

**THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF NOTEHOLDERS. IF ANY NOTEHOLDER IS IN ANY DOUBT AS TO THE ACTION IT SHOULD TAKE OR IS UNSURE OF THE IMPACT OF THE IMPLEMENTATION OF ANY EXTRAORDINARY RESOLUTION TO BE PROPOSED AT A MEETING, IT SHOULD SEEK ITS OWN FINANCIAL AND LEGAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES, IMMEDIATELY FROM ITS STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL OR LEGAL ADVISER.**

**PARAGON MORTGAGES (NO. 12) PLC**

*(incorporated in England and Wales with limited liability under registered number 5386924)*

(the "Issuer")

**NOTICE OF ADJOURNED MEETING**

of the holders of the outstanding Notes of the Issuer (as described below)

<b>Description of Notes</b>	<b>ISIN/ Common Code</b>	<b>Aggregate Principal Amount Outstanding</b>	<b>Current Interest Rate</b>
Class A1 Notes due 2038 (the "Notes")	XS0261644941 / 26164494	£246,064,441	3 month Sterling LIBOR + Notes Interest Rate Margin

NOTICE IS HEREBY GIVEN that, pursuant to the trust deed dated 20 July 2006 and amended on 30 January 2013 and 15 May 2019, made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited (the "**Trustee**") as trustee for the Noteholders, and constituting the Notes (the "**Trust Deed**"), and following the adjournment of the meeting held at 10.00 a.m. (London time) on 31 January 2022 via teleconference (the "**Original Meeting**") due to lack of quorum, an adjourned Meeting of the Noteholders will be held at 10.00 a.m. (London time) on 14 February 2022 via teleconference (the "**Adjourned Meeting**") for the purpose of considering and, if thought fit, passing the applicable resolutions set out below which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed.

Unless the context requires otherwise, capitalised terms used but not defined in this Notice have the meanings given to them in the Trust Deed, the terms and conditions of the Notes (the "**Conditions**") or the Consent Solicitation Memorandum (as defined below).

**EXTRAORDINARY RESOLUTION**

**IN RESPECT OF THE CLASS A1 NOTES DUE 2038**

"THAT this meeting of the holders of the outstanding U.S.\$1,500,000,000 Class A1 Notes due 2038 which, on 15 May 2019 were (simultaneously with the termination of the currency swap A1 agreement dated 14 July 2006) converted into a GBP Equivalent at a fixed exchange rate of USD to GBP of 1.84, producing GBP Equivalent Initial Principal Amount of £815,217,391.30 and an A1 Note Mandatory Transfer Price and GBP Equivalent Principal Amount Outstanding of £317,409,456.52 in accordance with the A1 Note Conditional Purchase Agreement and which, on 15 May 2019, were redenominated as GBP Class A1 Notes (the "**Notes**"), issued by Paragon Mortgages (No. 12) plc (the "**Issuer**") and constituted by the trust deed dated 20 July 2006 and amended on 30 January 2013 and 15 May 2019 (the "**Trust Deed**"), made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited (the "**Trustee**") as trustee for the holders of the Notes (the "**Noteholders**"), hereby:

1. (subject to paragraph 7 of this Extraordinary Resolution) assents to the modification of: (A) the terms and conditions of the Notes (the "**Conditions**") to provide for the replacement of LIBOR with SONIA as the reference rate for calculating interest in respect of the Sterling Notes for each Interest Period (as defined in the Conditions) commencing on or after the Effective Date, the inclusion of new fallbacks to address the non-availability of SONIA or the replacement of SONIA and certain other related amendments so that the relevant provisions of the Conditions will be in the form set out in the draft Supplemental Trust Deed (as defined below); (B) the terms of the Subordinated Loan, the Administration Agreement, the Substitute Administrator Agreement and the Substitute Administrator Facilitator Agreement pursuant to the Relevant Documents Amendment Agreement to reflect the change to the interest rate basis of the Sterling Notes; and (C) the terms of each Swap Transaction to hedge the interest rate and currency risk in respect of the Non-Sterling Notes;
2. (subject to paragraph 7 of this Extraordinary Resolution) authorises, directs, requests and empowers the Issuer and the Trustee to: (a) consent to and execute: (i) a supplemental trust deed (the "**Supplemental Trust Deed**"); and (ii) the Amendment Agreements, in each case in the form or substantially in the forms of the drafts produced to this Meeting, with such amendments thereto (if any) as the Trustee requires or agrees to give effect to the changes referred to in paragraph 1 of this Extraordinary Resolution and such other changes as may be necessary in its sole opinion; and (b) execute and do all such other deeds, instruments, acts and things as may be necessary in the Trustee's sole opinion to carry out and to give effect to this Extraordinary Resolution and the implementation of the modifications referred to in this Extraordinary Resolution;
3. (subject to paragraph 7 of this Extraordinary Resolution) sanctions and assents to every abrogation, modification or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer appertaining to the Notes, each Swap Transaction, the Subordinated Loan, the Administration Agreement, the Substitute Administrator Agreement and the Substitute Administrator Facilitator Agreement, whether or not such rights arise under the Conditions, the Trust Deed or any other transaction documents, involved in or resulting from or to be effected by, the modifications referred to in paragraphs 1 and 2 of this Extraordinary Resolution and their implementation;
4. (a) holds harmless, discharges and exonerates the Trustee from, and indemnifies the Trustee against, any and all liability for which it may have become or may become responsible under the Trust Deed, any other Relevant Document or the Notes in respect of any act or omission in connection with the proposal by the Issuer to the Noteholders to approve the modification of the Conditions and the consequential or related

amendments to certain transaction documents, in the manner set out in the Notice (the "**Proposal**"), this Extraordinary Resolution or its implementation and/or the modifications; and (b) irrevocably waives any claim against the Issuer or the Trustee which arises as a result of any loss or damage to the holders of the Notes suffered or incurred as a result of the Issuer or the Trustee following the terms of this Extraordinary Resolution (including for the avoidance of doubt, the directions and/or instructions contained herein), even though it may subsequently be found that there is a defect in this Extraordinary Resolution or that for any reason this Extraordinary Resolution is not valid or binding upon the holders of the Notes;

