



**Item 1 Cover Page**

**Paragon Capital Management Corp.  
Form ADV Part 2A  
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This Disclosure Brochure provides information about the qualifications and business practices of Paragon Capital Management Corp. ("PCM" CRD# 107486). If you have any questions about the contents of this Disclosure Brochure, please contact us at (631) 863-2700. The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about PCM is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

PCM is a registered investment adviser; registration does not imply a certain level of skill or training.

Updated: March 5, 2015

REGISTERED INVESTMENT ADVISOR

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## **Item 2 Material Changes**

There have been changes to this Disclosure Brochure that we are required to disclose to Clients. These material changes include:

Walter Wisniewski and Susan Wisniewski no longer offer insurance products to clients of Paragon. Please see Item 10 for more details about the other activities and affiliations of Paragon and its investment advisor representatives.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Arcadia.

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 Advisory Business**

The Corporation, Paragon Capital Management Corp., ("PCM") is an investment adviser registered with the Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940. PCM provides services in two broad categories: financial planning services and investment management/advisory services. Walter F. Wisniewski, Jr., CFP<sup>TM</sup> is the founder, CEO, sole principal owner and President of Paragon Capital Management since inception in 1991.

PCM provides specialized investment management services, investing the assets of the client's investment portfolio by selecting mutual funds and individual securities. A client's investment portfolio is constructed from the client's goals, objectives and risk tolerance. PCM provides investment consultation services; investment selection and monitoring of mutual fund portfolios, and assists the client in implementing a strategy for the clients' overall investment objectives. From time to time, PCM may make changes in the selection or allocation of investment alternatives. This may be done on a discretionary or non-discretionary basis depending on the agreement with the client. The investments selected by PCM predominately include Dimensional Fund Advisors ("DFA") and Schwab One-Source mutual funds, and PCM implements a long-term investment strategy which has been designed to result in low investment turnover.

PCM offers financial and retirement planning to its clients. Financial planning addresses the following areas: retirement, college education, and other goal funding; income tax planning; life, disability, long-term care, homeowners and automobile insurance; and estate planning.

Clients of PCM can also receive investment advice on a more limited basis. This may include advice on certain areas of interest or need such as estate planning, retirement, 401(k) or 403(b) investment allocations or any other specific topic.

Client assets are managed on both a discretionary and non-discretionary basis. At the inception of each client relationship or upon request, PCM will document any client requested restrictions to be applied to the management of their account.

Assets under management as of December 31, 2014 (rounded to the nearest \$1,000):

Discretionary: \$21,236,000  
Non-Discretionary: \$5,711,000  
Total Managed: \$26,947,000

#### **Item 5 Fees and Compensation**

PCM is a fee-only advisor. In other words, PCM receives compensation exclusively from its clients, and does not receive commissions or referral fees from any product or service providers.

For discretionary and non-discretionary investment management services, PCM's fees are based on a percentage of assets under management. Fees for Investment Management Services are negotiable and currently range from 0.50% to 2.50% percent per year based on assets under management and the complexity and needs of the account. Financial planning services will be provided at an hourly rate of \$250 per hour.

For certain clients, PCM charges the advisory fee on the market value of some unmanaged securities as well as the value of some non-securities that are custodied in client accounts.

Fees are calculated in arrears for the majority of PCM's client accounts based on the market value of the managed assets on the last day of each client billing quarter. The first quarterly fee will be the end of the third month after investment advisory or financial planning services are provided to the client.

Clients generally authorize the custodian to debit the advisory fee from the account and pay it to PCM. Occasionally, PCM will ask a client to pay the fee directly. PCM will send the client an invoice showing the amount of the fee, the value of the client's assets on which the invoice was based, and the specific manner in which the

advisory fee was calculated. PCM sends this invoice to the client at the same time as it sends the custodian instructions to debit the client's account. The custodian sends a statement to the client, at least quarterly, indicating any amounts disbursed from the account, including the amount of any advisory fee paid to PCM.

