Market Update

PARAGON PRIME funding

February 2010

Prime COMPANIES

Treasurys advance amid European debt risks

NEW YORK (MarketWatch) -- Treasury prices rose on Thursday, pushing yields down by the most since mid-December, amid heightened fears about the fiscal stability of Spain and Portugal.

Bonds also benefited from a Labor Department report showing jobless claims unexpectedly rose last week to the highest level since mid-December, adding to concerns that the economic recovery won't be smooth or swift.

Yields on 10-year notes fell 9 basis points to 3.62%. A basis point is 0.01% and yields move in the opposite direction as prices.

Yields on 2-year notes fell 8 basis points to 0.80%, near the lowest on a closing basis since mid-December.

The report comes one day before the government's hotly-anticipated monthly payrolls report for January, which is widely expected to show payrolls grew in the first month of 2010 by the most in two years.

Complicating that report, economists predict that government hiring for the once-a-decade Census will push up the payrolls figure for a few months. Also being released Friday are the Labor Department's revisions to prior months' data.

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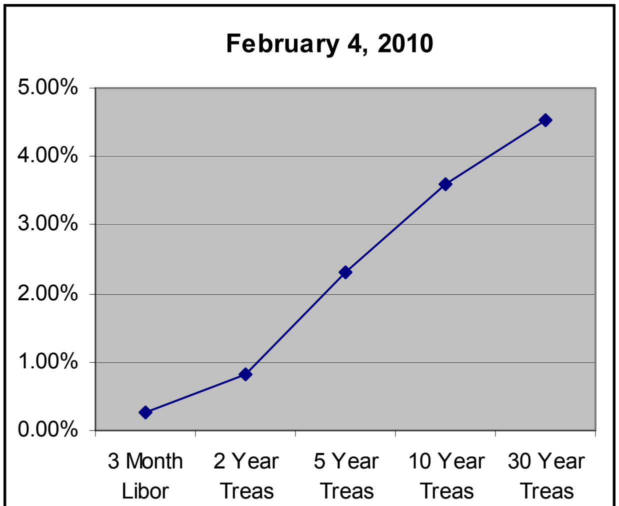
Market Indices

	February 4, 2010
Prime	3.25%
3 Month Libor	0.25%
5 Year Treasury	2.30%
10 Year Treasury	3.60%

Representative Spreads *

Project	Spread
Multi Family	Call
Office	350+
Industrial	350+
Retail	350+



Paragon Arranges $4,640,000 Residential Subdivision Refinance

Paragon Prime Funding recently arranged a $4,640,000 line of credit as it pertains to the refinancing of Phases II and III of Travers Meadows—a 124 lot residential subdivision located in Malta, NY.

Paragon Prime Funding worked with the bank and appraiser on a detailed worst-case-best-case absorption analysis; this was further expanded to include detailed research on the entire competitive market area. The results of this work provided the lender with a high comfort level that the loan could be supported by the project which, in turn, could be absorbed within a reasonable time frame. Appropriate levels of recourse and reserves were put in place to mitigate any perceived risks.

Additionally, Paragon secured letters of credit for the project as necessary and arranged a mortgage assignment with the previous lender.

The 36 month financing included loan proceeds of 75% of value and a bank release of 50%.

* Representative spreads are indicative of class A properties with 75% loan to value on a 20 to 30 year amortization. Lower leveraged loans will result in a spread reduction.