

Form ADV Part 2A  
**Investment Advisor Brochure**

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Firm Brochure, March 31, 2017

This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. 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. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

Additional information about our firm is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ***Item 2 - Material Changes***

Paragon Capital Management, Inc. is required to advise you of any material changes to our firm brochure from our last annual update.

Our last annual update of our Brochure was filed on March 31, 2016. Since the date of our last annual update to our Brochure, Paragon has made the following updates or changes:

In Item 4 Advisory Business and Item 6 Performance based fees and side-by-side management, Paragon Capital Management has added a new private investment fund, Paragon Income Fund, LP. See these items for further details.

In Item 15 Custody, language regarding the addition of the new private investment fund, Paragon Income Fund, LP was included as follows:

Paragon Capital Management, Inc. is deemed to have custody of Paragon Private Strategies Fund, LP's and Paragon Income Fund, LP's assets by virtue that Paragon has access to the Funds' securities and other funds. Qualified custodians of our Fund Clients may not send account statements directly to the limited partners or beneficial owners of our Fund Clients. Paragon oversees the preparation and distribution of reports and statements to each of our Fund Clients. Clients should carefully review each of these reports and statements and compare such statements with their own individual or personal records.

Our brochure may be requested by contacting our office at 801-375-2500 or [info@paragonwealth.com](mailto:info@paragonwealth.com).

Additional information about Paragon Capital Management may be found on the SEC's public disclosure website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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

### **Advisory Firm**

Paragon Capital Management, Inc., dba Paragon Wealth Management (PWM), has been providing investment advisory services since 1993. David A. Young, owner, is the founder and President and has been in the financial services industry since 1987.

### **Advisory Services**

Paragon Wealth Management offers investment supervisory services and financial planning to individuals and institutions. Investment management is provided on a discretionary and non-discretionary basis. Prospective clients are evaluated to determine each client's financial circumstances and investment objectives for compatibility to its investment plan. Each client's investment objectives are identified using a risk profile assessing risk tolerance based upon age, income, cash flow needs, investment goals and emotional tolerance for volatility. Information for the risk profile is collected through interviews and questionnaires after which the Advisor will recommend which investment strategies are suitable for the client's needs.

We construct client portfolios using exchange traded funds (ETFs), individual equities and may also invest in open and closed-end mutual funds, U.S. government securities, convertible securities, corporate and municipal bonds, and other securities when deemed appropriate. We retain broad and flexible investment authority, therefore, except as described above, there are not material limitations on the instruments or markets in which we may purchase or sell.

Paragon also manages Paragon Private Strategies Fund, LP, and Paragon Income Fund, LP, which are private investment funds, according to the investment objectives and guidelines set forth in each of the fund's offering memorandums. See Item 6 for further information on these funds.

Paragon Wealth Management provides financial planning consistent with the individual client's financial and tax status and risk/reward objectives. Planning may be comprehensive or segmented and focus on investments, insurance, taxes, and/or estate plans.

Paragon Wealth Management also provides asset allocation strategies based upon its proprietary asset allocation model to investment advisors who provide investment supervisory services.

Services are based on the individual needs of the client. An initial interview and data gathering questionnaire is undertaken to determine the client's financial situation and investment objectives and risk tolerance and to give the client the opportunity to impose reasonable restrictions on the management of the account. Clients may call in at any time during normal business hours to discuss the client's account, financial situation, or investment needs. Clients will receive from the custodian/brokerage firm timely confirmations and at least monthly statements containing a description of all transactions and all account activity. The client will retain rights of ownership of all securities and funds in the account to the same extent as if the client held the securities and funds outside the program. In addition to custodial statements, Paragon Wealth Management sends quarterly reports to the client.

As of December 31, 2016, Paragon Wealth Management has \$85,062,230 of assets under management on a discretionary basis, and \$9,859,108 of assets under management on a non-discretionary basis.