5. agrees that the Trustee is not responsible for the accuracy, completeness, validity or correctness of the statements made and documents referred to in this Extraordinary Resolution and the Consent Solicitation Memorandum or any omissions from this Extraordinary Resolution or the Consent Solicitation Memorandum;
6. confirms that the Trustee is hereby authorised and instructed not to obtain any legal opinions in relation to, or to enquire into the power and capacity of any person to enter into, the Amendment Agreements or the Supplemental Trust Deed or the due execution and delivery thereof by any party thereto or the validity or enforceability thereof and it will not be liable for any consequences resulting from this instruction;
7. declares that the implementation of this Extraordinary Resolution is conditional on:
  - (a) the Consent Solicitation (as defined below) not having been terminated;
  - (b) the passing of this Extraordinary Resolution and the passing of, and the satisfaction of any conditions referred to in, the corresponding Extraordinary Resolution in respect of each other Class listed in paragraph 8 of this Extraordinary Resolution; and
  - (c) the quorum required for (being two or more persons holding or representing greater than 25 per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Notes then outstanding), and the requisite majority of votes cast at, this Meeting being satisfied by Eligible Noteholders, irrespective of any participation at this Meeting by Ineligible Noteholders; and
8. acknowledges that the following terms, as used in this Extraordinary Resolution, have the following meanings given below:

**"Administration Agreement"** means the administration agreement dated 20 July 2006 and amended on 30 January 2013 between Paragon Finance plc, Mortgage Trust Services plc, the Issuer, Paragon Mortgages Limited, Mortgage Trust Limited and the Trustee;

**"Amendment Agreements"** means the Swap Amended and Restated Confirmations and the Relevant Documents Amendment Agreement;

**"Class"** means each of the Class A1 Notes, the Class A2a Notes, the Class A2b Notes, the Class A2c Notes, the Class B1a Notes, the Class B1b Notes and the Class C1a Notes and Class C1b Notes;

**"Class A1 Notes"** means the U.S.\$1,500,000,000 Class A1 Notes due 2038 issued by the Issuer which, on 15 May 2019 were (simultaneously with the termination of the

currency swap A1 agreement dated 14 July 2006) converted into a GBP Equivalent at a fixed exchange rate of USD to GBP of 1.84, producing GBP Equivalent Initial Principal Amount of £815,217,391.30 and an A1 Note Mandatory Transfer Price and GBP Equivalent Principal Amount Outstanding of £317,409,456.52 in accordance with the A1 Note Conditional Purchase Agreement and which, on 15 May 2019, were redenominated as GBP Class A1 Notes;

**"Class A2a Notes"** means the £145,000,000 Class A2a Notes due 2038 issued by the Issuer;

**"Class A2b Notes"** means the €245,000,000 Class A2b Notes due 2038 issued by the Issuer;

**"Class A2c Notes"** means the U.S.\$311,000,000 Class A2c Notes due 2038 issued by the Issuer;

**"Class B1a Notes"** means the £25,000,000 Class B1a Notes due 2038 issued by the Issuer;

**"Class B1b Notes"** means the €126,000,000 Class B1b Notes due 2038 issued by the Issuer;

**"Class C1a Notes"** means the £17,000,000 Class C1a Notes due 2038 issued by the Issuer;

**"Class C1b Notes"** means the €106,000,000 Class C1b Notes due 2038 issued by the Issuer;

**"Consent Solicitation"** means the invitation by the Issuer to, among others, the Noteholders to consent to the modification of the Conditions relating to the Notes and other related documents, as described in the Consent Solicitation Memorandum and as the same may be amended in accordance with its terms;

**"Consent Solicitation Memorandum"** means the consent solicitation memorandum dated 7 January 2022 prepared by the Issuer in relation to the Consent Solicitation;

**"Effective Date"** means the Interest Payment Date (as defined in the Conditions) falling in February 2022;

**"Eligible Noteholder"** means a Noteholder who is (a) located and resident outside the United States and is not a U.S. person (as defined in Regulation S under the Securities Act) and (b) otherwise a person to whom the Consent Solicitation can be lawfully made and that may lawfully participate in the Consent Solicitation;

**"Ineligible Noteholders"** means a Noteholder that is not an Eligible Noteholder;

**"Non-Sterling Notes"** means the issuances of notes by the Issuer that are not Sterling Notes;

**"Notice"** means the notice in relation to the adjourned meeting given by the Issuer to Noteholders on or around 31 January 2022;

**"Relevant Documents Amendment Agreement"** means the amendment and restatement deed that will amend and restate the terms of the Administration Agreement, Subordinated Loan Agreement, Substitute Administrator Agreement and Substitute Administrator Facilitator Agreement to reflect this Extraordinary Resolution and such other changes as may be necessary to implement the modifications referred to in this Extraordinary Resolution;

**"Securities Act"** means the U.S. Securities Act of 1933, as amended;

**"Sterling Notes"** means the Class A1 Notes, the Class A2a Notes, the Class B1a Notes and the Class C1a Notes;

**"Substitute Administrator Agreement"** means the substitute administrator agreement dated 20 July 2006 and amended on 30 January 2013 between Paragon Finance plc, Mortgage Trust Services plc, the Issuer, the Trustee and Homeloan Management Limited;

**"Substitute Administrator Facilitator Agreement"** means the substitute administrator facilitator agreement dated 30 January 2013 between the Issuer, the Trustee and Intertrust Management Limited (formerly Structured Finance Management Limited) as substitute administrator facilitator, as modified, novated, supplemented or replaced from time to time;

