

Item 1 – Cover Page

Paragon Financial Advisors

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This brochure provides information about the qualifications and business practices of Paragon Financial Advisors. If you have any questions about the contents of this brochure, please contact us at (979) 693-3907 and/or sbuenger@paragon-adv.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Item 2 – Material Changes

The purpose of this page is to inform you of any material changes since the last annual update to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Paragon Financial Advisors reviews and updates our brochure at least annually to make sure that it remains current. We have made no material changes since the last annual update to this brochure, dated January 1, 2013.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting Sarah D. Buenger, Chief Compliance Officer, at (979) 693-3907 or sbuenger@paragon-adv.com.

Additional information about Paragon Financial Advisors is also available via the SEC’s website www.adviserinfo.sec.gov. The SEC’s website also provides information about any persons affiliated with Paragon Financial Advisors who are registered, or are required to be registered, as investment adviser representatives of Paragon Financial Advisors.

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Item 4 – Advisory Business

About Paragon Financial Advisors

Paragon Advisors, LLC is a limited liability corporation formed in 2007 in the state of Texas. In 2011, Paragon Advisors, LLC began doing business as Paragon Financial Advisors. The principal owners of the firm are William Jene Tebeaux, David W. Hailey and Sarah D. Buenger. The major decisions of a strategic and administrative nature for the firm are undertaken by Mr. Tebeaux, Mr. Hailey and Mrs. Buenger.

This narrative brochure provides clients with information regarding Paragon Financial Advisors (Paragon) and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of Paragon.

Prior to engaging Paragon to provide services, clients are generally required to enter into an agreement with Paragon and set the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee due from the client prior to Paragon beginning services. If requested by the client, Paragon may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and may accept or reject any recommendation from Paragon. If a client engages recommended professional, and a dispute arises thereafter relative to the engagement, the client agrees to seek recourse exclusively from and against the engaged professional. It remains the client’s responsibility to promptly notify Paragon if the client’s financial situation or investment objectives change for the purpose of reviewing/evaluation/revising Paragon’s previous recommendations and/or services.

Financial Planning and Consulting Services

Paragon engages in broad-based financial planning services. Paragon’s advice will typically provide a variety of services, principally advisory, to clients regarding management of their financial resources based upon analysis of their individual needs. The process typically begins with an initial complementary consultation. During or after the initial consultation, if the client decides to engage Paragon for financial planning services, pertinent information about the client’s personal and financial circumstances and objectives is collected. Financial planning clients may also be required to complete investment related questionnaires and/or risk tolerance as part of the information gathering process. As required, Paragon will conduct follow-up interviews for the purpose of reviewing and/or collecting financial data. Once such information has been studied and analyzed, a written financial plan – designed to achieve the client’s expressed financial goals and objectives – will be produced and presented to the client.

Some clients may require advice only on a single aspect of the management of their financial resources. For these clients, Paragon offers financial plans in a modular format and/or hourly consulting services that address only those specific areas of interest or concern, depending on each client's unique circumstances. Clients who engage Paragon on an hourly consulting basis will not receive a written plan.

To the extent requested by the client, financial planning advice may be rendered in the areas of business planning, retirement planning, financial planning, personal tax and cash flow planning, estate planning, risk management, divorce planning, college planning, and compensation and benefits planning, among others.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to Paragon. Clients are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. Past performance no way indicates future performance. Paragon cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives, or needs change, the client must notify Paragon promptly.

Portfolio Management Services

If requested by the client, Paragon may provide continuous discretionary asset management and investment supervisory services. Subject to any written guidelines, which the client may provide, Paragon will be granted discretion and authority to manage the account. Accordingly, Paragon is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include making all investment decisions on the (a) securities purchased/sold; (b) the amount of securities to be purchased/sold; (c) selection of the broker or dealer to execute the transaction(s), and (d) the commission rates to be paid. Once the portfolio is constructed, Paragon provides ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

Clients with over \$750,000 in assets may elect to participate in Paragon's Active Investment Program. Services include access to Paragon Stock Portfolio and participation in the Active Option Strategy.