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

Fees for advisory services may be charged on a percentage of assets under management, hourly rate, fixed rate, or performance-based fee structure. See Item 6 for performance-based fees specifics. The fee schedule for assets under management is based on the total market value of assets under management:

### **Paragon Tactical Portfolios: (Managed Income, Blend, Top Flight, Annuities)**

Assets	Quarterly Fee
\$0 to \$500,000	.4625% (1.85% per year)
\$500,001 to 1,000,000	.375% (1.50% per year)
\$1,000,001 to 2,000,000	.3375% (1.35% per year)
Over \$2,000,000	.25% (1.00% per year)

### **Paragon Core Portfolios:**

Assets	Quarterly Fee
\$0 to \$2,000,000	.2375% (0.95% per year)
\$2,000,001 to 5,000,000	.225% (0.90% per year)
Over \$5,000,000	.2125% (0.85% per year)

### **Custom Bond Portfolios:**

Negotiable

### **Custom Equity Portfolios:**

Negotiable

The fees described above may be for multiple account management services. The management fee will be charged on a tiered basis within each general category. Fees are negotiable under limited circumstances and will be billed directly from the Client's brokerage account at the beginning of each quarter.

These fees are for advisory services only and do not include any transaction fees or commissions, which may be charged separately by the broker/dealer custodial firm. See the section heading Brokerage Practices for more information.

For advisory services the fee will be payable quarterly in advance based on the account valuation on the last business day of the preceding calendar quarter. The first payment is due and payable upon execution of the Agreement, and will be assessed pro-rata in the event the Agreement is executed other than the first day of the new calendar quarter. In any partial calendar quarter, the advisory fee will be pro-rated based upon the number of days that the Account was open during the quarter. Subsequent payments are due and will be assessed within the first two weeks of each calendar quarter based on the value of the portfolio as of the last day of the previous calendar quarter. Account assets invested in shares of mutual funds or other investment companies ("funds") will be included in calculating the value of the Account for purposes of computing PWM's fees and the same assets will also be subject to additional advisory and other fees and expenses, as set forth in the prospectuses of those funds, paid by the funds, but ultimately borne by the investor.

The Management Agreement may be terminated, without penalty, upon at least 10 days written notice by either party. Transactions in progress will be completed in the normal course of business. Upon termination, a client shall receive a pro-rata refund of that portion of any prepaid advisory fees that have

yet to be earned by PWM. Such refund will be calculated from the date of receipt of the written termination notice or other agreed upon date.

The custodian will provide monthly account statements to the client. Such statements will reflect all fee withdrawals by Paragon Wealth Management. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

In addition to fees paid for advisory services with respect to clients' investments in mutual funds/ETFs, clients pay additional fees on mutual fund/ETF investments because the mutual funds also pay advisory and/or management fees to an investment advisor.

The Advisory Agreement contains a pre-dispute arbitration clause. Client understands that the agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such a waiver would be void under the federal securities laws. Arbitration is final and binding on the parties.

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

Paragon manages Paragon Private Strategies Fund, LP and Paragon Income Fund, LP both of which are private investment funds, according to the investment objectives and guidelines set forth in the funds' offering memorandums. Paragon Capital Management, Inc. serves as the investment manager to Paragon Private Strategies Fund, LP and Paragon Income Fund, LP, both of which are Delaware limited partnerships. These privately offered funds pay Paragon a management fee of 1.5% per annum on all capital contributions or net asset values. In addition, with regards to the Paragon Private Strategies Fund, LP, Paragon is entitled to receive 15% of the returns in excess of investors' returned initial capital contributions and a preferred return.

Where fund investors pay for services by means of performance-based there is an incentive for Paragon to make investment that are riskier or more speculative than would be the case in the absence of the performance-based compensation.

Clients may be solicited by Paragon to invest in the funds. To the extent clients make an investment in the funds, Paragon will waive its advisory fees charged with respect to such assets. Paragon Private Strategies Fund and Paragon Income Fund invest in investments not available to Paragon's regular clients.