**"Subordinated Loan"** means the subordinated loan advanced to the Issuer from time to time under the terms of a subordinated loan agreement dated 20 July 2006 and amended on 26 June 2019 between the Issuer, the Trustee, Mortgage Trust Services plc and Paragon Finance plc;

**"Swap Transaction"** means, in respect of the:

1. Class A2b Notes: the currency swap transaction between the Issuer and Barclays Bank PLC with a trade date of 14 July 2006;
2. Class A2c Notes: the currency swap transaction between the Issuer and Barclays Bank PLC with a trade date of 14 July 2006;
3. Class B1b Notes: the currency swap transaction between the Issuer and Barclays Bank PLC with a trade date of 14 July 2006; and
4. Class C1b Notes: the currency swap transaction between the Issuer and Barclays Bank PLC with a trade date of 14 July 2006,

each a **"Swap Transaction"** and together the **"Swap Transactions"**; and

**"Swap Amended and Restated Confirmations"** means the confirmations that will amend and restate the terms of the Swap Transactions to reflect this Extraordinary Resolution and such other changes as may be necessary to implement the modifications referred to in this Extraordinary Resolution."

## Background

The Issuer has convened the Meeting for the purpose of enabling Noteholders to consider and resolve, if they think fit, to pass the Extraordinary Resolution proposed in relation to the Notes.

On 5 March 2021 (the "**LIBOR Announcement Date**"), the UK Financial Conduct Authority (the "**FCA**") confirmed that all Sterling LIBOR settings will either cease to be provided by any administrator or no longer be representative of their underlying market immediately after 31 December 2021 (the "**LIBOR Announcement**"). The FCA has also made a number of previous announcements regarding the proposed cessation of LIBOR. In relation to 3-month Sterling LIBOR in particular (as the interest rate benchmark currently applicable to the Sterling Notes), the LIBOR Announcement provided that immediately after 31 December 2021, such LIBOR setting would no longer be representative of the underlying market and economic reality and that such representativeness will not be restored. For additional background to the LIBOR Announcement, we refer to:

- (a) the speech of Andrew Bailey, the Chief Executive of the FCA, on 27 July 2017 entitled "*The Future of LIBOR*";
- (b) the statement of the FCA entitled "FCA Statement on LIBOR panels" dated 24 November 2017;
- (c) the speech of Andrew Bailey, the Chief Executive of the FCA, on 12 July 2017 entitled "*Interest rate benchmark reform – transition to a world without LIBOR*";
- (d) the "Dear CEO Letter" sent by the FCA and the Prudential Regulation Authority to major banks and insurers and published on the FCA website, dated 19 September 2018, relating to the need to transition from LIBOR to alternative benchmarks;
- (e) the speech of Andrew Bailey, the Chief Executive of the FCA, on 15 July 2019 entitled "*The Future of LIBOR*";
- (f) the statement of the FCA entitled "*Transition from LIBOR*" dated 4 September 2019;
- (g) the open letter from The Investment Association to issuers entitled "*Investors call on companies to take urgent action and transition their LIBOR-linked bonds*" dated 3 February 2021; and
- (h) the statement of the FCA entitled "*Further arrangements for the orderly wind-down of LIBOR at end-2021*" dated 29 September 2021.

(a) to (f) and (h) of the above together with the LIBOR Announcement are available from the website of the FCA at [www.fca.org.uk](http://www.fca.org.uk) and (g) is available at <https://www.theia.org/media/press-releases/investors-call-companies-take-urgent-action-and-transition-their-libor-linked>.

In 2017, the Bank of England (the "**BoE**") and the FCA announced that they had mandated a working group (the "**Working Group**") to implement a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. Therefore, Sterling LIBOR will not continue on the current basis after 2021, and regulators have urged market participants to take active steps to implement the transition to SONIA and other risk-free rates ahead of this deadline.

In anticipation of the end of LIBOR, the Mortgage Trust Limited originated mortgages and the Paragon Mortgages Limited originated mortgages transitioned from LIBOR to a term SONIA basis on 1 June 2021 and 1 July 2021, respectively, and customers were sent a notice of variation.

On the basis that the final maturity date of the Notes falls after 2021, the Issuer has convened the Meeting for the purpose of enabling the Noteholders to consider and resolve, if they think fit, to approve the Proposal by way of an Extraordinary Resolution in relation to each Class, implementing:

- (i) respective changes in the interest basis specified in the Conditions of the Sterling Notes from Sterling LIBOR to SONIA by means of a supplemental trust deed;
- (i) inclusion of new fallbacks to address the non-availability of SONIA or the replacement of SONIA;
- (ii) respective changes in the floating rate options specified in the Swap Transactions hedging the Non-Sterling Notes from Sterling LIBOR to SONIA (including corresponding and/or consequential amendments) by means of the Swap Amended and Restated Confirmations; and
- (iii) corresponding and/or consequential amendments to the Administration Agreement, Subordinated Loan Agreement, Substitute Administrator Agreement and Substitute Administrator Facilitator Agreement by means of an amendment and restatement deed in relation to the Administration Agreement, Subordinated Loan Agreement, Substitute Administrator Agreement and Substitute Administrator Facilitator Agreement.

The Proposal constitutes a Basic Terms Modification under the Conditions of the Notes, and therefore the holders of each Class are invited to approve the Proposal, even though the interest rate applicable to the Sterling Notes (and no other Notes) will be amended if the Proposal is implemented (although the sterling amounts payable by the Issuer under the cross-currency swaps in respect of the Non-Sterling Notes will also be amended if the Proposal is implemented). If an Extraordinary Resolution in respect of any Class is not successfully passed or (in the case of any Class of the Sterling Notes) the related Eligibility Condition is not satisfied, then the Issuer will not implement the Proposal and no Class of Sterling Notes will be amended (irrespective of whether or not the relevant Extraordinary Resolution(s) for any of the other Class passes and/or any related Eligibility Condition(s) is satisfied).