After consultation with Paragon, clients may impose restrictions on investing in certain securities or types of securities. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments. In either case, all restrictions must be in writing.

Selection of Other Advisers (Managed Assets Program)

As part of its advisory services, Paragon will offer its clients access to a network of third-party investment advisers (“sub-advisers”) to manage a portion of or their entire portfolio. All sub-advisers to whom Paragon refers its clients must be a registered investment adviser with the Securities and Exchange Commission or other appropriate jurisdiction.

After gathering information about a client’s financial situation and investment objectives, a representative of Paragon may assist the client in selecting a particular third-party adviser and/or program. In addition to evaluating and recommending sub-advisers to clients, Paragon will review reports provided to the client by sub-advisers. Paragon also will contact the client periodically to review the client’s financial situation and objectives, communicate information to the sub-adviser as warranted, and assist the client in understanding and evaluating the services provided by the sub-adviser. Clients are reminded to promptly notify Paragon of any material change in their financial situation, investment objectives, or account restrictions.

At the time of the referral, Paragon or the sub-adviser(s) will deliver the sub-adviser’s full disclosure that includes detailed information on the services offered and other pertinent disclosures by delivery of a copy of the relevant sub-adviser’s Part 2 of Form ADV or equivalent disclosure documents. In addition, if the investment program recommended to a client is a wrap fee program, the client will also receive from Paragon or the sub-advisor(s) the equivalent wrap fee brochure provided by the sponsor of the program. Paragon will provide each client with all appropriate disclosure statements, including disclosure of fees paid to Paragon, its representative’s, and the sub-advisers.

Trade Error Policy

Should they occur, losses resulting from Paragon’s trade errors shall be reimbursed by either Paragon or the custodian depending on the dollar amount. Any gains will be donated to a local charity.

Client Obligations

In performing its services, Paragon is not required to verify any information received from the client or from the client’s other professionals. Moreover, each client is advised that he or she must promptly notify Paragon if any change occurs in the client’s financial situation or investment objectives during the client engagement.

Disclosure Statement

A copy of Paragon’s written brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the any client agreement. Any client who has not received a copy of Paragon’s written Brochure at least 48 hours prior to executing the Advisory Agreement shall have five business days subsequent to executing the agreement to terminate the Paragon’s services without penalty.

Non-Participation in Wrap Fee Programs

Paragon, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment supervisory services (these may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

Amount of Assets Under Management

As of December 31, 2013, Paragon provided advice on approximately \$174.5 million in assets. Of these assets under management, approximately \$173.6 million is managed on a discretionary basis and \$869,543 is managed on a non-discretionary basis.

Our Policy on Class Action Lawsuits

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Paragon has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client’s eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Paragon has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Paragon receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.

Item 5 – Fees and Compensation

Financial Planning

Paragon utilizes the following financial planning/consulting fee schedule:

- **Fixed Fees:** Fixed fees for financial planning generally range between \$250 and \$5,000 depending on the scope and complexity of the contracted services.
- **Hourly Fees:** Typically, the Firm charges an hourly fee of \$175.00 depending on the scope and complexity of the contracted services. For hourly consulting services, the fee is due and payable upon completion of the consultation.

When the scope of the financial planning services has been agreed upon, a determination will be made as to applicable fee, and an estimate will be provided to the client. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or services requested. *In limited circumstances*, the cost/time could potentially exceed the initial estimate. In such cases, Paragon will notify the client and may request that the client pay an additional fee.

Generally, Paragon will require that the client pay an initial retainer of 50% of the estimated financial planning in advance of any services rendered. The remaining balance is invoiced and payable upon completion of the services and/or presentation of the written plan, if applicable. Under no circumstance will Paragon require prepayment of more than \$1,200 per client or more than six months in advance.

However, at Paragon's discretion, other fees and fee payment arrangements may be negotiated. For those clients participating in Paragon's investment management services, Paragon may - in its sole discretion - offset the cost of financial planning services. For these clients there will be no additional charge for normal planning services over and above the investment management fee. The fees and terms of the financial planning services will be clearly set forth in the client agreement executed between the client and Paragon.

