



Paragon Advisors, LLC

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This brochure provides information about the qualifications and business practices of Paragon Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 630-357-2224 or paragon@paragonadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Paragon Advisors, LLC is a SEC-registered investment adviser. Registration of an Investment Adviser does not imply any particular level of skill or training. The oral and written communications of an Adviser provide you with information from which you may determine whether to hire or retain an Adviser.

Additional information about Paragon Advisors is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

This brochure, dated February 15, 2012, replaces our previous brochure dated March 31, 2011. The following material changes were made to this current brochure:

- Assets under management were updated to reflect current figures as of December 31, 2011, calculated pursuant to SEC instructions for calculating regulatory assets under management.
- Paragon Advisors introduced the option of discretionary asset management services beginning in 2012. The inclusion of this option has been added to Item 4, Advisory Services, and Item 16, Investment Discretion. Additional minor edits were made throughout the brochure to disclose discretionary asset management services.
- The section discussing Third-party Advisory Programs was amended to include situations where Paragon would act as co-advisor with a third-party advisor.
- Paragon's minimum quarterly advisory fee increased to \$750.

The above list includes a description of material changes made to the firm's current Disclosure Brochure (Form ADV Part 2A). We may also provide ongoing disclosure information about material changes as necessary. We will provide you with a new brochure as necessary based on changes or new information, at any time, without charge, upon request from you.

Currently, our brochure may be requested by contacting Trudy Voss, Director of Client Services, at 630-357-2224 or trudy.voss@paragonadvisors.com. Our brochure is also available free of charge, on our web site, at www.paragonadvisors.com.

Additional information about Paragon Advisors, LLC is available by accessing the SEC's web site at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Paragon Advisors who are registered, or are required to be registered, as investment adviser representatives of the firm.

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Item 4. Advisory Business

Paragon Advisors, LLC ("Paragon") is a SEC-registered investment adviser that was founded in 1995. The principal owner of the firm is Gregory S. De Jong, President. The firm's main office is located in Naperville, Illinois.

Asset Management

Paragon offers a variety of investment advisory services to its clients. First and foremost, we offer individual portfolio management and investment supervisory services ("Asset Management"). The firm provides individualized investment advice to clients based upon the client's specific needs. Through personal consultations, we gather specific financial data to develop a client's personalized profile, which includes their investment objectives, current financial position, risk profile, investment time horizon, tax situation and liquidity needs. We review the client's personalized profile and based upon this review, we determine an appropriate asset allocation model for the client. Such model takes into account the client's liquidity needs, portfolio goals, tax objectives and risk tolerance. We then recommend specific investments to implement the client's recommended asset allocation model, incorporating a client's existing holdings where appropriate. We may also recommend non-securities products as part of this service, in an effort to provide a more comprehensive approach to meeting the client's needs. We offer this ongoing Asset Management to clients on either a discretionary or non-discretionary basis.

In some cases, Paragon may recommend discretionary Asset Management services based on model portfolios established by the firm. Paragon has comprised model allocations designed to achieve different investment objectives, such as preservation of capital, conservative, moderate, growth, and aggressive growth. Clients are individually profiled for their appropriate investment objective and risk tolerance, and individual advice is given to each client. An allocation model is then recommended and all or a portion of client assets are invested according to the model. Clients should recognize, however, that the models are intended to complement an overall portfolio strategy that is appropriate for each client's situation. Clients have the ability to impose reasonable restrictions on the types of investments made for their accounts, although accounts may not be eligible for management according to a model if these restrictions are considered to be material by Paragon.

Paragon does not limit its investment recommendations to any specific type of product or security. A client's individual needs and objectives are analyzed to determine appropriate investments and products for the client. Since different types of investments typically involve different types of risk, the firm conducts a risk analysis of the client and his/her overall portfolio, before recommending a certain investment. We offer Asset Management services on either a discretionary or non-discretionary basis; however, the client is always free to place restrictions on the types of investments the firm recommends for the client's portfolio. In general, the firm utilizes equity investments in individual stocks, mutual funds, and exchange traded funds. We also provide recommendations on fixed income investments, including individual bond positions, bond mutual funds, certificates of deposit, and fixed income exchange traded funds. In addition, we provide advice related to real estate limited partnerships and Real Estate Investment Trusts, and may also provide advice on variable and

fixed insurance products. In some cases, we may recommend the purchase or sale of derivative products, including options contracts. However, since associates of Paragon are registered representatives of Securities Service Network, a registered broker/dealer, investment recommendations are limited to only those products offered through that firm.