PCM's fees exclude brokerage commissions and custodial fees. In addition, all fees paid to PCM for investment advisory services are separate from the fees and expenses charged to shareholders by a mutual fund company. A complete explanation of the expenses charged by the mutual fund is contained in each fund's prospectus. Further information addressing PCM's brokerage practices is disclosed in Item 12 of this brochure.

Investment management services may be terminated upon 30 days written notice by either the client or PCM. Upon notice provided to PCM, unearned fees paid in advance to PCM will be ratably refunded. Clients may terminate the Advisory relationship during the first 5 days at no cost to the client.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

PCM does not charge any performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of clients' assets.

PCM does not do any Side-by-Side management. Side-by-Side Management refers to managing some accounts that are charged a performance-based fee, and others that are charged an asset-based fee.

## **Item 7 Types of Clients**

PCM offers investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations.

PCM's ideal clients are individuals and families with investment assets between \$1 million to \$10 million.

PCM generally requires a minimum account size of \$500,000 in assets under management. While PCM's minimum account size are typically not negotiable, under varying circumstances one or both may be negotiated.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

PCM uses globally diversified and balanced portfolios. PCM's basic philosophy is that the markets are efficient, and that it is not possible to outperform the market by making forecasts. Therefore, PCM does not choose individual securities that will outperform the market, nor does PCM forecast when the markets are going to go up or down, or which asset classes are likely to outperform other asset classes. PCM believes this approach typically leads to a tax-efficient, low-turnover portfolio.

Equity mutual funds are selected in the following asset classes: US Stocks, International Stocks, Emerging Markets Stocks, and Real Estate Stocks. Generally, the equity portion of the portfolio is small company-tilted and value-tilted, as based on the academic research of Eugene Fama, Kenneth French and others.

Fixed income securities and fixed income mutual funds are selected in the following asset classes: Short-Term Bonds, Intermediate-Term Bonds. Bonds should have high quality (rated BBB or above). Foreign bond mutual funds typically have the currency hedged to the US dollar.

Where possible, PCM uses the mutual funds of Dimensional Fund Advisors ("DFA"), a firm with a similar investment philosophy. The purchase and sale of each DFA mutual fund incurs a Charles Schwab transaction fee, thus using a low-turnover strategy also provides low fees for the client.

However, smaller accounts (generally under \$70,000) are too small to diversify in all of the asset classes using the transaction fee funds in a cost-effective manner. Therefore, PCM chooses Schwab One Source funds that have no

transaction fees in the above asset classes. These funds are selected using the following criteria: passive (index) funds if possible, a history of no style drift, low expense ratio, low turnover, low (\$1) minimum purchase, and historic returns similar to the index return.

PCM believes that portfolios must be monitored regularly, and rebalanced when allocations have changed enough to significantly affect the targeted risk exposure of that portfolio.

While PCM employs all of these investment methodologies in an attempt to optimize the risk-adjusted returns of client portfolios, risk can never be eliminated. Investing in securities, including mutual funds, always involves risk of loss which clients should expect to bear. Specifically, client portfolios are exposed to the following primary risks.

- **Market Risk** – Economic, political, and issuer-specific events may cause the value of securities to rise or fall.
- **Small Company Risk** – Securities of small companies are often less liquid than those of large companies. As a result, small company stocks may fluctuate relatively more in price.
- **Foreign Securities and Currencies Risk** – Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments, and/or because of less regulated or less liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency may fluctuate in value against the U.S. dollar).
- **Emerging Markets Risk** – Numerous emerging market countries have experienced serious economic and political problems. Stock markets in many emerging market countries are relatively small, expensive to trade and risky. Foreigners are sometimes limited in their ability to invest in, and withdraw assets from these markets.
- **Credit Risk** – Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value.
- **Interest Rate Risk** – Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. In general, fixed income securities with longer maturities are more sensitive to these price changes.
- **Income Risk** – Income risk is the potential for a decline in the fund's income due to falling interest rates.
- **Inflation Risk** – Inflation risk, also called purchasing power risk, is the chance that the cash flow from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

## **Item 9      Disciplinary Information**

There have been no criminal or civil investment-related actions against PCM or any of its principals or employees, nor has it or any of its principals or employees been the subject of any violation of an investment-related statute or regulation. There also have been no administrative proceedings before the SEC or any other federal, state, or foreign regulatory authority causing PCM or any of its principals or employees to be denied authorization to act in any investment-related business or activity.