Clients may act on Paragon's recommendations by placing securities transactions with any brokerage firm the client chooses. The client is under no obligation to act on Paragon's financial planning recommendations. Moreover, if the client elects to act on any of the recommendations, the client is under no obligation to implement the financial plan through Paragon.

Investment Supervisory Management

The annual fee for portfolio management services is billed quarterly in arrears and based on the market value of client assets on the last day of the quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter. On an annualized basis, Paragon's fees for ongoing portfolio management services, subject to negotiation, are based on the following tiered fee schedule:

<u>Portfolio Size</u>	<u>Annualized Fee*</u>
First \$500,000	1.20%
\$500,001 to \$1,000,000	1.00%
\$1,000,001 to \$2,000,000	0.90%
\$2,000,001 to \$4,000,000	0.80%
Over \$4,000,000	0.65%

*Client accounts may be aggregated for fee calculations. Paragon may impose a minimum \$4,000 annual fee or \$1,000 per quarter on portfolios with asset values under \$500,000.

Clients with over \$750,000 in assets that have elected to participate in Paragon's Active Investment Program are charged the Active Investment Fee instead of the base fee. The Active Investment Fee is calculated on all stocks and options and are based on the following tiered fee schedule:

<u>Portfolio Size</u>	<u>Annualized Fee*</u>
First \$500,000	1.70%
\$500,001 to \$1,000,000	1.45%
\$1,000,001 to \$2,000,000	1.30%
\$2,000,001 to \$4,000,000	1.15%
Over \$4,000,000	0.95%

Payment for management fees will be made by the qualified custodian holding the client's funds and securities provided the client provides written authorization permitting the fees to be paid directly from the client's account. Paragon will not have access to client funds for payment of fees without client consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the client showing all disbursements from the account. The client is encouraged to review their account statements for accuracy. Paragon will receive a duplicate copy of the statement that was delivered to the client. Alternatively, Paragon may invoice clients directly for portfolio management fees. When clients are billed directly, payment is due upon receipt of Paragon's invoice.

Sub-Adviser Fees

Fees paid by the client to the sub-adviser are established and payable in accordance with the Form ADV Part 2 or other equivalent disclosure document provided by each sub-adviser to whom the client is referred.

On an annualized basis, Paragon’s fee for this service can range from 0.50% to 1.20% of the assets that are sub-managed under this program. Provided the client provides written authorization permitting the fees to be paid directly from their account, Paragon’s fees will be deducted by the broker-dealer/custodian from the client account. Such fees will be assessed quarterly in arrears based on the market value of client assets on the last day of the quarter. Paragon’s fees are separate and distinct from the fees charged by the selected sub-advisers. Clients should review the selected sub-adviser’s Form ADV Part 2 and take into consideration the sub-adviser’s fees along with Paragon’s fees to determine the total amount of fees associated with this program.

Clients are generally required to sign an agreement directly with sub-advisers. The client, Paragon, or the sub-adviser, in accordance with the provisions of those agreements, may terminate the advisory relationship. If the sub-adviser is compensated in advance, the client will typically receive a pro rata refund of any prepaid advisory fees upon termination of an advisory agreement.

General Information Regarding Advisory Services and Fees

Paragon does not represent, warrant, or imply that the services or methods of analysis used by Paragon can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections.

Advice offered by Paragon may involve investments in mutual funds. All fees paid to Paragon for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, as described in each fund’s prospectus. These fees will generally include a management fee and other fund expenses. Further, transaction charges may be applicable when purchasing and selling securities. Paragon does not share in any portion of the brokerage fees and/or transaction charges imposed by the broker-dealer/custodian holding the client funds or securities. Clients should review all fees charged by mutual funds, Paragon, and others to fully understand the total amount of fees to be paid by the client.

Clients may also incur “account termination fees” upon the transfer of an account from one brokerage firm (broker-dealer/custodian) to another. The range for these account termination fees is believed to range generally from \$0 to \$250 at present, but at times may be much higher.

Clients should contact their custodians (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees that may be charged and deducted from their accounts for any existing accounts which may be transferred.