Third-Party Advisors

When it is deemed appropriate, Paragon may use the services of a third-party manager or investment advisor to provide specific expertise to a client. These arrangements typically allow us to act as a Solicitor for the third-party advisor to which a client is being referred. In some cases, we may act as co-advisor along with a third-party advisor. Specific arrangements will be detailed in the third-party advisory agreement offered to the client. We will typically utilize the services of a third-party advisor when a specific, specialized type of investment management or expertise is desired by a client. In these cases, the third-party advisor may offer discretionary management services to the client. All required disclosure will be provided to the client in the third-party advisor's applicable brochures.

Consulting Services

In addition to individualized investment management, Paragon offers investment consulting services on an hourly-fee basis. Such consultation is normally offered to assist a client in an isolated area of concern, such as a specific investment or a specific area of financial planning. Consulting services are also offered in the form of administrative assistance not involving investment advice, to provide cost-basis information or facilitate the transfer of assets or accounts. These services may be provided by Paragon officers, representatives or administrative support staff, as appropriate.

Assets Under Management

As of December 31, 2011, Paragon was providing regular and continuous Asset Management services for 191 clients. The total value of assets under management was \$144,700,763, held in 942 accounts. Assets under management are calculated pursuant to SEC guidance for calculating regulatory assets under management, using the available market prices of all investments held in client portfolios, as reported by the investment company or custodian holding such assets on the date of valuation. In addition, Paragon provided non-supervisory asset management services on assets totaling \$7,830,378 as of December 31, 2011. These assets for which Paragon provides non-supervisory asset management are either managed by a third-party investment advisor or are assets for which we provide advice but do not actively manage.

Item 5. Fees and Compensation

For Asset Management services, Paragon charges its clients an annualized fee based on a percentage of assets under management. The asset based fee applies to "Advisory Assets,"

which include investments placed pursuant to the advice of an officer or representative of Paragon. "Advisory Assets" may also include other assets which we monitor or on which we provide investment advice or analysis for the client, as agreed upon in advance by client and the firm. We typically require that our clients have at least \$300,000 of assets under management. Accounts may be householded or aggregated for purposes of meeting this minimum asset level and achieving lower asset-based fees.

Paragon's asset-based fee schedule is as follows:

<u>Total Value of Assets at End of Quarter</u>	<u>Percent Yearly</u>	<u>Percent Quarterly*</u>
First \$500,000	1.00%	0.25%
\$501,000 - \$1,000,000	0.80%	0.20%
\$1,000,001 - \$2,500,000	0.60%	0.15%
\$2,500,001 - \$10,000,000	0.40%	0.10%
\$10,000,001 and over	0.25%	0.0625%

* Subject to a minimum quarterly fee of \$750, for clients contracted after February 2012.

Fees attributable to additional deposits of \$25,000 or more made by the client during the quarter are prorated based upon the number of days the funds were in the client's account. Clients give Paragon express written permission to deduct fees from the client's custodial account 10 days after Paragon mails a quarterly fee statement to the client. In rare instances, Paragon may allow a client to elect to pay fees directly, upon presentation of an invoice.

While Paragon has established the above-referenced fee schedule for all advisory clients, the firm may negotiate fees under certain limited circumstances at its sole discretion. Factors considered when determining whether a different fee will be applicable include, among other things, the complexity of the client's financial situation, related accounts under management, portfolio style, and the provision of other services provided to the client. In addition, we may choose to exempt from advisory fees certain assets for which the client incurred a sales commission within the last 12 months, or for which no active management is necessary. In some cases, clients may be subject to a different fee schedule in effect at the time their account was established and specified in their Investment Advisory Agreement with Paragon. These different fee schedules may be higher or lower than current fee arrangements. Paragon may, in its sole discretion, determine when, if ever, previous fee schedules will or will not apply to existing clients. Clients will receive advance written notice of any change in their applicable fee schedules.

