending on their individual circumstances. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom, except where that person carries on a trade, profession or vocation in the United Kingdom through a branch or agency in connection with which that interest is received or to which the Notes are attributable. Subject to exemptions for interest received by certain categories of agent (such as some brokers and investment managers), tax may then be levied on that branch or agency.

Where interest has been 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 under an appropriate provision in an applicable double taxation treaty.

Capital Gains and Income Profits

The Class B Notes and the Class C Notes (but not the Class A 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 Class B Notes or the Class C Notes for the purposes of United Kingdom taxation of chargeable gains.

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 "accrued income scheme" (described below) will not apply to such a Note.

Accrued Income

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 the Act) 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 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.

Stamp Duty

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.

The above is not a complete summary of the United Kingdom tax law and practice currently applicable and is subject to changes therein. 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.

SUBSCRIPTION AND SALE

Société Générale, Barclays Bank PLC, ING Bank N.V., J.P. Morgan Securities Ltd. and The Royal Bank of Scotland plc (the "Class A Managers") have, pursuant to a subscription agreement dated the date of this Offering Circular (to which PFPLC, PPF and PCF 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 0.15% of the principal amount of the Class A Notes and a combined management and underwriting commission of 0.10% of the principal amount of the Class A Notes.

Société Générale (the "Class B Manager") has agreed, pursuant to a subscription agreement dated the date of this Offering Circular (to which PFPLC, PPF and PCF 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 0.20% of the principal amount of the Class B Notes and a combined management and underwriting commission of 0.15% of the principal amount of the Class B Notes.

Société Générale (the "Class C Manager") has agreed, pursuant to a subscription agreement dated the date of this Offering Circular (to which PFPLC, PPF and PCF 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 0.25% of the principal amount of the Class C Notes and a combined management and underwriting commission of 0.20% 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 23rd November, 2000, 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 012056125; ISIN XS0120561252

   Class B Notes, Common Code Number 012056095; ISIN XS0120560957 and

   Class C Notes, Common Code Number 012056079; ISIN XS0120560791

   Transactions will normally be effected for settlement in euros in the case of the Class A Notes and in sterling in the case of the Class B Notes and the Class C Notes 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 this 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, 1997 until 20th November, 2000 have been audited by Deloitte & Touche, Chartered Accountants of Colmore Gate, Colmore Row, Birmingham B3 2BN.

8. The financial information included on pages 107 to 113 of this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory consolidated accounts of the Issuer on which the Issuer's auditors have given unqualified reports and which contained 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, 1998, 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; and

   (b) copies of the Class A Subscription Agreement, the Class B Subscription Agreement and the Class C Subscription Agreement; and

   (c) drafts (subject to modification) of the Master Definitions Schedule, the Trust Deed to constitute the Class A Notes, the Class B Notes and the Class C Notes (including the forms of the Global Class A Notes, the Class A Notes, Coupons and Talons, the Global Class B Notes, the Class B Notes, Coupons and Talons and the Global Class C Notes, the Class C Notes, Coupons and Talons), 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 Agreements, the Repurchase Deed, the Deposit Agreement, the PPF Collection Account Declaration of Trust, the PCF Collection Account Declaration of Trust, the Post Enforcement Call Option Deed and the Agency Agreement; and

   (d) the audited annual report and financial statements of the Issuer for the years ended 30th September, 1999 and 30th September, 2000.

REGISTERED AND HEAD OFFICE OF THE ISSUER

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St Catherine's Court
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Solihull
West Midlands B91 3QE

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TRUSTEE

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REFERENCE AGENT AND PRINCIPAL PAYING AGENT

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