Such charges, fees and commissions are exclusive of and in addition to Paragon’s fee, and Paragon does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

The vast majority of our clients pay Paragon’s fees based upon a percentage of the assets upon which we advise. This common form of compensation for registered investment supervisory firms avoids the multiple inherent conflicts of interest associated with commission-based compensation. (Paragon does not accept commission-based compensation of any nature, nor does Paragon accept 12b-1 fees.)

Asset-advised-upon percentage method of compensation can still at times lead to conflicts of interest between Paragon and the client as to the advice provided. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.), and the amount of funds to place in non-managed cash reserve accounts. We have adopted internal policies to properly manage these and other potential conflicts of interest. Our goal is that our advice to you remains at all times in your best interest.

Termination

The client may terminate any new agreement without penalty by providing written notice of such cancellation to Paragon within five (5) business days of the date of signing the agreement. Following the five-day cancellation period, the first periods’ fee is not refundable due to the large volume of initial work to be undertaken by Paragon. Thereafter, either party may terminate the agreement without penalty upon notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Upon the termination of the agreement, Paragon will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client’s account.

The agreement for Portfolio Management will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*.

Except as discussed in Item 4, the agreement for *Hourly Financial Planning* terminates upon delivery of the plan.

Paragon believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Paragon. In that case, the client would not receive the services provided by Paragon which are designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Also, some of the funds used by the firm may not be available to the client directly without the use of an investment adviser granted access to such funds.

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

Item 6 is not applicable to Paragon. Paragon does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Such acceptance or management would pose a significant conflict of interest to our clients because performance-based fees may provide an incentive to favor such accounts over the accounts of clients under our other advisory programs. Paragon considers avoidance of such conflict a paramount policy in maintain our fiduciary duty to our clients.

Item 7 – Types of Clients

Paragon Financial Advisors offers personalized investment supervisory services to individuals, high net worth individuals, pensions or profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Client relationships vary in scope and length of service.

Required Minimum Client Accounts

Paragon, in its discretion, may agree to accept a minimum account size below Paragon’s \$500,000 minimum. In such cases for portfolio management services, Paragon may impose a minimum annual fee of \$4,000 or \$1,000 per quarter for portfolios under \$500,000. Paragon, in its sole discretion, may waive this minimum.

For financial planning clients, there is no minimum fee.

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

Before designing investment plans for clients, Paragon will evaluate the client’s investments to determine whether the client’s assets harmonize with the client’s financial objectives. In designing investment plans for clients, Paragon relies upon the information supplied by the client and other advisors of the client. Such information may pertain to the client’s financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. Paragon will design and propose a portfolio to help clients attain their financial goals.

This information will become the basis for the strategic asset allocation plan which Paragon believes will best meet the client’s stated long term personal financial goals. The strategic asset allocation provides for investments in those asset classes that Paragon believes (based on historical data and Paragon’s analysis) will possess attractive combinations of return, risk, and correlation over the long term.

When Paragon invests client assets, asset allocation techniques are used which include mutual funds that invest in stocks and bonds of varying characteristics and from both the United States and foreign markets. Paragon invests for the long term and expects that not all investments in a given portfolio will perform in unison with other assets in the same portfolio. Paragon does not systematically re-balance the portfolio on a regular basis, but monitors each portfolio’s asset allocation to make adjustments where appropriate. Paragon’s portfolio management decisions are made considering only the assets being managed and not with regards to other investments the client may hold.

Paragon may also provide advice on any type of investment held in a client’s portfolio at the inception of the advisory relationship. Paragon will explore other investment options at the client’s request. Additionally, Paragon reserves the right to advise clients on any other type of investment that it deems appropriate based on the client’s stated goals and objectives.

When investment markets are experiencing extraordinary circumstances, Paragon may decide to move the assets in a client’s account to cash and then resume asset allocation at a future time.

Paragon may utilize fundamental analysis. Fundamental analysis is performed on historical and present data, with the goal of making better financial decisions. The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources that the firm may use include Morningstar mutual fund information, Morningstar stock information, Morningstar Office, Bloomberg research, TD Ameritrade research, World Wide Web, and other resources that may be deemed relevant.