The proposed revised formula for calculating interest on the Sterling Notes and the cross-currency swaps will be as set out in Annex 1 (*Compounded Daily SONIA and Base Rate Modification*) of this Notice. Due to the differences in the nature of Sterling LIBOR and SONIA, the replacement of Sterling LIBOR as the reference rate for the Sterling Notes requires a corresponding credit adjustment spread to the existing Notes Interest Rate Margin payable in respect of each Class of the Sterling Notes. The Proposal uses the "5-year historical median" methodology agreed by the International Swaps and Derivatives Association for determining this credit adjustment spread and recommended by the Working Group for use in cash products such as the Sterling Notes. It involves taking the median of the daily difference between Sterling LIBOR and SONIA in the 5 years leading up to the LIBOR Announcement Date. Using this methodology, the credit adjustment spread for 3-month Sterling LIBOR is 0.1193 per cent., as calculated and published by Bloomberg Index Services Limited on the LIBOR Announcement Date and as referenced on Bloomberg screen SBP0003M Index on the date of this Notice of Meeting.

**The Trustee has not been involved in the formulation of the Extraordinary Resolution and the Trustee expresses no opinion on the merits of any Extraordinary Resolution or on whether Noteholders would be acting in their best interests in approving the Extraordinary Resolution, and nothing in this Notice should be construed as a recommendation to Noteholders from the Trustee to vote in favour of, against or abstain from voting in respect of, any Extraordinary Resolution. Noteholders should take their own independent financial, accounting and legal advice on the merits and on the consequences of voting in favour of, against or abstain from voting in respect of, the Extraordinary Resolution, including as to any tax consequences. The Trustee has not reviewed, nor will it be reviewing, any documents relating to the Consent Solicitation, except those to which it will be a party and this Notice. On the basis of the information set out in this Notice of Meeting (other than Annex 2 (*Margin Adjustment*) of this Notice which it has not reviewed) and the Consent Solicitation Memorandum, the Trustee has authorised it to be stated that it has no objection to the Extraordinary Resolution being put to Noteholders for their consideration.**

Before making a decision with respect to the Proposal, Noteholders should carefully consider, in addition to the other information contained in this Notice, the risk factors set out in Annex 1 (*Compounded Daily SONIA and Base Rate Modification*) of this Notice.

### **Consent Solicitation**

The Issuer has invited holders of the Notes (and the other Classes) (the "**Consent Solicitation**") to consent to the approval, by Extraordinary Resolution at the Meeting, of the modification of the Conditions of the Sterling Notes and related documents as described in the Extraordinary Resolution as set out above, all as further described in the Consent Solicitation Memorandum (as defined in the Extraordinary Resolution set out above).

The Consent Solicitation Memorandum and any other documents or materials relating to the Consent Solicitation are only for distribution or to be made available to persons who are Eligible Noteholders (as defined in the Extraordinary Resolution above).

Subject to the restrictions described in the previous paragraph, Noteholders may obtain, from the date of this Notice, a copy of the Consent Solicitation Memorandum from the Consent Website subject to eligibility confirmation and registration. Alternatively, Noteholders may contact the Information and Tabulation Agent, the contact details for which are set out below.

### ***Agreements, acknowledgements, representations, warranties and undertakings***

By submitting an Electronic Voting Instruction to the relevant Clearing System in accordance with the standard procedures of such Clearing System, the holder of the relevant Notes and any Direct Participant submitting such Electronic Voting Instruction on such holder's behalf will be deemed to agree to, acknowledge, represent, warrant and undertake to the Issuer, the Solicitation Agent, the Trustee, the Principal Paying Agent, the Reference Agent, the Registrar and the Information and Tabulation Agent the following: (i) at the time of submission of Electronic Voting Instruction; (ii) on the Expiration Deadline; and (iii) at the time of the Meeting and the time of any adjourned such Meeting (if the holder of such Notes or the Direct Participant is unable to give these acknowledgements, agreements, representations, warranties and undertakings, such holder or Direct Participant should contact the Information and Tabulation Agent immediately):

- (a) *Non-reliance*: it has received the Consent Solicitation Memorandum (if it is an Eligible Noteholder) or Extraordinary Resolution and this Notice (if it is an Ineligible Noteholder), and has reviewed and accepts the terms, conditions, risk factors and other considerations of the Consent Solicitation and/or the Proposal (as applicable), all as described in the Consent Solicitation Memorandum (if it is an Eligible Noteholder) or the Extraordinary Resolution and this Notice (if it is an Ineligible Noteholder), and has undertaken an appropriate analysis of the implications of the Proposal without reliance on the Issuer, the Administrators, the Solicitation Agent, the Trustee, the Principal Paying Agent, the Reference Agent, the Registrar or the Information and Tabulation Agent;
- (b) *Identity*: by blocking the relevant Notes in the relevant Clearing System, it will be deemed to consent, in the case of a Direct Participant, to have such Clearing System provide details concerning its identity, including account number, to the Information and Tabulation Agent (and for the Information and Tabulation Agent to provide such details to the Issuer, the Administrators and the Solicitation Agent, and their respective legal advisers);
- (c) *Appointment of proxy*: it gives instructions for the appointment, as its proxy, of two or more representatives of the Information and Tabulation Agent by the Registrar to vote in favour of, against or abstain from voting in respect of the relevant Extraordinary Resolution at the Meeting (including any adjourned such Meeting) (as specified in the relevant Electronic Voting Instruction) in respect of all of the Notes within the Class in its account blocked in the relevant Clearing System;
- (d) *Ratification*: it agrees to ratify and confirm each and every act or thing that may be done or effected by the Issuer, any of its directors or any person nominated by the Issuer in the proper exercise of his or her powers and/or authority hereunder;
- (e) *Further acts*: it agrees to do all such acts and things as are necessary and execute any additional documents deemed by the Issuer to be desirable, in each case to perfect any of the authorities expressed to be given hereunder;
- (f) *Compliance with applicable laws*: it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities, and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with its participation in the Consent Solicitation (in respect of Eligible Noteholders) or with its voting on the Extraordinary Resolution (in respect of Ineligible Noteholders) in any jurisdiction and it has not taken or omitted to take any action in breach of the terms of the Consent Solicitation and/or the Proposal (as applicable) or which will or may result in the Issuer, the Administrators, the Solicitation Agent, the Information and Tabulation Agent, the Trustee, the Principal Paying Agent, the Reference Agent, the Registrar or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Consent Solicitation and/or the Proposal (as applicable);
- (g) *Successors and assigns*: all authority conferred or agreed to be conferred pursuant to its acknowledgements, agreements, representations, warranties and undertakings, and all of its obligations are binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives, and are not affected by, and will survive, its death or incapacity;