Third-Party Advisors

Paragon will typically have no authority to establish the fee schedule applicable to a third-party advisory program. While we endeavor to refer clients only to third-party advisors that we feel charge reasonable fees, the client is responsible for reviewing the fee schedule applicable to the third-party advisory program. The third-party investment advisor will provide clients a disclosure document which discloses all applicable fees and expenses. Clients should refer to this disclosure document for specific fee schedules and termination and refund procedures.

The annual fee charged to the client for third-party investment advisory programs will typically range from 0.25% to 1.00%, of which Paragon will be paid a portion. Fees will be debited from the client's account on a quarterly basis, as described in the program offering materials, and statements will be provided to the client by the third-party advisor. Participation in any third-party investment advisory program may cost the client more or less than purchasing program services separately.

Consulting Services

As described in Item 4 above, Paragon also offers investment consulting services on an hourly basis. We typically charge clients an hourly fee at a rate of \$175 - \$250 per hour, depending on the experience and seniority of the particular Paragon representative providing the services. In addition, we may charge clients an hourly fee at a rate of \$50 per hour for administrative assistance provided by Paragon's administrative staff. When an initial client relationship is established with Paragon, a fee estimate may be given for any out-of-the ordinary administrative costs that may be required to transfer assets and/or accounts for Paragon's management, and establish cost-basis information for held assets, for example. Such fees may be negotiable at our sole discretion, and will be payable within 30 days after the mailing of a separate fee invoice statement to the client.

General Information Regarding Fees and Account Termination

In addition to advisory fees, clients may be subject to custodial and account fees charged by account custodians or broker/dealers with whom clients establish accounts. Such additional fees may include, but are not limited to, transaction charges, IRA fees, and other account administrative fees. Please see additional disclosure made for Item 12, Brokerage Practices, later in this brochure. In cases where shares of mutual funds or exchange traded funds are included in clients' portfolios, clients may also be subject to fees and expenses charged directly by the mutual fund or exchange traded fund company. Such fees may include, but are not limited to, management fees, fund expenses, distribution fees, and 12b-1 fees. Clients should refer to the applicable product prospectus for a complete discussion of the fees and charges associated with the product.

Paragon's officers and representatives who provide investment advice to clients ("Paragon associates") are registered securities representatives of Securities Service Network, Inc. ("SSN"), an unaffiliated registered broker-dealer, member FINRA. If Paragon's clients purchase securities products from Paragon associates, such associates will receive a portion of the gross dealer concession, if any, paid on such products, acting in the capacity of SSN registered representatives. Paragon will not always recommend that clients purchase advisor class shares of mutual funds, but will endeavor to only recommend shares of mutual funds that do not carry an up-front sales charge. In cases where shares of mutual funds are recommended, Paragon associates may receive additional compensation in the form of 12b-1 fees paid by the mutual fund issuer. Complete information regarding any such fees is disclosed in the product prospectus or fund statement of additional information. Receipt of these payments may present a conflict of interest in that Paragon associates may have an incentive to recommend certain investments for which they may receive additional payment. Paragon endeavors at all times to recommend only those investments that meet its clients' needs and objectives,

regardless of the potential for receiving additional payment. In cases where additional payment will be received by Paragon associates, such payment will be disclosed to clients prior to the transaction being placed. In a non-discretionary Asset Management relationship, clients may choose not to implement any recommendations made by Paragon associates. For discretionary Asset Management relationships, clients may place reasonable restrictions on the types of investments transacted for their accounts. Clients have the option of purchasing investment products through another broker/dealer of their choice; however Paragon associates may not be able to provide Asset Management services (discretionary or non-discretionary) for assets purchased away from custodians recommended by us.

