

Paragon Capital Management, Ltd.

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This Firm brochure is **Part 2A of Form ADV** a regulatory filing required by the Securities and Exchange Commission (SEC). This brochure provides information about the qualifications and business practices of Paragon Capital Management. If you have any questions about the contents of this brochure, please contact us at 303-293-3680. 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 Capital Management is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

- No material changes

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Advisory Business

Paragon Capital Management, Ltd. is an independent, privately owned SEC-registered investment advisory firm founded in 1990 by Alexander Feick and Henry Lester. Alexander Feick and Henry Lester each own 23.75% of the firm. Current employees own the remaining 52.5% interest.

As of the firm's fiscal year-end, December 31, 2023, the firm had approximately \$1,134,019,000 of client assets under its management: \$1,019,981,900 on a discretionary basis and \$114,020,800 on a non-discretionary basis.

Philosophy

Objective Advice

Our fundamental goal is to provide high-quality, objective advice. We do not receive commissions that might influence our recommendations. We do not offer other services that might affect our advice. For example, if we were in the trust management business, we might recommend more trusts. Similarly, we do not receive any fees for referring business to other professionals, which might lead us to recommend those professionals over other providers.

Open Platform

We strive to find investments that meet our Client's goals and our strategies regardless of how or where they are offered or available. We are not limited by the investments available at any one brokerage firm or custodian. Thus, while most of our client's assets are custodied at Schwab, we buy and sell municipal bonds through several other brokers.

Integrated Analysis

We consider your whole portfolio in planning and investment decisions. Therefore, we incorporate investments that we do not supervise in our analyses. In addition, we factor in liquidity, time horizon, taxes, regulatory, and legal factors in the process of structuring a portfolio. For example, the time horizon and tax treatment of a trust, a deferred compensation plan, or a retirement account may make an investment compelling in one account and inappropriate in another.

Services

Paragon Capital Management provides clients with financial planning, investment advice, and investment management services.

Financial Planning

Financial planning services range from the simple to the complex, from a tax forecast or mortgage analysis to how to manage stock options and concentrated stock positions. Our core financial planning services include the following:

- Analysis and planning for retirement
- Estate planning, including taxes, trusts, and gifting
- Income taxes
- Employee benefits, stock options, and compensation contracts
- Concentrated stock positions
- Life insurance
- Asset protection and risk management strategies
- Financing
- Educational funding

Investment Management

Clients work with us under the following arrangements:

- (1) Discretionary – Under a discretionary arrangement, the Client grants Paragon Capital Management discretion and authority under a limited power of attorney to manage and invest their accounts according to established objectives and guidelines.
- (2) Non-discretionary – Under a non-discretionary arrangement, the Client either implements Paragon Capital Management's advice or Paragon Capital Management makes transactions on behalf of the Client but only on a limited basis or after reviewing recommended transactions with the Client. Non-discretionary clients will generally be unable to participate in trades and opportunities in the same time frame as discretionary clients. For example, municipal bond opportunities can be fleeting.

We customize our investment strategies to our Clients' objectives using individual stocks, bonds, mutual funds, and exchange-traded funds. We also may invest in hedge funds and investment partnerships that pursue various investment strategies.

Process

In our initial meeting, we determine a client's goals and concerns. We then compile information on their assets, investments, liabilities, income, and expenses. With this information and personal documents, including insurance policies, wills, benefit plans, tax returns, etc., we build a preliminary picture of their financial situation and how we expect assets and income to change over time. We then meet with the Client to review these projections and the underlying assumptions and information. Then, we revise these assumptions and projections as necessary. Next, we develop a plan to achieve goals and invest capital, considering different accounts, taxes, time horizons, and other factors. Finally, an investment policy statement articulates the guidelines for implementing the plan.

Retirement Rollover Recommendations

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and/or the Internal Revenue Code (the “Code”), as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule’s provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

When providing recommendations to retirement plan accounts involving rollover considerations, there are generally four options regarding an existing retirement plan account. An employee may use a combination of those options, such as; (i) leave the funds in the former employer’s plan, if permitted, (ii) roll over the funds to a new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the individual’s age, result in adverse tax consequences). If your designated investment adviser representative recommends that you rollover your retirement plan assets into an account to be managed by our firm, such recommendation creates a conflict of interest insofar as we will earn an advisory fee on the rolled over assets. You are under no obligation to roll over retirement plan assets to an account managed by us.