- (h) *Information or recommendation:* none of the Issuer, the Administrators, the Solicitation Agent, the Information and Tabulation Agent, the Trustee, the Principal Paying Agent, the Reference Agent or the Registrar has given it any information with respect to the Consent Solicitation and/or the Proposal (as applicable) save as expressly set out in the Consent Solicitation Memorandum (if it is an Eligible Noteholder) or the Extraordinary Resolution and this Notice (if it is an Ineligible Noteholder), nor has any of them made any recommendation to it as to whether it should participate in the Consent Solicitation (in respect of Eligible Noteholders) or vote on the Extraordinary Resolution (in respect of Ineligible Noteholders) it has made its own decision with regard to participating in the Consent Solicitation (in respect of Eligible Noteholders) or its voting on the Extraordinary Resolution (in respect of Ineligible Noteholders) based on any legal, tax or financial advice it has deemed necessary to seek;
- (i) *Tax consequences:* no information has been provided to it by the Issuer, the Administrators, the Solicitation Agent, the Information and Tabulation Agent, the Trustee, the Principal Paying Agent, the Reference Agent or the Registrar or any of their respective directors, officers or employees, with regard to the tax consequences for holders of Notes arising from the participation in the Consent Solicitation (in respect of Eligible Noteholders) or the voting on the Extraordinary Resolution (in respect of Ineligible Noteholders) or the implementation of the Extraordinary Resolution and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Consent Solicitation (in respect of Eligible Noteholders) or its voting on the Extraordinary Resolution (in respect of Ineligible Noteholders) or the implementation of the Extraordinary Resolution and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Issuer, the Administrators, the Solicitation Agent, the Information and Tabulation Agent, the Trustee, the Principal Paying Agent, the Reference Agent, the Registrar or any of their respective directors, officers or employees, or any other person in respect of such taxes and payments;
- (j) *No unlawful invitation:* it is not a person to whom it is unlawful to make an invitation pursuant to the Consent Solicitation and/or the Proposal (as applicable), or for it to participate in the Consent Solicitation (in respect of Eligible Noteholders) or for it to vote on the Extraordinary Resolution (in respect of Ineligible Noteholders), under applicable securities laws, it has not distributed or forwarded the Consent Solicitation Memorandum (if it is an Eligible Noteholder) or any other documents or materials relating to the Consent Solicitation and/or the Proposal (as applicable) to any such person(s) and it has (before submitting, or arranging for the submission on its behalf, as the case may be, of an Electronic Voting Instruction in respect of its Notes) complied with all laws and regulations applicable to it for the purposes of its participation in the Consent Solicitation (in respect of Eligible Noteholders) or with its vote on the Extraordinary Resolution (in respect of Ineligible Noteholders);
- (k) *Sanctions:* it is not a person or entity:
  - (i) that is, or is directly or indirectly owned or controlled by a person or entity that is, described or designated in: (i) the most current "Specially Designated Nationals and Blocked Persons" list (which on the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf>); or (ii) the most current "Foreign Sanctions Evaders List" (which on the date hereof can be found at:

<http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which on the date hereof can be found at: [https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/8442/Consolidated%20list%20of%20sanctions](https://eeas.europa.eu/headquarters/headquarters-homepage_en/8442/Consolidated%20list%20of%20sanctions)); or (iv) the most current "UK sanctions list" (which as at the date hereof can be found at: <https://www.gov.uk/government/publications/the-uk-sanctionslist>); or

- (ii) that is otherwise the subject or target of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of their inclusion in: (i) the most current "Sectoral Sanctions Identifications" list (which on the date hereof can be found at: [http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi\\_list.aspx](http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi_list.aspx)) (the "SSI List"); (ii) Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"); (iii) the current list of "Designated Persons: Russia" published by OFSI (which as at the date hereof can be found at: <https://www.gov.uk/government/publications/financial-sanctionsukraine-sovereignty-and-territorial-integrity>) or (iv) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes;
- (l) *Status of Noteholder*: if the relevant Electronic Voting Instruction specifies that: (i) it is an Eligible Noteholder, it is an Eligible Noteholder; or (ii) it is an Ineligible Noteholder, it is an Ineligible Noteholder;
- (m) *Power and authority*: it has full power and authority to vote in the Meeting (or any adjourned such Meeting);
- (n) *Blocking of Notes*: it holds and will hold, until the earlier of: (i) the date on which its Electronic Voting Instruction is validly revoked; (ii) the conclusion of the Meeting (or, if applicable, the adjourned Meeting); and (iii) the termination of the Consent Solicitation, the relevant Notes blocked in the relevant Clearing System and, in accordance with the requirements of, and by the deadline required by, the relevant Clearing System, it has submitted, or has caused to be submitted, an Electronic Voting Instruction to the relevant Clearing System to authorise the blocking of such Notes, with effect on and from the date of such submission so that no transfers of such Notes may be effected until the occurrence of any of the events listed in (i), (ii) or (iii) above;
- (o) *Notes Outstanding*: none of the Notes that are the subject of the Electronic Voting Instruction are held beneficially by or for the account or benefit of the Issuer, PFPLC, PML, MTS, MTL, any Administrator or any of their respective subsidiaries or holding companies or other subsidiaries of such holding companies;
- (p) *Withdrawal or termination*: in the event of a withdrawal or termination of the Consent Solicitation, the Electronic Voting Instructions with respect to the relevant Notes will be deemed to be withdrawn, and the relevant Notes will be unblocked in the Direct Participant's Clearing System account;
- (q) *Accuracy of information*: the information given by or on behalf of such Noteholder in the Electronic Voting Instruction is in all respects true, accurate and not misleading and will in all respects be true, accurate and not misleading at the time of the implementation of the Extraordinary Resolution; and