#### ***Item 7 - Types of Clients***

Paragon Wealth Management provides advisory services to individuals, pension and profit sharing plans and other ERISA accounts, trusts, estates, and business entities.

Generally the minimum account size is \$200,000 for individual and corporate clients.

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

Our investment strategies use proprietary quantitative models that seek to identify economic, valuation, monetary, market internal, and technical trends and conditions. These models determine the amount of market exposure the various portfolios will have at any point in time.

We seek to identify asset class and market sectors for investment by using fundamental analysis, technical analysis, and cyclical analysis.

- **Fundamental analysis** involves the analysis of financial statements, management and competitive advantages in order to determine value. The risk is that the market could fail to reach expectations of perceived value.
- **Technical analysis** involves the analysis of past market data in order to predict future prices. The risk is that future prices may not follow the previous patterns.
- **Cyclical analysis** involves the analysis of business and economic cycles to determine optimal conditions for the holding a security. The risk is that the cycles fail to develop in the same manner as in the past or at all.

While there is risk in all investments, some carry a greater degree of risk or higher costs. There is no guarantee that the investment strategy selected for the client will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. Our past performance is no guarantee of future results. Investing in securities involves the risk of loss that clients should be prepared to bear. Clients and investors in Paragon Private Strategies Fund, LP, should be prepared to bear loss, including loss of original investment.

We seek to manage risk at the portfolio level. Individual investments held within a client's portfolio may be expected to exhibit greater risk characteristics than the client's portfolio taken as a whole. We manage portfolio risk by periodically replacing and/or rebalancing individual investments within client portfolios.

By timing the buys and sells, we endeavor to control the risks. Timing the markets has its own set of risks including the potential for missing out on beneficial movements in price due to an error in timing. This could negatively affect the value of an investor's portfolio because of purchasing to high or selling too low.

There are tax consequences for short-term trading wherein capital gains are taxed as ordinary income. Our more active trading style can result in higher transaction costs that the client must bear.

Our investment style can be a non-diversified approach. In certain situations we may take concentrated positions in a variety of securities if considered appropriate. This may subject the portfolio to a higher level of volatility.

We construct client portfolios using exchange traded funds (ETFs), individual equities and may also invest in open and closed-end mutual funds, U.S. government securities, convertible securities, corporate and municipal bonds, and other securities when deemed appropriate. These securities are subject to market risk, individual company and sector risk, management and political risk, and will fluctuate in value. In certain situations we may take concentrated positions in a variety of securities if considered appropriate. In certain market conditions all or any portion of a client's account may be invested in cash or cash equivalent items, or in a different mix of securities than its initial asset allocation. We continually evaluate a broad range of new and existing securities and strategies. We retain broad and flexible investment authority, therefore, except as described above, there are not material limitations on the instruments or markets in which we may purchase or sell.

### ***Item 9 - Disciplinary Information***

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. Paragon Wealth Management does not have any disclosure items.

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

Paragon Wealth Management and IA Reps of the firm are not licensed as securities salespersons (“Registered Representatives”), insurance agents, futures commission merchants, commodity pool operators, or as a commodity trading advisor.

Paragon Wealth Management may exercise agreements with other Registered Investment Advisors and recommend other Advisors to clients. In such instances, Paragon Wealth Management may receive a portion of the account fee or commissions. In these instances, we will make available to the client a “Compensation Disclosure Statement” and the Investment Advisor Brochure for the other Advisor. The client is under no obligation to use the services of the other Advisor(s) recommended.

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

#### **Code of Ethics**

Paragon Wealth Management maintains a Code of Ethics. The Code of Ethics sets forth standards of conduct expected of advisory personnel; requires compliance with federal securities laws; and, addresses conflicts that arise from personal trading by advisory personnel. As a fiduciary, we are retained by our clients to manage parts of their financial affairs and to represent their interests in many matters. To that end, our Code of Ethics subjects all of our business dealings and employee actions to the highest ethical standards. Clients may request a copy of the Code of Ethics.