Client Assets Managed

As of December 31, 2023, we managed \$1,019,981,900 of client assets on a discretionary basis and \$114,020,763 on a non-discretionary basis.

Fees and Compensation

Fee Schedule

Paragon Capital Management offers investment advisory services based on the value of your investment portfolio. The following rates apply:

- 0.90% of the account value of the first \$1 million;
- 0.70% of the account value from \$1 million to \$5 million;
- 0.50% of account value from \$5 million to \$10 million;
- 0.35% of account value over \$10 million.

Other Billing Practices

- ❑ Fees are typically but not always billed quarterly in arrears.
- ❑ We either deduct fees from client accounts or mail invoices. In both cases, we send an invoice for the amount that details how the invoice was calculated.
- ❑ Financial planning services and investment advice are included in our investment advisory fees. We do not charge a separate fee for a financial plan or financial planning services, projections, or advice; thus, our fees and compensation are limited to our investment advisory fees.
- ❑ In cases where clients' funds are invested in mutual funds or (some) exchange-traded funds, they will pay a direct fee to Paragon Capital Management and an indirect fee to the mutual fund. Although securities on which Paragon Capital Management offers advice may be subject to commissions and fees, we do not earn these fees or benefit from them in any way.
- ❑ Some corporate clients are billed on a flat fee basis.
- ❑ Grandfathered clients prior to December 2022 are billed at a formulaic scaling rate based on their total equity holdings, while fixed income investments are billed at 0.25% annually.
- ❑ Agreements with clients are non-assignable without the consent of the Client.
- ❑ Investment advisory services are subject to a minimum annual fee of \$7,000.
- ❑ Paragon Capital Management also offers investment and financial planning services at an hourly rate of \$400 per hour.
- ❑ Fees are negotiable and billing periods may vary.

Conflicts

Commissions, flat fees, and asset-based fees all have drawbacks. We may be biased to invest more in stocks, since stocks provide higher fees for legacy clients. Asset based fees can lead to a focus on short-term performance, resulting in performance chasing. Also, performance comparisons represent a business risk associated with diverging from other advisors.

We guard against these biases or conflicts by developing an investment policy incorporating your individual circumstances, personal goals, and constraints. Therefore, how we invest your money is driven by a collaborative analysis. Furthermore, since our service incorporates financial planning, the value and direction depends on developing a sensible plan you are committed to following. With a plan and a policy, you have a better chance of avoiding investment pitfalls. For example, the average investor has a tendency to get into the stock market or popular investments late and then to exit after they underperform.

Additional conflicts are addressed on page 12 and 13: Interest in Client Transactions, Personal Trading, and Brokerage Practices; and, page 15: Voting Client Securities.

Performance-Based Fees and Side-By-Side Management

We do not charge performance-based fees. Performance based fees take a share of capital gains on or capital appreciation of the assets of a client. However, we may recommend investments that contain performance fees. Performance based fees can create conflicts of interest that are disclosed in the placement memorandums for these investments.

Types of Clients

Most of our clients are individuals and their families. We advise trusts and qualified retirement plans as part of our work with these individual clients. Also, as part of our clients' estate planning, we have helped them create trusts and then managed them with strategies appropriate to the requirements and objectives of the trusts.

Methods of Analysis, Investment Strategies and Risk of Loss

We use numerous data sources, research tools, and analytical approaches to evaluate investments and strategies.

Asset Allocation

We help our clients invest their portfolios across different asset classes and investments. A client's objectives and constraints combined with our expectations for returns and risk are the inputs for this decision process. We build our own models of Client's future finances as described under "Process" on page 6 and simulate different investment scenarios in order to help develop a client's allocation strategy. We also use the methods and strategies described below to develop our return and risk expectations as well as to develop specific investment strategies. Finally, we integrate the impact of taxes and other costs and the correlation of investment risk and returns into the allocation decision.