- (r) *Indemnity:* the Issuer, the Administrators, the Solicitation Agent, the Trustee, the Principal Paying Agent, the Reference Agent, the Registrar and the Information and Tabulation Agent will rely on the truth and accuracy of the foregoing acknowledgements, agreements, representations, warranties and undertakings and such holder will indemnify the Issuer, the Administrators, the Solicitation Agent, the Trustee, the Principal Paying Agent, the Reference Agent, the Registrar and the Information and Tabulation Agent against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of any breach of any of the terms of, or any of the agreements, representations, warranties and/or undertakings given in connection with the Consent Solicitation and/or the Proposal (as applicable).

The representation set out in paragraph (k) above may not be sought or given at any time after such representation is first made if and to the extent that it is or would be unenforceable at the relevant time (which for the avoidance of doubt, does not include the time of submission of the relevant Electronic Voting Instruction) by reason of breach of: (i) any provision of Council Regulation (EC) No 2271/1996 of 22 November 1996 (as amended) (or any law or regulation implementing such Regulation in any member state of the European Union); or (ii) Council Regulation (EC) No 2271/1996 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

## **General**

Eligible Noteholders may obtain, from the date of this Notice, a copy of the Consent Solicitation Memorandum from the Consent Website or by contacting the Information and Tabulation Agent, the contact details for which are set out below. A Noteholder will be required to produce evidence satisfactory to the Information and Tabulation Agent as to his or her status as an Eligible Noteholder and that he or she is a person to whom it is lawful to send the Consent Solicitation Memorandum and to make an invitation to participate in the Consent Solicitation under applicable laws before being sent a copy of the Consent Solicitation Memorandum.

Copies of: (i) the Trust Deed; (ii) this Notice of Meeting; and (iii) the current drafts of the Supplemental Trust Deed and the Amendment Agreements as referred to in the Extraordinary Resolution, are also available from the Consent Website or for collection by Noteholders on and from the date of this Notice of Meeting up to and including the date of the Meeting from the Information and Tabulation Agent, the contact details for which are set out below, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the Meeting. Any revised versions of the drafts of the Supplemental Trust Deed and the Amendment Agreements made available as described above and marked to indicate changes to the draft made available on the date of this Notice of Meeting will supersede the previous drafts of the Supplemental Trust Deed and the Amendment Agreements, and Noteholders will be deemed to have notice of any such changes.

**The attention of Noteholders is particularly drawn to the procedures for voting, quorum and other requirements for the passing of the Extraordinary Resolution at the Meeting or any meeting held following any adjournment of the Meeting, which are set out in the second paragraph of "Voting and Quorum" below. Having regard to such requirements, Noteholders are strongly urged either to attend the Meeting (via teleconference) or to take steps to be represented at the Meeting (including by way of submitting Electronic**

**Voting Instructions in favour of the Proposal (all such terms as defined in the Consent Solicitation Memorandum)) as soon as possible.**

In light of the ongoing developments in relation to coronavirus (COVID-19), it may be impossible or inadvisable to hold the Meeting at a physical location. Therefore, in accordance with the provisions of the Trust Deed, the Issuer has requested that the Trustee prescribe appropriate regulations regarding the holding of the Meeting via teleconference, as further described below. Any Noteholders who have a Voting Certificate and indicate to the Information and Tabulation Agent (the contact details for which are set out below) that they wish to attend the Meeting (via teleconference) will be provided with further details about attending the Meeting. Noteholders who do not indicate to the Information and Tabulation Agent prior to the Meeting that they wish to attend the Meeting will not be provided with details about attending the meeting and will not be able to attend the Meeting whether or not they hold a Voting Certificate.

Noteholders who have submitted Electronic Voting Instructions (and thereby requested that their votes are included in the block voting instruction appointing two or more representatives of the Information and Tabulation Agent as its proxy to attend the Meeting (and any adjourned Meeting) and to vote in the manner specified or identified in such Electronic Voting Instruction) will be unaffected by these alternative regulations and will not be requested to take any further action. The Issuer will take appropriate steps to ensure that only those who would otherwise be entitled to attend and vote at a physical meeting will be entitled to attend the teleconference.

**Requirements of U.S. Securities Law**

If the Proposal is passed and implemented, the Supplemental Trust Deed will contain a statement that, until the expiry of the period of 40 days after the date of the Supplemental Trust Deed, sales of the Sterling Notes may not be made in the United States or to U.S. persons outside the United States unless made pursuant to Rules 903 and 904 of Regulation S. under the Securities Act.

**Voting and Quorum**

*Noteholders who have submitted and not revoked a valid Electronic Voting Instruction in respect of the Extraordinary Resolution, by which they will have given instructions for the appointment of two or more representatives of the Information and Tabulation Agent by the Registrar as their proxy to attend and vote (as specified in the relevant Electronic Vote Instruction) in respect of the Extraordinary Resolution at the Meeting, need take no further action to be represented at the Meeting. Further details on how to submit an Electronic Voting Instruction are set out below.*

*Noteholders who have not submitted or have submitted and subsequently revoked an Electronic Voting Instruction in respect of the Extraordinary Resolution should take note of the relevant provisions set out below detailing how such Noteholders can attend or take steps to be represented at the Meeting.*

1. Subject as set out below, the provisions governing the convening and holding of a meeting of the Noteholders are set out in Schedule 3 to the Trust Deed, a copy of which is available for inspection by the Noteholders as referred to above.