Investment Strategies

The primary investment strategy used on client accounts seeks to maximize return at a given level of risk. Paragon develops a diversified investment portfolio by mixing different assets in varying proportions depending on client and current economic climate. The primary purpose of Asset Allocation is to reduce the risk in the portfolio, while maintaining or enhancing the rate of return of the portfolio. Portfolios are globally diversified to control the risk associated with traditional markets.

Each client receives investment advice regarding their portfolio based upon his or her:

- Time Horizon
- Risk Tolerance
- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes include, but are not limited to, the following:

- Mutual funds
- Stocks
- Bonds
- Exchange Traded Funds
- Certificates of Deposit
- Variable Annuities
- Options

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Paragon’s methods of analysis and investment strategies do not present any significant or unusual risks other than those associated with the financial markets.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Paragon must have access to current/new market information. Paragon has no control over the distribution rate of market information. An accurate market analysis can only produce a

forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Paragon recognizes, and clients should understand, that some investment strategies are more suitable to certain time frames than other investments. Longer term investment strategies require a longer investment horizon to allow for the strategy to have full potential to develop. Shorter term investment strategies require a shorter time horizon for potential development; however, as a result of more frequent trading, they may incur higher transaction costs when compared to a longer term investment strategy.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Paragon’s investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest-rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the values of bonds generally decrease. When interest rates decrease, the values of bonds generally increase.

Market Risk: The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases; most stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment’s income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time, in an inflationary environment. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, may decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They may include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Sovereign/Political Risk: The risk that the political system of a government or a nation changes. For example, a sovereign nation may refuse to honor its debts and/or nationalizes its currency.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and sovereign risk; junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of (or guaranteed by) a bank or any other entity, so they may lose value.

Different types of investments involve varying degrees of risk, and the client should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by Paragon) will be profitable or equal to any specific performance level(s).

Item 9 – Disciplinary Information

Paragon has no reportable legal or disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Paragon, nor its representatives, are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Paragon, nor its representatives, are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Paragon participates in TD Ameritrade’s institutional customer program and Paragon may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Paragon’s participation in the program and the investment advice it gives to its clients, although Paragon receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits are discussed in Item 12 below.

Item 11 – Code of Ethics

Paragon has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Paragon must acknowledge the terms of the Code of Ethics annually, or as amended.

Paragon anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Paragon has management authority to effect, and will recommend to investment supervisory clients or prospective clients, the purchase or sale of securities in which Paragon, its affiliates and/or clients, directly or indirectly, have a position of interest. Paragon's employees and persons associated with Paragon are required to follow Paragon's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Paragon and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for Paragon's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Paragon will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Paragon's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Paragon and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Paragon's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Paragon will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order.

Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Paragon’s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Sarah D. Buenger at (979) 693-3907 or sbuenger@paragon-adv.com.

It is Paragon’s policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Paragon will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

Use of Brokerage Firms (Custodians)

In the event that the client requests that Paragon recommend a broker dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Paragon to use a specific broker-dealer/custodian), Paragon generally recommends TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SEPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. Prior to engaging Paragon to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Paragon setting forth the terms and conditions under which Paragon shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Paragon considers in recommending TD Ameritrade (or any other broker-dealer/custodian to clients) include historical relationship with Paragon, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Paragon's clients shall comply with the Paragon's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Paragon determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Paragon will seek competitive rates, it may not necessarily obtain the lowest possible commission or transaction rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Paragon's investment management fee. Paragon's best execution responsibility is satisfied if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Paragon may receive from TD Ameritrade (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, some of which assist Paragon to better monitor and service client accounts maintained at such institutions. Included within the support services that may be

obtained by Paragon are investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Paragon in furtherance of its investment supervisory business operations.

As indicated above, some of the support services and/or products that *may* be received may assist Paragon in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Paragon to manage and further develop its business enterprise.

Paragon’s clients do not pay more for investment transactions effected and/or assets maintained at TD Ameritrade as a result of this arrangement. There is no corresponding commitment made by Paragon to TD Ameritrade or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Paragon’s Chief Compliance Officer, Sarah D. Buenger, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

As discussed in Item 10, Paragon participates in the TD Ameritrade Institutional customer program. As a result, Paragon may receive referrals from TD Ameritrade.