## **Item 10      Other Financial Industry Activities and Affiliations**

PCM is an independent investment advisory firm.

PCM is under common control with its affiliated SEC registered investment adviser, Arcadia Wealth Management, Corp. ("Arcadia" CRD# 165504). Certain principals and Supervised Persons of PCM also serve in the same or

similar capacity for Arcadia. PCM's principal place of business is the same as that of Arcadia. PCM may refer current or prospective clients to Arcadia for investment management services. Both PCM and Arcadia currently utilize open-end mutual funds to implement the investment recommendations for clients at both firms. Therefore, PCM and Arcadia do not currently have a conflict with the allocation of investment opportunities, or the placement and aggregation of orders. Discretionary purchases and sales of mutual funds for clients of both Arcadia and PCM will be completed on the same day with each client receiving the same price established after the market close on a daily basis. Should PCM identify any potential conflicts related to the placement of orders on behalf of clients of PCM and Arcadia, PCM will implement procedures to ensure all client transactions are placed in fair and equitable manner.

PCM is not a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading adviser and there are no principals or employees who are registered representatives of any of these types of firms. PCM does not have any relationships or arrangements that could create a material conflict of interest for clients with any of the following: broker-dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle, other investment advisor or financial planner, futures commission merchant, commodity pool operator, or other commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, sponsor or syndicator of limited partnerships.

Mr. Lee Slater, who currently serves as employee of PCM also serves in the role of tax preparer with Popular Tax. Mr. Slater spends approximately 95% of his time fulfilling his duties with Popular Tax. Neither PCM nor its employee's receive compensation of any kind for potential referrals to Popular Tax and the services provided by Popular Tax are separate and distinct from the advisory services provided by PCM.

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

To avoid any potential conflicts of interest involving personal trades, PCM has adopted a Code of Ethics (the "Code"), which includes a formal code of ethics and insider trading policies and procedures. PCM's Code requires, among other things, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of PCM above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

PCM's Code also requires Employees to report personal securities transactions on at least a quarterly basis, and provide PCM with a detailed summary of certain holdings (at the start of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

If PCM ever recommends a security in which it, or its principals, or employees buy and/or sell for themselves, PCM will ensure that the price paid or received by its advisory clients for any investment shall not be affected by a buying or selling interest on the part of PCM or its principals or employees, or otherwise result in an inappropriate advantage to PCM or its principals or employees.

A copy of PCM's Code shall be provided to any client or prospective client upon request.

## **Item 12 Brokerage Practices**

PCM uses Charles Schwab & Co. ("Schwab") for substantially all of its client's brokerage transactions. In addition to brokerage services, Schwab provides PCM's clients with valuable custodial, recordkeeping and research services. PCM, on a periodic and systematic basis, reviews its brokerage relationship with its broker-dealers to ensure that it is fulfilling its fiduciary duty to seek best execution on client transactions.

Research provided by Schwab may include furnishing advice, either directly or through publications or writings, as to the value of securities, the advisability of purchasing or selling specific securities and the availability of purchasers or sellers of securities; furnishing seminars, information, analyses and reports concerning issuers, industries, securities, trading markets and methods, legislative developments, changes in accounting practices, economic factors and trends and portfolio strategy; access to research analysts, corporate management personnel, industry experts, economists and government officials; comparative performance evaluation and technical measurement services and quotation services; and products and other services (such as third party publications, reports and analyses, and computer and electronic access, equipment, software, information and accessories that deliver, process or otherwise use information, including the research described above) that assist the registrant in carrying out its responsibilities. Research received from brokers or dealers is supplemental to PCM's own research efforts.