*Each person (a beneficial owner) who is the owner of a particular aggregate Principal Amount Outstanding of the Notes through Euroclear, Clearstream, or a person who is shown in the records of Euroclear or Clearstream as a holder of the Notes (a "**Direct Participant**"), should note that a beneficial owner will only be entitled to attend and vote at the Meeting in accordance with the procedures set out below and where a beneficial owner is not a Direct Participant it will need to make the necessary arrangements, either directly or with the intermediary through which it holds its Notes, for the Direct Participant to complete these procedures on its behalf.*

A Noteholder who wishes to attend the teleconference for the Meeting and vote at the Meeting and any adjourned such Meeting must have obtained a valid Voting Certificate issued by the Registrar.

A Noteholder may obtain a Voting Certificate in respect of its Notes permitting such Noteholder to attend the Meeting (via teleconference) by arranging for its Notes to be blocked in an account with Euroclear or Clearstream (unless the Note is the subject of a block voting instruction which has been issued and is outstanding in respect of the Meeting or any adjourned such Meeting) not less than 48 hours before the time fixed for the Meeting (or, if applicable, any adjourned such Meeting) and within the relevant time limit specified by Euroclear or Clearstream, as the case may be, upon terms that the Notes will not cease to be so blocked until the first to occur of the conclusion of the Meeting or any adjourned such Meeting and the surrender of the Voting Certificate to the Information and Tabulation Agent and notification by the Information and Tabulation Agent to Euroclear or Clearstream, as the case may be, of such surrender or the compliance in such other manner with the rules of Euroclear or Clearstream, as the case may be.

The Issuer is of the view that a physical meeting is not desirable at the present time and the Issuer is therefore convening the Meeting by way of teleconference as opposed to holding a physical meeting. Details of the teleconference will be provided to Noteholders requesting Voting Certificates.

A Noteholder not wishing to attend and vote at the Meeting may either deliver the Voting Certificate to the person whom it wishes to attend on its behalf or give a voting instruction (in the form of an electronic voting instruction (an "**Electronic Voting Instruction**") in accordance with the standard procedures of Euroclear or Clearstream) to, and require the Principal Paying Agent to, include the votes attributable to its Notes in a block voting instruction issued by the Registrar for the Meeting or any adjourned such Meeting, in which case the Registrar will appoint a proxy to attend and vote at such Meeting in accordance with such Noteholder's instructions.

If a Noteholder wishes the votes attributable to its Notes to be included in a block voting instruction for the Meeting or any adjourned such Meeting, then: (i) the Noteholder must arrange for its Notes to be blocked in an account with Euroclear or Clearstream for that purpose; and (ii) the Noteholder or a duly authorised person on its behalf must direct the Principal Paying Agent as to how those votes are to be cast by way of an Electronic Voting Instruction, not less than 48 hours before the time fixed for the Meeting (or, if applicable, any adjourned such Meeting) and within the time limit specified by Euroclear or Clearstream, as the case may be, upon terms that the Notes will not cease to be so blocked until the first to occur of: (i) the conclusion of the Meeting or any adjourned such Meeting; and (ii) not less than 24 hours before the time

for which the Meeting is convened, the notification in writing of any revocation of a Noteholder's previous instructions to the Principal Paying Agent and the same then being notified in writing by the Registrar to the Issuer and the Trustee and such Notes ceasing in accordance with the procedures of Euroclear or Clearstream, as the case may be, and with the agreement of the Principal Paying Agent to be held to its order or under its control.

***Each Noteholder which arranges for an Electronic Voting Instruction to be submitted must also confirm in such Electronic Voting Instruction whether it is an Eligible Noteholder or an Ineligible Noteholder.***

For the above purposes, instructions given by Direct Participants to the Information and Tabulation Agent through Euroclear or Clearstream will be deemed to be instructions given to the Principal Paying Agent.

2. As the proposed amendment is a Basic Terms Modification (as defined in the Trust Deed), two or more persons present (including by teleconference) and holding or representing greater than 25 per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Notes then outstanding will form a quorum.

In addition, it is a condition to the implementation of the relevant Extraordinary Resolution in respect of each Class of the Sterling Notes that the quorum required for, and the requisite majority of votes cast at, the Meetings (including any adjournment thereof) in respect of any Class of the Sterling Notes will need to be satisfied by Eligible Noteholders of such Class, irrespective of any participation at the Meeting by Ineligible Noteholders, for the relevant Extraordinary Resolution to be implemented (such condition in respect of each Class of the Sterling Notes, the "**Eligibility Condition**").

Voting Certificates obtained and Electronic Voting Instructions given in respect of any Meeting (unless revoked in accordance with the terms of the Trust Deed and, in the case of Electronic Voting Instructions, in accordance with the procedures of the Euroclear or Clearstream, as the case may be) will remain valid for any such adjourned Meeting.

Noteholders should note these quorum requirements and should be aware that, if the Noteholders either present (including by teleconference) or appropriately represented at the Meeting are insufficient to form a quorum for the Extraordinary Resolution, the Extraordinary Resolution cannot be formally considered at such Meeting. Noteholders are therefore encouraged either to attend the Meeting (via teleconference) or to arrange to be represented at the Meeting as soon as possible.

3. Every question submitted to a Meeting will be decided in the first instance by a show of hands and in case of equality of votes the chairman of the Meeting will, both on a show of hands and on a poll, have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a holder of a Voting Certificate or as a proxy or as a representative.

Unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman of the Meeting, the Issuer or by two or more persons present holding or representing not less than 2 per cent. of the aggregate GBP Equivalent Initial Principal Amount of the Notes then outstanding, a declaration by the chairman of the

Meeting that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority will be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against (or abstentions from voting in respect of) such resolution.

