

Optimism sweeps Street; but is credit crisis over?

NEW YORK (MarketWatch) -- With stocks rallying to record highs at the outset of the fourth quarter, and signs of easier conditions in credit markets, a feeling of hope is sweeping Wall Street, suggesting that the worst of this summer's crisis is in the past.

"Multibillion-dollar write-downs by some of the major global banks are being widely viewed as a sort of capitulation that all the bad news has been priced in, or at a minimum, that there is now more certainty over

the extent of the losses," said David Rosenberg, chief economist at Merrill Lynch in a note.

The debate is still underway among investors about whether this is over or not. While there are signs that the credit crunch is easing, there are plenty of market observers who say the evidence, including a reduced appetite for junk bond deals and what appears to be a permanently smaller commercial paper market, suggests the markets are not yet out of the

woods.

"We seem to have weathered the storm but everybody's outlook is pretty guarded," said Kim Rupert, managing director of fixed income at Action Economics. "There's still a lot of nervousness, even if there are no reports of the illiquidity that we saw in asset markets back in August."

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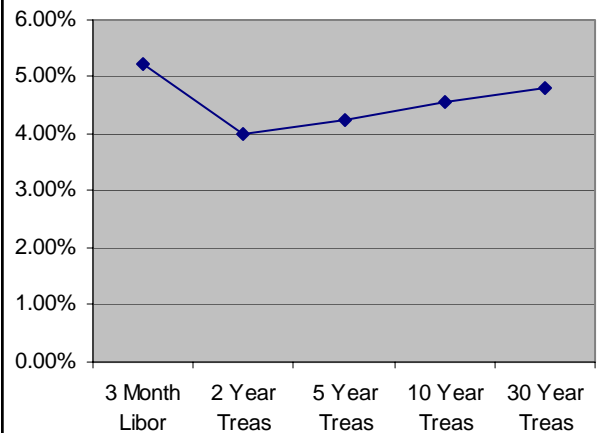
Market Indices

| | 10/3/07 |
|------------------|---------|
| Prime | 7.75% |
| 3 Month LIBOR | 5.24% |
| 5 Year Treasury | 4.23% |
| 10 Year Treasury | 4.55% |

Representative Spreads *

| Project | Spread |
|--------------|---------|
| Multi Family | 95-150 |
| Office | 110-150 |
| Industrial | 110-150 |
| Retail | 100-130 |

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Paragon Prime Funding Arranges \$18.7 Million Loan

Paragon Prime Funding structured and arranged an \$18.7 million construction-to-permanent loan as it pertains to the development of a 192 unit luxury apartment complex located in Rotterdam, NY.

The developer asked Paragon to assist with structuring of the partnership, municipal approvals, as well as financing of the project. Paragon was able to structure the deal using letters of credit and other enhancement vehicles

such that little equity was required of the borrower. Further, Paragon assisted the developer in obtaining municipal approvals which included a PILOT.

In conjunction with its affiliate, Prime Management, Paragon prepared a complete market analysis including rent / expense comparisons. Prime Management will continue to be involved during the construction phase of the project to assist with lease-up and marketing.

Financing of the project included an 18 month construction facility followed by a (mini) permanent loan amortized over 30 years. The loan provided proceeds equal to the lesser of 90% of total project costs or 80% of value and a (projected) debt service coverage ratio of 1.20x.

Paragon will handle all monthly loan requisitions during the term of the construction loan.

* 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.