If Paragon's clients purchase non-variable insurance products from Paragon associates, clients may pay a normal and customary insurance commission for the purchase of the product. In these cases, Paragon associates will receive a commission, as insurance agents, generally based upon a percentage of the premiums paid. Such insurance commission is paid directly to the applicable Paragon associate from the issuer of the insurance product.

Right to Terminate Advisory Agreement

Clients may terminate Investment Advisory Agreements at any time upon fifteen (15) days prior written notice. If an Agreement is terminated within the first five business days, clients are entitled to a full refund of any fees paid. If an Investment Advisory Agreement is terminated after more than five business days, clients will be assessed fees on a pro-rata basis, based on the number of days that investment management services were provided. Since fees are collected in arrears, clients are not required to pre-pay fees for advisory services.

Item 6. Performance-Based Fees and Side-By-Side Management

Paragon does not charge performance-based fees.

Item 7. Types of Clients

Paragon provides investment advisory services to individuals, high-net worth individuals, pension and profit sharing plans, corporations or other business entities, trusts, estates and charitable organizations. As described in Item 5 above, we typically require a minimum of \$300,000 in assets under management for Asset Management clients. Household accounts may be aggregated to meet this asset threshold, and this minimum may be waived at our sole discretion.

Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss

Paragon uses various methods of analysis in formulating the investment advice offered on behalf of the firm. For Asset Management clients, Paragon takes a holistic approach to evaluate

an overall portfolio strategy and asset allocation that meets a client's needs and objectives. Rather than focusing on specific investments, officers and representatives of Paragon identify an appropriate ratio of equity securities, fixed income investments, alternative investments, and cash equivalents, to build a portfolio that is suitable for a client's investment needs, objectives, and risk tolerance. We typically do not recommend frequent and short-term trading strategies for our clients. Portfolios are usually made up of various mutual funds, fixed income securities, exchange traded funds, and real estate investment trusts. Portfolios may also include individual equity or bond positions, certificates of deposit, and derivative products, such as options contracts. Paragon conducts research on the investments it recommends using publicly available performance and profile information. We utilize Morningstar and a variety of financial publications, such as the Wall Street Journal and other investment-oriented periodicals, along with resources available via the internet. Studies and analyses provided by various investment sponsors are also evaluated. We evaluate the experience and track record of managers, to determine whether a manager has demonstrated the ability to manage assets under varying economic situations. We may also evaluate the underlying investments in a mutual fund or exchange traded fund, to determine whether the manager invests in a manner that is consistent with the fund's investment objective. A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a manager may have demonstrated a certain level of success in past economic times, he or she may not be able to replicate that success in future markets. In addition, just because a manager may have invested in a certain manner in past years, such manager may deviate from his/her strategy in future years. To mitigate this risk, we attempt to select investments from companies with proven track records that have demonstrated a consistent level of performance and success. We also rely on an assumption that the rating agencies we use to evaluate investments are providing accurate and unbiased analysis.

Paragon uses investment management strategies that it feels best meet our clients' needs and objectives. Such strategies typically include long-term investment strategies of holding investments for a year or longer. While this strategy usually meets the needs and objectives of our clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client. In addition, all securities investments involve risk, and clients may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, Paragon takes extra care to evaluate and determine the applicable risk tolerance of its clients. Investment recommendations are always made with this risk tolerance in mind.

Item 9. Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Paragon or the integrity of Paragon's management. Paragon has no reportable information applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

As discussed previously in Item 5 above, Paragon associates are registered representatives of

Securities Service Network, Inc., an unaffiliated registered broker/dealer and FINRA member. In this capacity, Paragon associates may affect securities transactions for clients for which they receive separate, yet customary compensation. Our normal practice in those cases is to subtract such investments from the total portfolio assets subject to fees for an appropriate period of time in order to insure that the client is not overcharged for our services. Clients have the option of declining any investment recommendation made by us, and they may affect transactions with firms or representatives of their choice. However, if clients elect to transact recommendations with firms or agents other than those recommended by Paragon, Paragon associates may not provide discretionary Asset Management services and also may be unable to provide investment advice or non-discretionary Asset Management services for those investments.