On a show of hands every person who is present and is a holder of Notes or is a proxy or representative will have one vote. On a poll every such person will have one vote in respect of each £1 in principal amount of the GBP Equivalent Initial Principal Amount of the Notes then outstanding so produced or represented by the Voting Certificate so produced or in respect of which he is a proxy.

4. To be passed at the Meeting, the Extraordinary Resolution requires a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 75 per cent. of the votes given on such poll. If passed, the Extraordinary Resolution will be binding on all Noteholders, whether or not present at the Meeting at which it is passed and whether or not voting.

This Notice is given by Paragon Mortgages (No. 12) plc.

Noteholders should contact the following for further information:

***The Solicitation Agent***

**Lloyds Bank Corporate Markets plc**

10 Gresham Street  
London EC2V 7AE

Telephone: +44 20 7158 1719/1726

Attention: Liability Management Team, Commercial Banking

Email: [liability.management@lloydsbanking.com](mailto:liability.management@lloydsbanking.com)

***The Information and Tabulation Agent***

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
London E14 5LB

Telephone: +44 (0)20 7508 3867

Attention: Exchange Team

Email: [citiexchanges@citi.com](mailto:citiexchanges@citi.com)

Consent Website: <https://debtportal.issuerservices.citigroup.com>

Dated: 31 January 2022

**ANNEX 1 TO THE NOTICE OF MEETING – COMPOUNDED DAILY SONIA AND  
BASE RATE MODIFICATION**

Please refer to [http://www.rns-pdf.londonstockexchange.com/rns/8249X\\_1-2022-1-7.pdf](http://www.rns-pdf.londonstockexchange.com/rns/8249X_1-2022-1-7.pdf) for the Compounded Daily SONIA and Base Rate Modification provisions proposed in relation to this Notice.

## ANNEX 2 TO THE NOTICE OF MEETING – MARGIN ADJUSTMENT

### *Rationale for the Noteholder Proposal and Margin Adjustment*

The formula for calculating interest on the Sterling Notes will be as set out in Annex 1 (*Compounded Daily SONIA and Base Rate Modification*) to the Notice of Meeting. Due to the differences in the nature of Sterling LIBOR and SONIA, the replacement of Sterling LIBOR as the reference rate for the Sterling Notes requires a corresponding credit adjustment spread to the existing Notes Interest Rate Margin payable in respect of the Sterling Notes. The Proposal uses the "5-year historical median" methodology agreed by the International Swaps and Derivatives Association for determining this credit adjustment spread and recommended by the Working Group for use in cash products such as the Sterling Notes. It involves taking the median of the daily difference between Sterling LIBOR and SONIA in the 5 years leading up to the LIBOR Announcement Date. Using this methodology, the credit adjustment spread for 3-month Sterling LIBOR is 0.1193 per cent., as calculated and published by Bloomberg Index Services Limited on the LIBOR Announcement Date and as referenced on Bloomberg screen "SBP0003M Index" on the date of this Notice.

If the Proposal is implemented, the Rate of Interest in respect of the Sterling Notes for each Interest Period commencing on or after the Effective Date (being the Interest Payment Date for the Sterling Notes falling in February 2022) will be determined by reference to Compounded Daily SONIA. The first Interest Payment Date on which the amounts of interest payable on the Sterling Notes will be determined by reference to Compounded Daily SONIA rather than LIBOR will be the Interest Payment Date falling in May 2022 in respect of the Interest Period from (and including) the Interest Payment Date falling in February 2022 up to (but excluding) the Interest Payment Date falling in May 2022.

If the Proposal is implemented, the sterling amounts payable by the Issuer under the cross-currency swaps in respect of the Non-Sterling Notes on or after the Effective Date will be determined by reference to Compounded Daily SONIA.

If the Proposal is not implemented, the Sterling Notes will remain outstanding and the Sterling Notes and the cross-currency swaps will continue to pay amounts with reference to Sterling LIBOR and be subject to the implementation of synthetic LIBOR pursuant to the Critical Benchmarks (References and Administrators' Liability) Act 2021. Under the Financial Services Act 2021, the FCA was given new powers to compel the continued publication of certain LIBOR tenors using a changed methodology (a "synthetic" LIBOR). The FCA has indicated that it intends to use its powers to compel ICE Benchmark Administration Limited to publish 3 month Sterling LIBOR on a synthetic basis, but that the ongoing availability of synthetic LIBOR beyond 2022 cannot be assured and such rate would not be representative of an underlying market. Furthermore, the FCA has communicated that issuers and asset managers should proactively transition away from LIBOR-linked securities.

For the avoidance of doubt, irrespective of whether or not the Proposal is implemented, the Rate of Interest paid in respect of the Sterling Notes on or before the Effective Date will continue to be determined by reference to 3 month Sterling LIBOR.

### *The Margin Adjustment*

In respect of the Sterling Notes, the Rate of Interest that will be effective from the Effective Date will be equal to Compounded Daily SONIA plus the relevant New Margin.

**"New Margin"** means:

- A. the Class A1 Current Margin<sup>1</sup> / the Class A2a Current Margin<sup>2</sup> / Class B1a Current Margin<sup>3</sup> / Class C1a Current Margin<sup>4</sup>; plus
- B. the Margin Adjustment,

where:

**"Class A1 Current Margin"** means 0.24 per cent.;

**"Class A2a Current Margin"** means 0.24 per cent.;

**"Class B1a Current Margin"** means 0.48 per cent.;

**"Class C1a Current Margin"** means 0.92 per cent.; and

**"Margin Adjustment"** means 0.1193 per cent.

The detailed provisions relating to the calculation of Compounded Daily SONIA are set out in the Supplemental Trust Deed.

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<sup>1</sup> Applicable to the Class A1 Notes.

<sup>2</sup> Applicable to the Class A2a Notes.

<sup>3</sup> Applicable to the Class B1a Notes.

<sup>4</sup> Applicable to the Class C1a Notes.