Long-term Focus

We analyze long-term returns, risk, value, trends, and patterns in different asset classes and markets to help us make allocation decisions. In this type of analysis, we consider fundamental variables such as sales, earnings, and dividends as well as their relationships to asset classes and different markets. Stock and bond market valuations can have long-term predictive value, which is an essential input in our decision process.

Asset Class Comparisons

We compare the relative movements, expectations, and valuations of different investment styles and market subsets such as small company stocks, foreign stocks, and domestic stocks. These groups of securities tend to move in and out of favor with investors, and, thus, can represent opportunities or risks to investors. For example, growth stocks went to extremes in valuation and out-performance compared to other groups of stocks during the technology bubble and then under-performed for most of the next cycle.

Equity Management

Our equity management approach emphasizes global diversification. We seek out strategies and market segments that offer good after-tax returns especially in relation to risks. We consider strategies based on style and stock market capitalization such as small cap value or large cap growth. We also evaluate strategies based on other factors and attributes such as quality, profitability, and dividend yield. We will use strategies based on the economic cycle such as emphasizing early or late cycle stocks. We will use different vehicles to implement these strategies such as mutual funds, exchange traded funds, separate accounts, hedge funds, or individual stocks or groups of stocks.

In-Depth Manager Analysis

We analyze fund managers over long periods of time after making adjustments to better evaluate their performance. We cast a large net by using a variety of databases then narrow our search. We customize our comparisons in order to properly evaluate whether a manager or strategy adds value and whether the strategy is likely to add value in the future. We then adjust returns for fees and taxes. We apply statistical techniques to determine the probability of out-performance. Finally, we apply behavioral analyses and other criteria to weigh the likelihood that the manager's performance will continue over the intermediate time horizon.

Individual Stocks

Individual stocks are evaluated using a variety of factors, methods, and models, including insider buying, business trends, sensitivity to macro factors, income statement and balance sheet forecasts, interviews with management, valuation relative to historical valuations, and evaluation of analyst reports and investors' behavior. We have developed investment models based on multiple quantitative factors. These models have been back-tested and have been applied to investment accounts.

Fixed Income Management

We manage bonds by evaluating the economic cycle, secular trends, government policies, and spreads between different sectors. We use mutual funds, exchange traded funds, and individual bonds to implement strategies such as over-weighting sectors that reflect our analysis of the risks and opportunities. We invest in municipal bonds extensively, since many of our clients are tax-sensitive, and municipal bonds generally offer attractive after-tax returns.

Municipal Bonds

We evaluate municipal bonds based on a top down process where we first evaluate the trend in interest rates, the potential range in rates, and the expected return. This analysis helps us to determine where to position portfolios on the yield curve. Typically, we have found that intermediate bonds provide the most return per unit of risk. We then consider the credit environment for different states, municipalities, and types of issues against the spreads above benchmark yields. While we consider different securities in terms of value, liquidity, and other characteristics, we emphasize quality and capital preservation.

Alternative Investments Management

We employ a variety of alternative investments both to earn a satisfactory return at an acceptable risk level and to lower a client's overall portfolio risk through diversification. We may use long-short strategies where a manager establishes long positions in stocks and short positions (a bet that the stock will decline in value). We also may invest in merger arbitrage strategies where a manager takes long and short positions in the

companies involved in a merger. We may also use hedge fund strategies and hedging strategies that could involve short positions, leverage, and narrowly focused investments. We also invest in real estate securities and funds as well as in direct real estate investments, when the valuations and growth prospects of these investments are attractive. We have also considered and will continue to evaluate numerous other strategies that may offer opportunities for our clients.

Risk

Investing involves risk of loss of principal or purchasing power. In most strategies, there is an assumption that past relationships or patterns will persist in the future. However, investment rules, laws, and regulations change and past relationships are reinterpreted, which can result in losses. Also, assumptions for growth or profitability may not hold or attitudes and preferences may change. The use of technology may affect the functioning of markets in unexpected and unplanned ways. Finally, the manipulation of markets by governments may have significant unexpected effects.

Disciplinary Information

Paragon Capital Management and its employees have not been subject to any legal or disciplinary events.

Other Financial Industry Activities and Affiliations

Paragon Capital Management and its employees do not have any material relationships or arrangements that are material to our business or our clients.