While Paragon associates always endeavor to put clients' interests first and foremost, clients should be aware that the receipt of additional compensation itself creates a conflict of interest when making investment recommendations. To address the potential for a conflict of interest, we make certain to disclose to clients any fees or compensation associated with recommended investment products. Asset Management fees are often lowered or adjusted by Paragon, in its sole discretion, as a result of separate compensation received when affecting securities transactions. Clients are provided with applicable product prospectuses and offering materials which discuss the fees associated with the individual products. Clients are also asked to sign applicable disclosure documents that point out important product features and fees. As fiduciaries, Paragon associates make product recommendations that they feel are in the client's best interest and are based on the specific needs and objectives of the client, not the compensation potential of the product.

Paragon associates are also licensed as insurance agents. If clients purchase non-variable insurance products from Paragon associates, such associates will receive separate, yet customary compensation in the form of an insurance commission. If clients purchase variable insurance products from Paragon associates, such transactions will be processed through SSN, and Paragon associates may receive separate compensation as insurance agents and registered representatives. While Paragon associates always endeavor to put clients' interests first and foremost, clients should be aware that the receipt of additional compensation itself creates a conflict of interest when making insurance recommendations. To address the potential for a conflict of interest, we make certain to disclose to clients any fees or compensation associated with recommended insurance products. Clients are provided with applicable product offering materials that discuss the fees associated with the particular product. Clients are also asked to sign applicable disclosure documents and applications that point out important product features and fees. As fiduciaries, Paragon associates make product recommendations that they feel are in the client's best interest and are based on the specific needs and objectives of the client, not the compensation potential of the product.

In some cases, Paragon associates may refer clients to a third-party investment advisor for specific investment management services. We are typically compensated for these referrals based on a Solicitor's fee or a portion of the advisory fee paid to the third-party advisor as co-advisors. The potential for this additional compensation creates a conflict of interest when making advisory referrals to these third-party investment advisors. We make these referrals when we feel it is in the client's best interest to do so, based on the specific needs and objectives of the client. The potential for additional compensation is not a criterion on which

the referral is based. Clients receive applicable third-party advisor disclosure documents that describe the fees associated with the specific investment management services the third-party advisor will provide. Clients also receive disclosure documentation about the compensation provided to Paragon associates as a result of the third-party advisor referral.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Paragon has adopted a Code of Ethics to promote the principles of honesty and integrity in its business practices, and to maintain Paragon's reputation as a firm that operates with the highest level of professionalism. We recognize our fiduciary responsibility to our clients, and our duty and pledge to place clients' interests first and foremost. In connection with this duty, all employees of Paragon are subject to the firm's Code of Ethics, and are required to acknowledge their understanding of its terms. A copy of the Paragon Code of Ethics will be provided to any client or prospective client upon request.

Paragon's Code of Ethics establishes procedures for employees to report personal securities transactions and personal securities holdings. The Code sets forth procedures for management review of these reports. In some cases, our employees may be required to obtain pre-approval for certain personal securities transactions or refrain from certain transactions altogether. Our Code of Ethics also sets forth the obligation of all Paragon employees to comply with applicable state and federal securities laws, and the duty to cooperate in any investigation or inquiry conducted on or by Paragon. Finally, our Code of Ethics establishes procedures for the reporting of any potential violation of the firm's Code.

Paragon or its owners, officers and employees may buy or sell securities that are the same or different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it may represent a potential conflict of interest, which would be fully disclosed to the client. Paragon or its owners, officers and employees may not sell securities from their accounts directly to a client, nor may they purchase securities directly from a client. Paragon, its owners, officers and employees are prohibited from trading on material nonpublic information. We do not trade ahead of our clients, but instead put our clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction was done without the employee's knowledge of a client's transaction. Paragon endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision making process for client investment recommendations. Paragon also endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the implementation of investment recommendations made to clients.