PCM does not enter into agreements with brokers regarding specific amounts of brokerage as a result of the research provided. However, the commission rates generally paid by PCM's discretionary clients sufficiently allow executing brokers to provide PCM with fairly full array of normal research services. This may include information and products regarding the receipt of duplicate trade confirmations and account statements, trading desk access, the ability to aggregate clients' securities transactions, the ability to directly debit advisory fees from clients' accounts, receipt of compliance publications, access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors, access to research analysts and attendance at research seminars

PCM believes that it would obtain the research and other products and services provided by Schwab regardless of the amount of commissions it generates throughout the year.

## **Item 13 Review of Accounts**

PCM reviews all client accounts at a minimum of once per year and generally more often. The President or Senior Financial planner conducts each portfolio review. PCM also reviews an account whenever there is a contribution or a withdrawal, and whenever PCM's computerized monitoring system indicates that the total value of a client's stock market investments has moved away by more than a pre-determined amount from its targeted percentage of the portfolio.

PCM provides a written asset and allocation report to clients. These reports are given at periodic in-person review meetings, mailed or emailed before periodic phone reviews, or mailed to the client without a review. The frequency of the reviews varies based on an agreement with the client and in coordination with varying service levels based on the amount of investment assets, advisory fees, and complexity of planning.

Charles Schwab and/or other custodians also send the clients a confirmation of transactions, and a monthly or quarterly summary report of all transactions, holdings, contributions and withdrawals.

## **Item 14 Client Referrals and Other Compensation**

In certain circumstances, PCM will compensate professionals (attorneys, accountants, insurance agents, etc.) for client referrals. The client will be charged an amount that is in the range of charges by PCM for similar investment



advisory services. All clients acquired by solicitors will be given full, written disclosure describing the terms and fee arrangements between Advisor and solicitor. All solicitor agreements are in compliance with Rule 206 (4)-3 of the Investment Advisors Act of 1940. In addition, all Federal and State laws will be observed. Solicitors may also be paid an ongoing portion of the investment management fee charged to the client. All solicitors provide a copy of PCM's Form ADV Part 2 to any potential prospect.

#### **Item 15      Custody**

PCM does not have physical custody of client funds or securities. Currently, the only custodians used for clients' accounts are Charles Schwab and those being used by clients' employers as part of employer-sponsored plans, such as 401(k) and 403(b) accounts. When a client wants PCM to manage an employer-sponsored plan, he or she gives PCM a limited power of attorney to make transactions on his or her behalf in those accounts.

Walter F Wisniewski, Jr. acts as a trustee on some clients' irrevocable life insurance trusts. As trustee, Walter has limited custody of bank checking accounts owned by the life insurance trusts only to pay insurance premiums. The banks send a statement to the client, at least quarterly, indicating any amounts disbursed from the account.

#### **Item 16      Investment Discretion**

PCM provided investment advisory services on a discretionary basis and a non-discretionary basis.

For discretionary clients, the clients give PCM the authority to determine, without specific consent, the securities to be bought or sold, the amounts and timing of those transactions, and the broker-dealers or mutual fund custodians used to execute those trades. Clients may place restrictions on the types of investments in which PCM invests for their accounts.

The non-discretionary clients are typically 401(k) plans and their participants. Some 401(k) plans include "model portfolios" which determine which mutual funds should be used in which proportions.

#### **Item 17      Voting Client Securities**

Although PCM may have discretionary authority to make investment decisions on behalf of the client, PCM will not exercise proxy or class action voting authority over the client securities. The obligation to vote the client proxies and class actions will always remain with the client. The client shall in no way be prohibited from contacting PCM for advice or information about a particular proxy or class action vote. However, PCM shall not be deemed to have proxy or class action voting authority solely as a result of providing such advice to the client.

#### **Item 18      Financial Information**

PCM does not have any financial condition that is reasonable likely to impair its ability to meet contractual commitments to clients.