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

Code of Ethics

The Paragon Capital Management Code of Ethics is based on the principle that all the employees of Paragon Capital Management have a fiduciary, ethical, and moral duty to act honestly, fairly, and in the best interests of our clients. Failure to abide by the Code results in disciplinary action including termination. A copy of our Code of Ethics is available to our clients or prospective clients upon request.

Our counselors are also committed to the CFA Institute Code of Ethics and Standards of Professional Conduct and the National Association of Personal Financial Advisors Code of Ethics and Fiduciary Oath.

Personal Trading

Paragon Capital Management's advisors are permitted to invest in the securities in which clients invest. A conflict of interest exists, if the action of investing clients in a security or a derivative of the security would allow for trading profits or other benefits for an employee by virtue of the change in trading volume or value of the security. Employees must put client interests first and execute trades for their clients before they execute trades for themselves. We also review employee's personal trading records to ensure that the trading activity of our employees is consistent with our code of ethics.

Brokerage Practices

Best Execution

The recommendation and choice of brokers is based on the concept of best execution. We have a duty to you of best execution. Although best execution is sometimes considered shorthand for lowest commissions, it is really the idea of the most effective implementation of a recommendation, and, therefore, encompasses the decision process and implementation of an investment. Thus, access to different investments as well as timing and costs may be factors in best execution. For example, for municipal bonds, access to a wide range of offerings may be more important than the mark-up on any one bond. Thus, we use a number of different brokers for buying municipal bonds.

Directed Brokerage

We typically recommend that clients open a brokerage account at Schwab and custody their assets at Schwab. We do not require that you open an account with Schwab. We have client accounts at Fidelity, Wells Fargo, and other brokers. When a client designates a broker other than Schwab, we may be limited in our access to certain products and costs may be higher. However, we will try to negotiate access to products and the best rates.

Our choice of Schwab is based on a number of factors, including the quality of their services, the competitiveness of their commissions, fees, and margin interest rates, and their financial strength and stability. Importantly, by consolidating our brokerage and custody primarily with one broker, we are in a better position to negotiate and receive better terms for you. Our costs and time to execute trades on your behalf are also lowered through this relationship.

Developing a tight relationship with one brokerage company can present a conflict of interest because it makes investments that aren't offered by that broker more costly to research, difficult to participate in, and more time intensive to monitor. Thus, many advisers will only offer investments that are on their custodian's platform. We have addressed this conflict by embracing the open platform concept described in the Advisory Business section. As noted above, we use different brokers for municipal bonds. As described in the Methods of Analysis section, we cast a wide net in our screening

process. We screen managers irrespective of vehicle, and this has resulted in our investing with different managers through different vehicles.

Soft Dollars

Paragon Capital Management does not use trading commissions (soft dollars) to pay for any products, services, or research. Some of the firms that we trade with provide economic, market, and stock research. Schwab also provides a range of information regarding compliance and practice management. The information that we receive from these sources is not dependent on commissions or commission rates paid. We pay for research services such as Bloomberg as well as other sources. Therefore, our choice of broker is not affected by research that they provide.

Aggregating Trades

Paragon Capital Management will aggregate client trades where we can lower the cost of the trade, improve liquidity, or where a security is appropriate for more than one account and is available in size such as some municipal bond offerings. When we are adjusting client portfolios, in response to a client portfolio review, we will generally not aggregate trades, as the adjustments tend to be associated with client specific factors.

Review of Accounts

We periodically review client accounts. We review cash flows and margin balances daily. Portfolios and accounts are reviewed quarterly or when circumstances change significantly; for example, when markets or valuations change significantly.

A review consists of examining and analyzing a client's investment portfolio changes compared to the Client's investment policy and strategy, the firm's investment outlook and strategy, and the portfolio benchmarks. Each advisor has responsibility for 30 to 50 clients.

We prepare customized quarterly written reports that generally include the following:

- Memorandum describing and discussing investment activity and results, our economic and investment outlook, and allocation strategy, stock strategy, and bond strategy;
- Net Worth and diversification schedules;
- Account appraisal that includes the market value, cost basis of each position across your brokerage accounts;
- Performance reports which include quarter-to-date, year-to-date, and performance for multi-year periods.

We will also prepare reports at other times such as tax forecasts, income statements, and long term cash flow projections, as well as special projects as necessary.