Paragon prohibits its owners, officers, and employees from participating in any principal transactions, where securities are purchased directly from, or sold directly to a client. Paragon also prohibits its owners, officers and employees from purchasing shares in initial public offerings or private placement offerings, unless express written permission is provided in advance by the firm's Chief Compliance Officer. Paragon, its owners, officers and employees, do not recommend to clients that they buy or sell securities in which a person associated with Paragon has a material financial interest.

As disclosed in Item 10 above, Paragon associates are registered representatives of Securities

Service Network, Inc., an unaffiliated registered broker/dealer. Paragon associates are also licensed as insurance agents. These relationships may present conflicts of interest relating to client transactions. Please refer to Item 10 above for a complete discussion of these relationships.

Item 12. Brokerage Practices

Paragon provides investment advisory services on either a discretionary or non-discretionary basis. Non-discretionary clients are free to implement or decline investment recommendations made by Paragon associates. In addition, non-discretionary clients are free to implement investment recommendations at firms of their choice; however, if clients choose to implement transactions at firms other than those recommended by Paragon associates, we may be unable to provide investment advice or Asset Management services for those assets. For discretionary Asset Management relationships, clients are free to place reasonable restrictions on the types of investments transacted for their accounts. Discretionary Asset management clients are not offered the opportunity to direct brokerage transactions to a broker/dealer other than the one with which Paragon associates are affiliated. This limitation may prevent Paragon associates from achieving best execution for clients; however, Paragon feels that the overall quality of execution services provided by the broker/dealer it recommends (Securities Service Network, Inc.) is in the best interest of Paragon clients. For Asset Management clients, we recommend that they execute recommended brokerage transactions through Securities Service Network, Inc. ("SSN"), the registered broker/dealer with which Paragon associates are registered representatives. SSN has brokerage, custodial and clearing arrangements with both National Financial Services, LLC ("NFS") and Pershing, LLC ("Pershing"), either of which we may recommend to clients for brokerage services. NFS is a wholly owned subsidiary of the Fidelity Investments Group of companies, located in Boston, Massachusetts. Pershing is a subsidiary of The Bank of New York Mellon, located in New York, New York.

Paragon recommends using SSN as the broker/dealer through which clients execute securities transactions. While no client is required to select SSN, NFS or Pershing for execution and custodial services, we may be unable to provide investment advisory services to clients who elect to use other firms. For discretionary Asset Management accounts, Paragon will select SSN and either NFS or Pershing for brokerage services. Discretionary Asset Management clients are not permitted to direct brokerage to other firms. For non-discretionary Asset Management accounts, the firm routinely recommends that clients utilize the brokerage and custodial services offered by SSN, unlike other advisors who may permit clients to direct brokerage. Paragon is unable to negotiate specific transaction costs for transaction execution. Transactions executed by SSN through either NFS or Pershing will be subject to the transaction and commission fee schedule in effect at the time of execution. Paragon does not negotiate commission rates or volume discounts. Therefore, brokerage and investment advisory services offered by Paragon may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately.

Paragon does not have any soft-dollar arrangements and does not receive any soft-dollar benefits. Through their affiliation with SSN, Paragon associates have access to free research,

software, account administrative support, record keeping, brokerage, custodial and other related services that are intended to support SSN registered representatives in conducting a securities business. Paragon associates also have access to an extensive list of product offerings from which client recommendations can be made, and may have the ability to execute client no-load or low-load mutual fund transactions without transaction charges or with nominal transaction charges. In addition, Paragon associates may receive marketing support or reimbursement for marketing costs, such as expenses related to meetings held by, or attended by Paragon associates. This support is not conditioned upon the placement or execution of client transactions. Paragon feels the relationship with SSN serves its clients' best interests. However, this arrangement also creates a potential for conflict of interest as Paragon associates have an incentive to recommend SSN and may be compensated for transactions executed through SSN. Paragon believes this potential for conflict of interest is mitigated by the overall quality of execution services provided by SSN, NFS and Pershing, taking into consideration the full range of services provided by SSN. While best execution cannot be guaranteed, Paragon believes it fulfills its fiduciary responsibilities in recommending SSN.