#### **Participation or Interest in Client Transactions**

Paragon Wealth Management does not intend to do any of the following:

- As principal, buy securities for itself from or sell securities it owns to any client.
- As a broker or agent, effect securities transactions for compensation for any client.
- As a broker or agent for any person other than a client, effect transactions in which client securities are sold to or bought from a brokerage customer.
- Recommend to clients that they buy or sell securities or investment products in which we or a related person has some financial interest.

#### **Personal Trading**

At times Paragon Wealth Management and/or its IA Reps may take positions in the same securities as clients, and we will try to avoid conflicts with clients. All transactions in non-exempt securities are required to be pre-cleared and in compliance with PWM’s Code of Ethics to ensure that there is no conflict of interest or insider trading. PWM shall not receive any preferential price for, or portion of, any securities acquired or disposed of on behalf of any client of PWM. Scalping (trading shortly ahead of clients) is prohibited. Employees are required to report personal securities transactions on a quarterly basis.

### ***Item 12 - Brokerage Practices***

#### **Selection or recommendation of broker/dealers**

Paragon Wealth Management requires that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. PWM is independently owned and operated and not affiliated with Schwab. Schwab provides PWM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so



long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab Institutional, is are not otherwise contingent upon PWM committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For PWM clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Paragon Wealth Management is not affiliated with Charles Schwab. IA Reps of our firm are not registered representatives of Charles Schwab and do not receive any commissions or fees from recommending these services.

### Soft Dollar Practices

Charles Schwab also makes available to PWM other products and services that benefit PWM but may not benefit its clients' accounts. Some of these other products and services assist PWM in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of PWM fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of PWM accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to PWM other services intended to help PWM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to PWM by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to PWM. While as a fiduciary, PWM endeavors to act in its clients' best interests, and PWM's requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to PWM of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Paragon Wealth Management understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all Paragon Wealth Management clients, and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While Paragon Wealth Management may not always obtain the lowest commission rate, Paragon Wealth Management believes the rate is reasonable in relation to the value of the brokerage and research services provided.

### Client Referrals From Brokers

Paragon Wealth Management does not receive client referrals from Charles Schwab and has no expectation they will do so in the future. A conflict of interest may exist in obtaining future referrals from a broker/dealer if Paragon Wealth Management did not maintain those relationships.

### Directed Brokerage

Paragon Wealth Management desires only to manage and trade in accounts established with Schwab Institutional, a division of Charles Schwab & Co., Inc., a registered broker-dealer and member SIP. In the future, PWM may allow client to direct brokerage to a specified broker/dealer other than the firm recommended by Paragon Wealth Management. It is up to the client to negotiate the commission rate, as Paragon Wealth Management will not. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through the broker/dealer used by Paragon Wealth Management. In client directed brokerage arrangements, the client may not be able to participate in aggregated ("blocked") trades, which may help reduce the cost of execution.

### Trade Aggregation

While individual client advice is provided each account, client trades may be executed as a block trade. The Advisor encourages its existing and new clients to use the Advisor's "lead custodian." Only accounts in the custody of the lead custodian would have the opportunity to participate in aggregated securities transactions. Most trades using the lead custodian will be aggregated and done in the name of the Advisor. The executing broker will be informed that the trades are for the account of the Advisor's clients and not for the Advisor itself. No advisory account within a block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The Custodian will be notified of the amount of each trade for each account. The Advisor and/or its IA Reps may participate in block trades with clients, and may also participate on a pro rata basis for partial fills, but only if clients receive fair and equitable treatment.