Client Referrals and Other Compensation

Paragon is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services.

Paragon may enter into solicitation agreements pursuant to which it compensates third-party intermediaries for client referrals that result in the provision of investment advisory services by Paragon. Paragon will disclose these solicitation arrangements to affected investors, and any cash solicitation agreements will comply with rule 206(4)-3 under the Adviser Act.

Paragon pays a flat fee to participate in an online matching program that seeks to match prospective advisory clients with investment advisers. The program, operated by SmartAsset, provides information about investment advisory firms to persons who have expressed an interest in such firms. The program also provides the name and contact information of such persons to the advisory firms as potential leads. The flat fee we pay for being provided with potential leads varies based on certain factors, including the stated size of a person's portfolio and if a live introduction is made. The fee is payable regardless of whether the prospect becomes our advisory Client. The cost of any such fees will be borne entirely by Paragon and not by any affected client.

Custody

We are considered to have custody or access to client assets to the extent that we withdraw fees from client accounts. However, we use qualified custodians that will send you statements at least quarterly, but generally, monthly. You should carefully review your statements when you receive them. Where we deduct fees, clients receive an invoice and fee calculation.

Additionally, certain Clients have, and could in the future, sign a Standing Letter of Authorization ("SLOA") that gives us the authority to transfer funds to a third-party as directed by the Client in the SLOA. This is also deemed to give us custody. In the case of SLOAs, we must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to our firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

Investment Discretion

Paragon Capital Management accepts discretionary authority to manage our Client's securities accounts on their behalf. Most of our clients delegate this trading authority to us. Discretionary authority means we have a limited power of attorney over their brokerage account(s) to buy and sell securities. However, the securities we purchase and sell are consistent with a client's investment policy statement. Our goal is to help our clients achieve their goals. Therefore, the trust you place in us by giving us a limited

power of attorney over your account fits our fiduciary responsibility to put your interests first.

Voting Client Securities

Paragon Capital Management assumes responsibility for voting all proxies. All proxies will be voted in our Client's best interest without regard to the interests of Paragon Capital Management or other related parties. Clients may direct us on how to vote their shares in a particular solicitation. When a client is on the Board or in a policy-making executive position, we will vote their shares with the Board's recommendation.

A material conflict of interest could exist in situations in which Paragon Capital Management or a related person has a personal or business relationship or interest that could cause Paragon Capital Management to vote in a manner inconsistent with a client's best economic interest. We resolve conflicts with Paragon Capital Management by determining materiality; if our clients own less than 2% of the shares, we consider the issue immaterial. If different clients have opposing interests, we vote their shares consistent with their best interests.

Paragon Capital Management has a contractual agreement with Egan-Jones Ratings Co., an independent provider of proxy research and voting guidelines. As a result, Paragon Capital Management has adopted the Egan-Jones Conservative Proxy Guideline (collectively, "Egan-Jones Guidelines").

Egan-Jones Standard Proxy Voting Principles and Guidelines

The Egan-Jones Standard Voting Guidelines are based on principles influenced by current and forthcoming legislation, rules and regulations, and stock exchange rules. In general, they concentrate on the following: Directors should be accountable to shareholders, and management should be accountable to directors; Information on the Company supplied to shareholders should be transparent, and Shareholders should be treated fairly and equitably according to the principle of one share, one vote.

The Egan-Jones Guidelines are not exhaustive, do not address all potential voting issues, and do not always correspond with Paragon Capital Management's opinions. Therefore, there may be instances where PCM may not vote for the Client's shares in accordance with Egan-Jones Guidelines. If PCM believes the Egan-Jones recommendation is not in the best interest of shareholders and on those matters for which Egan-Jones does not provide a specific voting recommendation, PCM will determine how to vote the proxies.

A record of each proxy vote made on behalf of Paragon Capital Management is maintained by Egan-Jones and is available to Paragon Capital Management on request. A client may request a written copy of the Egan-Jones voting guidelines or information relating to how Paragon Capital Management voted any client's specific proxies, by contacting Stephanie Troutman at Paragon Capital Management.

Financial Information

We do not require or solicit prepayment of fees six months or more in advance, so we are not required to provide any financial information on our firm.