Paragon does not use client brokerage commissions to obtain research or other products or services. We do not recommend broker/dealers in order to receive client referrals from such broker/dealers. We do not typically aggregate the purchase or sale of securities for various client accounts.

Item 13. Review of Accounts

For Asset Management clients and third-party advisory clients, accounts are reviewed regularly by Paragon associates. Accounts are reviewed in the context of the client's stated investment needs and objectives. Paragon associates (President or Vice President) meet with clients at least annually to determine whether the client's portfolio continues to meet the client's investment objectives, risk tolerance, and our standards of performance. Changes in a client's financial situation or investment objectives, or significant economic, political or market changes may result in more frequent account reviews. Clients receive regular and customary custodial account statements at least quarterly. Paragon also provides its clients an overall written performance report at least annually. This annual performance report sets forth all transactions occurring in the client's portfolio and the value and performance of the portfolio.

For clients who contract Paragon to provide Consulting Services only, accounts are not typically reviewed unless the specific type of Consulting Services provided warrants such review. Written reports are also not typically provided to Consulting Services clients.

Item 14. Client Referrals and Other Compensation

As discussed previously, Paragon associates may receive some economic benefit through their affiliations with SSN. However, these economic benefits are not provided as a direct result of Paragon's advisory services offered to clients. Such economic benefits include, but are not limited to, reimbursement for marketing expenses related to meetings held by, or attended by Paragon associates. Paragon associates may also receive 12b-1 fees as a result of client

investments in shares of investment company products. While this presents a potential for conflict of interest in that it may incent Paragon associates to recommend investment company products, all fees and expenses related to transactions in investment company products are disclosed to clients in product offering materials. Clients are encouraged to read product offering materials carefully.

Paragon has arrangements with select third-parties who occasionally solicit clients or provide client referrals to Paragon. These solicitors enter into written Solicitor's Agreements with Paragon, pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940. They are typically third-parties with whom Paragon associates have had long-standing business relationships. Solicitors are compensated in the form of a Solicitor's Fee, which is fully disclosed to the client at the time of the referral. Use of Solicitors will not increase or decrease the level of advisory fees charged to a client who was referred by a Solicitor.

Item 15. Custody

Paragon does not maintain custody of client funds or securities, except to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. Clients receive normal and customary custodial account statements at least quarterly, which detail the amount of advisory fees debited from an account. Clients are strongly encouraged to review all statements carefully and to compare information provided by account custodians against information provided by Paragon in its performance reports. Clients, not account custodians, are responsible for verifying the accuracy of all fees.

Item 16. Investment Discretion

Paragon accepts discretionary authority to manage securities accounts on behalf of clients, upon express written permission from the client. Clients will execute required custodial applications granting discretion to Paragon. Clients will also execute discretionary Investment Advisory Agreements. Paragon also offers non-discretionary Asset Management, so clients may choose the best options for their situations.

Item 17. Voting Client Securities

Paragon does not accept authority to vote client securities on behalf of clients. Clients retain all rights to their brokerage accounts, including the right to vote proxies. Clients are responsible for directing each custodian of their assets to forward copies of all proxies and shareholder communications directly to the client. While Paragon may provide information or consultation to assist a client in deciding how to vote a particular security, the ultimate decision and responsibility to vote a security lies with the client.

Item 18. Financial Information

Paragon does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered. Paragon is therefore not required to include a financial statement or balance sheet with this brochure.

Paragon does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Paragon has not been the subject of any bankruptcy petition.

Privacy Policy

Paragon maintains a specific Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. Paragon collects nonpublic information about you from the following sources: information we receive from you verbally, on applications or other forms and information about your transactions with others or us.

We may have to share non-public client information with unaffiliated firms in order to service your account. Additionally, we may have to provide information about clients to regulatory agencies as required by law. Otherwise, Paragon will not disclose any client information to an unaffiliated entity unless a client has given express permission for us to do so.

Paragon is committed to protecting your privacy. We restrict access to clients' personal and account information to those employees who need to know the information. We also maintain physical, electronic and procedural safeguards that we believe comply with Federal standards to protect against threats to the safety and integrity of client records and information.