### ***Item 13 - Review of Accounts***

Paragon Wealth Management reviews all assets owned in Client accounts regularly. Frequency may be daily or weekly, depending on which market models the underlying portfolio is following. To the extent developments in any of the underlying economic sectors require adjustments PWM alters the sector and asset class configurations. The President and/or portfolio manager(s) are jointly responsible for the reviews of all accounts maintained by PWM and monitor client accounts for suitability on an as needed basis.

Reviews may be triggered by economic, market or political events as well as changes in a client's financial or life situation.

Paragon Wealth Management provides a quarterly report to all clients that include the client name, contributions, withdrawals and performance year to date and since inception. Clients also receive trade confirmations from their Custodians every time a fund is bought and sold in their account. The Custodians also send each client a monthly statement. PCM retains a limited power of attorney on each of its managed accounts. This authorizes the Adviser to determine, without obtaining specific Client consent, the securities and the amount of securities to be bought and sold. In making these buy and sell decisions the Adviser follows general guidelines established by the Client.

### ***Item 14 - Client Referrals & Other Compensation***

#### Referral Fees Paid

Paragon Wealth Management may compensate for client referrals. All solicitors agreements are in compliance with the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will also be observed. All clients procured by solicitors will be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to or at the time of entering into the advisory agreement.

### *Referral Fees Received*

Paragon Wealth Management may exercise agreements with other Registered Investment Advisors and recommend other Advisors to clients. In such instances, Paragon Wealth Management may receive a portion of the account fee or commissions. In these instances, we will make available to the client a "Compensation Disclosure Statement" and the Form ADV for the other Advisor. The client is under no obligation to use the services of the other Advisor(s) recommended.

### ***Item 15 - Custody***

Paragon Wealth Management is deemed to have custody of client funds solely because of the fee deduction authority granted by the client in the investment advisory agreement.

Clients will receive account statements monthly or at least quarterly from the broker-dealer or other qualified custodian. Client is urged to compare custodial account statements against statements prepared by Paragon Wealth Management for accuracy. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of your account for tax purposes.

Paragon Capital Management, Inc. is deemed to have custody of Paragon Private Strategies Fund, LP's and Paragon Income Fund, LP's assets by virtue that Paragon has access to the Funds' securities and other funds. Qualified custodians of our Fund Clients may not send account statements directly to the limited partners or beneficial owners of our Fund Clients. Paragon oversees the preparation and distribution of reports and statements to each of our Fund Clients. Clients should carefully review each of these reports and statements and compare such statements with their own individual or personal records.

In accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, Paragon ensures that each Fund Client or other entity for which we are deemed to maintain custody is audited on an annual basis by an independent accountant that is registered and subject to regular inspection by the Public Company Accounting Oversight Board in accordance with its rules and distributes to the limited partners or beneficial owners of the Fund Client within 120 days after the end of each fiscal year.

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

Paragon Wealth Management maintains full discretion under a limited power of attorney as to the securities and amount of securities. PWM will require all discretionary investment management clients to enter into and execute an Investment Advisory Agreement. PWM will exercise such discretion in a manner consistent with the client's stated investment objectives.

Paragon Wealth Management will not have authority to withdraw funds or to take custody of client funds or securities, other than under the terms of the Fee Payment Authorization clause in the Agreement with the client.

Because Paragon Wealth Management engages in an investment advisory business and manages more than one account, there may be conflicts of interest over the Advisor's time devoted to managing any one account and the allocation of investment opportunities among all accounts being managed. PWM will attempt to resolve all such conflicts in a manner that is generally fair to all its clients. Advice may be given and action taken with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any particular client so long as it is PWM's policy, to the extent

practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients.

***Item 17 - Voting Client Securities***

Paragon Wealth Management does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page or clients may contact PWM's advisors with any questions regarding a particular solicitation.

***Item 18 - Financial Information***

An investment advisor must provide financial information if a threshold of fee prepayments is met; there is a financial condition likely to impair the ability to meet contractual commitments; or, a bankruptcy within the past ten years. Paragon Wealth Management does not have any disclosure items in this section.

