

PARAGON MORTGAGES (NO. 10) PLC
(incorporated with limited liability in England and Wales with registered number 4514738)

NOTICE

to the holders of the
**Mortgage Backed Floating Rate Notes comprising of \$1,100,000,000 Class A1 Notes,
£105,000,000 Class A2a Notes, €222,000,000 Class A2b Notes,
£31,000,000 Class B1a Notes, £19,500,000 Class B1b Notes, £51,500,000 Class C1a Notes,
€27,500,000 Class C1b Notes issued in November 2005
(the "Notes")**

of the Issuer presently outstanding

6 August 2010

NOTICE IS HEREBY GIVEN to the Noteholders of the above Notes that (i) there was a manifest error in the definition of "Subordinated Available Redemption Funds" in the terms and conditions of the Notes (the "**Terms and Conditions**") and (ii) the corrections described below correct that manifest error and result in the definition of Subordinated Available Redemption Funds being consistent with the description of its effect in the Offering Circular and the pre-sale reports of Standard & Poor's Rating Services, a division of the McGraw Hill Companies Inc., Moody's Investors Service Limited, and Fitch Ratings Ltd.

Capitalised terms used in this notice shall, unless expressly defined herein, have the meanings set out in the Offering Circular dated 14 November 2005.

The Terms and Conditions were amended, with effect from and including 6 August 2010, as follows:

In Condition 5 (*Redemption and Purchase*), the following has been deleted:

"The "**Subordinated Available Redemption Funds**" shall equal:

- (i) where the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined falls up to and including the occurrence of the Determination Event (unless on the immediately following Interest Payment Date the Class A Notes are redeemed in full) or falls after the Determination Event and:
 - (A) on the Interest Payment Date immediately following the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined, after the application of the moneys in the Transaction Account in accordance with the provisions of the Deed of Charge and the Administration Agreement on that Interest Payment Date and any drawing made under the Subordinated Loan Agreement on that Interest Payment Date, there is any credit balance of zero or greater on the Principal Deficiency Ledger; or
 - (B) on the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined the then Current Balances (as defined in the Trust Deed) of Mortgages which are more than three months in arrears (as defined in the Trust Deed) represent 7.5% or more of the then Current Balances of all of the Mortgages (paragraphs (A) and (B) together being the "**Redemption Tests**"),

nil; and

- (ii) on each Interest Payment Date which falls after the occurrence of a Determination Event (or on the Interest Payment Date upon which the Class A Notes are redeemed in full), provided that both the Redemption Tests are satisfied:
 - (A) that amount of the Available Redemption Funds (*pro rata* to the amount of the Class B Notes and the Class C Notes) 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 aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes to (II) the sum of the aggregate GBP Equivalent Principal Liability Outstanding of the Class A Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes after such application to become as nearly as possible equal to 0.229:1; provided that the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the Class C Notes after such application shall not, so long as any of the Class A Notes remains outstanding, be reduced below £47,616,783; and
 - (B) on any other Principal Determination Date which is immediately prior to an Interest Payment Date on which no Class A Note remains outstanding, the total amount of the Available Redemption Funds and on the Principal Determination Date immediately prior to the Interest Payment Date on which the Class A Notes are to be redeemed in full, the amount of Available Redemption Funds in excess of the aggregate GBP Equivalent Principal Liability Outstanding of the Class A Notes on such Principal Determination Date.

On any Principal Determination Date, if both the Redemption Tests are satisfied, the Subordinated Available Redemption Funds shall be applied *pro rata* between the Class B Notes and the Class C Notes according to the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes. On any Principal Determination Date, if any of the Redemption Tests is not satisfied, the Subordinated Available Redemption Funds shall be applied first to the Class B Notes up to the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and then to the Class C Notes up to the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes."

In Condition 5 (*Redemption and Purchase*), the following has been inserted:

"The "**Subordinated Available Redemption Funds**" shall equal:

- (i) (A) where the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined falls up to and including the occurrence of the Determination Event; or
- (B) where the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined falls after the occurrence of the

Determination Event, and Class A Notes remain outstanding, and will not be redeemed in full on the next Interest Payment Date, and:

- (a) on the Interest Payment Date immediately following the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined, after the application of the moneys in the Transaction Account (including any amounts debited from the First Loss Ledger) in accordance with the provisions of the Deed of Charge and the Administration Agreement on that Interest Payment Date and any drawing made under the Subordinated Loan Agreement on that Interest Payment Date, there is any debit balance on the Principal Deficiency Ledger; or
- (b) on the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined, the then Current Balances (as defined in the Trust Deed) of Mortgages which are more than three months in arrears (as defined in the Trust Deed) represent 7.5% or more of the then Current Balances of all of the Mortgages,

nil;

- (ii) on each Principal Determination Date which falls after the occurrence of the Determination Event, and on which Class A Notes remain outstanding, and will not be redeemed in full on the next Interest Payment Date, and provided that:
 - (a) on the Interest Payment Date immediately following the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined, after the application of the moneys in the Transaction Account in accordance with the provisions of the Deed of Charge and the Administration Agreement on that Interest Payment Date and any drawing made under the Subordinated Loan Agreement on that Interest Payment Date, there is a credit balance or a balance of zero on the Principal Deficiency Ledger; and
 - (b) on the Principal Determination Date on which the Subordinated Available Redemption Funds are to be determined, the then Current Balances of Mortgages which are more than three months in arrears represent less than 7.5% of the then Current Balances of all of the Mortgages,

that amount of the Available Redemption Funds (*pro rata* to the amount of the Class B Notes and the Class C Notes) 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 aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes to (II) the sum of the aggregate GBP Equivalent Principal Liability Outstanding of the Class A Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes after such application to become as nearly as possible equal to 0.229:1; provided that the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the Class C Notes after such application shall not, so long as any of the Class A Notes remains outstanding, be reduced below £47,616,783; and

- (iii) on any Principal Determination Date which is immediately prior to an Interest Payment Date on which no Class A Note remains outstanding, the total amount of the Available Redemption Funds and on the Principal Determination Date immediately prior to the Interest Payment Date on which the Class A Notes are to be redeemed in full, the amount of Available Redemption Funds in excess of the aggregate GBP Equivalent Principal Liability Outstanding of the Class A Notes on such Principal Determination Date.

On any Principal Determination Date falling after the Determination Event, if both of the conditions specified in sub-paragraphs (ii)(a) and (ii)(b) above are satisfied, the Subordinated Available Redemption Funds shall be applied *pro rata* between the Class B Notes and the Class C Notes according to the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes. On any Principal Determination Date, if either of the conditions specified in sub-paragraphs (ii)(a) and (ii)(b) above is not satisfied, the Subordinated Available Redemption Funds (if any) shall be applied first to the Class B Notes up to the aggregate GBP Equivalent Principal Liability Outstanding of the Class B Notes and then to the Class C Notes up to the aggregate GBP Equivalent Principal Liability Outstanding of the Class C Notes."

Should you have any queries concerning the information contained in this notice please contact:

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