Aggregation of Client Trades

To the extent that Paragon provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Paragon decides to purchase or sell the same securities for several clients at approximately the same time. Paragon may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Paragon’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Paragon shall not receive any additional compensation or remuneration as a result of such aggregation.

TD Ameritrade provides the clients with consolidated statements. Paragon’s employees are not registered representatives of TD Ameritrade and do not receive any commissions or fees from recommending these services.

Directed Brokerage

Some clients may instruct Paragon to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct Paragon to use a particular broker should understand that this may prevent Paragon from effectively negotiating brokerage compensation on the client’s behalf. This arrangement may also prevent Paragon from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that Paragon would otherwise obtain for its clients. Clients are encouraged to discuss available alternatives with their advisory representative.

Item 13 – Review of Accounts

Review of Accounts

For those clients to whom Paragon provides investment management supervisory services, account reviews will be conducted on an ongoing basis by William Jene Tebeaux, David W. Hailey or Sarah Buenger. All investment supervisory clients are advised that it remains their responsibility to advise Paragon of any changes in their investment objectives and/or financial situation, or if they wish to impose any reasonable restrictions on Paragon’s discretionary management services. All clients (in person or electronically) are encouraged to review investment objectives and account performance with Paragon on an annual basis.

Paragon may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event such as a market correction, large deposits or withdrawals from an account, substantial changes in the value of a client’s portfolio, change in the client’s investment objectives and client request.

Reports to Clients

The account custodian provides trade confirmation and monthly statements to clients. For those clients to whom Paragon provides investment supervisory services, they may receive investment tax reports on an annual basis and performance reports periodically, unless otherwise agreed upon with the client. Additional reports are available and will be provided on an ad hoc basis.

Item 14 – Client Referrals and Other Compensation

As referenced in Item 12 above, Paragon may receive an indirect economic benefit from TD Ameritrade. Paragon, without cost (and/or at a discount), may receive support services and/or products from TD Ameritrade.

Non-employee (outside) consultants, individuals and/or entities, who are directly responsible for bringing a client to Paragon, may receive compensation from Paragon. Such arrangements will comply with the requirements set forth in Rule 206(4)-3 of the Investment Advisers Act of 1940, including the requirement that the relationship between the solicitor and the investment adviser be disclosed to the client at the time of the solicitation or referral. Under these arrangements, the client does not pay higher fees than Paragon’s normal/typical advisory fees.

Item 15 – Custody

With a client’s consent, Paragon may be provided with the authority to seek deduction of Paragon’s fees from a client’s accounts; this process generally is more efficient for both the client and the investment adviser, and there may be tax benefits for the client to this method when fees can be paid from certain tax-deferred accounts of clients. The account custodian does not verify the accuracy of Paragon’s advisory fee calculation.

All clients receive account statements directly from qualified custodians, such as a bank or broker dealer that maintains those assets. The client should carefully review these account statements, and compare them to any other reports provided by Paragon. Statements provided by Paragon may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. We urge all of our clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact us with any questions.

Item 16 – Investment Discretion

Paragon usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to Paragon assuming discretionary authority over a client’s account, the client shall be required to execute an *Investment Advisory Agreement*, granting Paragon full authority to buy, sell, or otherwise affect investment transactions. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows Paragon to perform trades in the client’s account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, Paragon provides ongoing supervision and re-balancing of the portfolio as changes in market conditions and client circumstances may require.

Paragon seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage Paragon on a discretionary basis may, at any time, impose restrictions, in writing, on Paragon’s discretionary authority (i.e. limit the types/amounts of particular securities purchase for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Paragon’s use of margin, etc.).

Item 17 – Voting Client Securities

Paragon will not vote proxies on behalf of advisory clients’ accounts. Although, on rare occasions and only at the client’s request, the Paragon may offer clients advice regarding corporate actions and the exercise of proxy voting rights.

Clients will receive their proxies or other solicitations directly from their broker-dealer/custodian.

Item 18 – Financial Information

Paragon is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Paragon has never been the subject of a bankruptcy proceeding.

Paragon does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance.