

**Part 2A of Form ADV: *Firm Brochure***



**Paragon Wealth Strategies LLC**

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This brochure provides information about the qualifications and business practices of Paragon Wealth Strategies LLC. If you have any questions about the contents of this brochure, please contact us at (904) 861-0093 or [info@wealthguards.com](mailto:info@wealthguards.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 Wealth Strategies LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 146543.

Paragon Wealth Strategies LLC is a registered investment advisory firm, registered with the SEC. Registration does not imply a certain level of skill or training.

## **Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/22/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4    **Advisory Business**

Paragon Wealth Strategies LLC is an SEC-registered investment adviser with its principal place of business located in Florida. Paragon Wealth Strategies LLC began conducting business in 2008, after departing from its affiliation from 2005-2008 as a branch office of The Householder Group.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Jonathan Neal Castle, Managing Partner & Chief Investment Officer, 51%
- Michelle Lynne Ash, Managing Partner & Chief Operating Officer, 49%

Paragon Wealth Strategies LLC offers the following three (3) advisory services to our clients:

### **1. INVESTMENT SUPERVISORY SERVICES ("ISS")** **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities

- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in other assets such as equipment leasing

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### ***How to Engage Our Investment Supervisory Services***

To engage us to provide you with investment supervisory services, you will generally be required to enter into a written agreement with us, setting forth the terms and conditions of the engagement and describing the scope of the services

## **2. MANAGER SELECTION PROGRAMS**

We also offer advisory management services to our clients through the Manager Selection Programs (hereinafter, "Programs").

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's Personal Investment Policy Statement ("PIPS").

Based on the client's individual circumstances and needs (as exhibited in the client's PIPS) we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

Once we determine the most suitable investment adviser(s) for the client, we provide the selected adviser(s) with the client's PIPS. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs as exhibited in the PIPS.

We monitor the performance of the selected registered investment adviser(s). If we determine that a particular selected registered investment adviser(s) is not providing sufficient

management services to the client, or is not managing the client's portfolio in a manner consistent with the client's PIPS, we may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, our firm assists the client in selecting a new registered investment adviser and/or program. However, any move to a new registered investment adviser and/or program is solely at the discretion of the client.

### ***How to Engage Our Manager Selection Program Services***

To engage us to provide you with management selection program services, you will generally be required to enter into a written agreement with us, as well as with the program manager. These agreements will set forth the terms and conditions of the engagement and describe the scope of the services. You will also receive the written disclosure statement of the selected program manager(s) and wrap fee program sponsor (if applicable). These disclosure statement(s) are in addition to the one from us which you are currently reviewing.

### **3. FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, and liability.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of

surviving dependents, estate planning and disability income.

- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

### ***Financial Planning Process***

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### ***Client is Not Obligated to Follow Recommendations or Utilize Recommended Services***

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature. Paragon Wealth Strategies LLC may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if the Paragon Wealth Strategies LLC recommends its own services. The client is under no obligation to act upon any of the recommendations made by us under a financial planning / consulting engagement . You are also under no obligation to engage the services of any such recommended professional, including ourselves

### ***Client Responsibility to Verify Data Accuracy***

In performing our services, we do not attempt to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) through outside sources. We are expressly authorized to rely on information from the client. It is very important that you provide us with accurate information because the recommendations we make will be based on the data you give us. Moreover, it remains your responsibility to promptly notify us if there is ever any change in your financial situation or investment objectives so we may review, evaluate or revisit our previous recommendations and/or services.

## ***How to Engage Our Financial Planning Services***

To engage us to provide you with financial planning services, you will generally be required to enter into a written agreement with us, setting forth the terms and conditions of the engagement and describing the scope of the services

### **GENERAL TERMS APPLIED TO ALL SERVICES**

#### ***Disclosure Document Provided to Client***

A copy of Paragon Wealth Strategies LLC's privacy policy notice and a written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), shall be provided to each client prior to or contemporaneously with the execution of the Agreement. Any client who has not received a copy of our written disclosure statement at least forty-eight (48) hours prior to executing the Agreement shall have five (5) business days after executing the Management Agreement to terminate our services without cost or penalty. You are presently reading our disclosure document that complies with the requirements of Rule 204-3.

#### ***Assignability of Management Agreement***

Neither Paragon Wealth Strategies LLC nor the client may assign the Management Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of Paragon Wealth Strategies LLC shall not be considered an assignment.

### **AMOUNT OF MANAGED ASSETS**

As of 2/16/2011, we were actively managing \$60,283,104 of clients' assets on a discretionary basis plus \$2,917,752 of clients' assets on a non-discretionary basis, and overseeing \$4,282,257 of clients' assets being managed by third-party money managers.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO AND MANAGER SELECTION PROGRAMS MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services and Manager Selection Programs are based upon a percentage of assets under management and generally range from 0.50% to 1.25%.

The annualized fee for Investment Supervisory Services and/or Manager Selection Programs



is charged as a percentage of assets under management, according to the following tiered fee schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$0 - \$249,999.99	1.25%
\$250,000 - \$499,999.99	1.20%
\$500,000 - \$749,999.99	1.15%
\$750,000 - \$1,249,999.99	1.00%
\$1,250,000 - \$1,999,999.99	0.90%
\$2,000,000 - \$4,999,999.99	0.80%
\$5,000,000 - \$24,999,999.99	0.65%
Over \$25 Million	0.50%

***Minimum account size and grouping of related client accounts***

A minimum of \$200,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Paragon Wealth Strategies LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. (Example: Client has an IRA account and individual brokerage account, each worth \$100,000. These two accounts will be grouped to achieve the \$200,000 minimum of assets under management.)

However, Paragon Wealth Strategies LLC will not group related client accounts for the purposes of achieving the assets under management or a higher tier on the fee schedule under any of the following circumstances:

- Assets not managed by the firm but held with the firm's Custodian will never be included in calculation of the assets under management or a higher tier on the fee schedule.
- If a client has assets managed by the firm but held at different Custodians, these assets will not consolidate in order to achieve a higher tier on the different programs' respective fee schedules.
- If a client has assets managed by the firm, held at the same Custodian, but through separate service options, these assets' values will not consolidate in order to achieve a higher tier on the different programs' respective fee schedules. (Example: One account through Investment Supervisory Services and another through Manager Selection Programs).

### ***Accommodation Accounts and Non-managed Accounts***

Paragon Wealth Strategies LLC reserves the right to offer clients the ability to open accounts with the firm that will not be managed by us. We refer to these accounts as “accommodation accounts” and/or “non-managed” accounts. The purpose of these accounts is, among other things, to allow clients the opportunity to consolidate assets with one Custodian. As mentioned in the previous paragraph, these accounts will not be considered when calculating a client’s assets under management or the client’s tiered fee. However, Paragon Wealth Strategies LLC will be responsible for servicing these accounts, to include placing client-directed trades, assisting clients with adding or withdrawing funds, and other account service needs. Paragon reserves the right to withdraw this feature at any time during the client relationship by “de-linking” an account from Paragon’s authorization with the Custodian. If an account is de-linked, it will become a retail account of the Custodian, and the client will contact the Custodian for trading and servicing of the account. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### ***Direct Debit***

Our firm directly debits advisory fees from client accounts when possible based on client account type and client authorization through our Management Agreement. The advisory fee will be debited quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter as valued by the Custodian. Our fees will vary each quarter based on the value of the assets we manage. If the value of the assets goes up, our fee will increase. If the value of the assets goes down, our fee will decrease.

### ***Calculation of Advisory Fees***

Our advisory fees are calculated each quarter by applying the tiered fee schedule above to the total amount of assets in the client accounts we manage, and then dividing the annual fee into quarterly installments of  $\frac{1}{4}$  of the annual amount.

An example of this calculation is as follows:

Assets Under Management as of 3/31/2011 = \$200,000

Applicable Annual Fee = 1.25%

Calculation:  $(\$200,000 \times 1.25\%)/4 = \$625$  debit for the quarter beginning 4/1/2011

### ***Tiered fee schedule***

For clients whose value of assets managed exceeds \$249,999.99, a reduced fee based on the tiered schedule will apply. It is important to understand how a tiered fee schedule works. A tiered fee schedule applies the fee for the first tier (in our case, the first \$249,999.99 of assets) to that amount. Assets over that amount have the next tier’s amount applied, until that tier’s maximum amount is reached. At that point, the third tier is applied, and so on.

Here is an example of how the tiered fee schedule is applied:

Assets Under Management as of 3/31/2011 = \$450,000

Applicable Annual Fee =

1.25% on the first \$249,999.99 under management

1.20% on the remaining \$200,000.01 under management

Calculation:

$(\$249,999.99 \times 1.25\%)/4 = \$781.25$

+  $(\$200,000.01 \times 1.20\%)/4 = \$600.00$

Total:  $\$781.25 + \$600.00 = \$1,381.25$  debit for the quarter beginning 4/1/2011

The purpose of a tiered fee schedule is to avoid a potential conflict of interest in growing a client's assets. If our fee schedule was a flat-fee schedule instead of a tiered fee schedule, then a conflict of interest might be created, in that our firm would receive reduced fees by growing a client's account to the point at which the client exceeds a breakpoint. Similarly, a tiered fee schedule also helps a client avoid increased fees if their assets under management decline, which is another consequence of a flat-fee schedule.

### ***Initial Quarter's Advisory Fee***

The advisory fee for the initial quarter shall be calculated on a pro rata basis commencing on the day the assets are initially designated to us for management under the Management Agreement. Our firm reserves the right to defer commencement of the initial billing until such time that the account's agreed-to allocation and structure is built, but in no case will this deferred commencement result in a higher fee to the client than they would have otherwise paid had the fee been debited immediately at the time designated to us for management.

### ***Impact of Account Additions or Withdrawals***

You may make additions to and withdrawals from the Account at any time, subject to our right to terminate an account. If assets are deposited to or withdrawn from an account after the inception of a quarter the advisory fee payable with respect to the assets will not be prorated based on the number of days remaining in the quarter. Clients may withdraw assets from the account after providing us with notice. All withdrawals are subject to customary securities settlement procedures.

### ***Termination and Advisory Fees***

After executing a Management Agreement for our services, clients initially have five (5) business days from the date of execution of the Management Agreement to terminate our services. After that time, the Management Agreement will continue in effect indefinitely from the initial date, but may be terminated at any time upon receipt of written notice to terminate by either party to the other. The written notice must be manually signed by the terminating party. If the Management Agreement is terminated after the commencement of a calendar

quarter billing period, the unearned portion of the advisory fee will be promptly refunded to the account it was debited from.

### ***Fee Increases***

No increase in the Management Fee shall be effective without prior written notification to the client.

### ***Custodian's Statements, Client Responsibility***

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

### ***Direct Billing Option***

Instead of direct debit of advisory fees from client accounts, clients may request to be billed for fees incurred. In these circumstances, the calculation of our fees is identical to that described in the preceding paragraphs. Instead of direct debit from the client account, the client will be sent an invoice for payment of advisory fees. Generally, we will request payment under Net 10 terms. Termination of our services after the commencement and payment for a calendar quarter billing period will result in the unearned portion of the advisory fee being promptly refunded to the client by check sent via regular mail.

### ***Limited Negotiability of Advisory Fees***

Although Paragon Wealth Strategies LLC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, and reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## **FINANCIAL PLANNING FEES**

Paragon Wealth Strategies LLC's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are typically calculated and charged on a fixed fee basis, typically

ranging from \$175 to \$20,000, depending on the specific arrangement reached with the client.

Our Financial Planning fees may occasionally be calculated and charged on an hourly basis instead of a fixed fee basis, at Paragon's discretion. Our hourly fees range from \$175 to \$350 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. Under hourly engagements, actual fees are calculated at the end of the engagement and charged in arrears. Fees will be reduced by any retainer requested (see below).

We typically request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$500 for work that will not be completed within six months. The balance is due upon completion of the plan.

***Financial Planning Fee Offset:***

Paragon Wealth Strategies LLC reserves the discretion to reduce or waive the minimum fixed fee and/or the hourly fee if a financial planning client chooses to engage us for our Investment Supervisory Services or Manager Selection Programs.

**OTHER GENERAL INFORMATION (NOT SERVICE-SPECIFIC)**

***Termination of the Advisory Relationship:***

A client agreement may be canceled at any time, by either party, for any reason upon receipt of five (5) days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period (when applicable).

***Mutual Fund Fees:***

All fees paid to Paragon Wealth Strategies LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Generally, as a matter of course, Paragon will not recommend funds that impose sales charges. A client could invest in a mutual fund directly, without our services. However, to reduce investor costs, Paragon may use institutional funds not available for direct investment by retail investors. In the case that a client chose to invest in available retail mutual funds directly, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs and Separately Managed Account Fees:***

Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

Some Independent Manager(s) may impose more restrictive account requirements and varying billing practices other than ours. In such instances, Paragon may alter our corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

***Additional Fees and Expenses:***

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:***

Pre-existing advisory clients are subject to Paragon Wealth Strategies LLC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:***

Paragon Wealth Strategies LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Paragon Wealth Strategies LLC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

### ***Advisory Fees in General:***

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

### ***Limited Prepayment of Fees:***

Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

A performance-based fee is a fee based on the firm receiving a share of capital gains on, or capital appreciation of, the assets of the client. Paragon Wealth Strategies LLC **does not offer** advisory relationships that charge performance-based fees.

## **Item 7 Types of Clients**

Paragon Wealth Strategies LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals

As previously disclosed in the “Fees and Compensation” section (Item 5), our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Charting.*** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

A risk in using charting is that it may be based on assumptions that prove to be incorrect. Charts reflect the price movements of markets and securities in the past - and while past events and market cycles may repeat themselves, charting past events cannot accurately predict unforeseen political or life events which occur in the future and affect market movements.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Fundamental Analysis.** Fundamental analysis attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Generally, we subscribe to the Efficient Market Hypothesis and believe that markets are reasonably efficient and integrate all known and imagined information rapidly throughout the entire market. As such, we and other proponents of the Efficient Market Hypothesis believe that, more often than not, securities are properly priced by the markets themselves and underpricing and inefficiencies are either random or the result of unexpected and unforeseeable events which makes them extremely difficult to detect and act upon. In accordance with this philosophy, we will typically recommend low-cost Index Funds or Exchange Traded Funds versus individual securities or actively managed mutual funds that attempt to "beat the market" by identifying underpriced securities and buying those securities versus owning an entire sector, index, or market.

For clients who already own individual securities, and for various reasons do not wish to sell those securities to build an asset allocation portfolio (such as a high tax impact of selling an appreciated security) we will occasionally advise the client on the prudence of holding the security using Fundamental Analysis.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a market sector against the overall market in an attempt to predict the price movement of that particular sector throughout market cycles.

A risk in using cyclical analysis is that it may be based on assumptions that prove to be incorrect.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if



there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Third-Party Money Manager Analysis.*** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Asset Allocation.*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's

investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- We believe the securities to be currently undervalued, and/or
- We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Margin transactions.** We may purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in using the leverage available through margin transactions is that, if the value of the margined securities should fall, you may receive a margin call – requiring either the additional deposit of cash, or sale of securities, in order to settle the call. This may occur at a time when it is otherwise not favorable to sell a security.

You must complete an application for margin privileges with your account custodian, and they must approve that request, prior to the ability to use this strategy.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives you the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock is likely to increase substantially before the option expires.
- A put gives you the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock is likely to fall before the option expires.

There are several possible options strategies we may use:

- We may use options to speculate on the possibility of a sharp price swing. We may also use options to "hedge" a purchase of the underlying security; in other words, we

may use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio. A risk of this strategy is that our speculation may be incorrect and the price of the options will be an additional cost which does not provide you any economic benefit.

- We may use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price. A risk of this strategy is that the buyer of your call may choose to exercise their option, and the security you own will be "called away". If this happens, you will no longer own the security, and will not have the potential benefit of future gains in value, dividends, or income from it.
- We may use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors. A risk of this strategy is that the security may not fluctuate as we anticipate, and the cost of the options will be an additional cost which does not provide you any economic benefit.

You must complete an application for options privileges with your account custodian, and they must approve that request, prior to the ability to use this strategy.

### ***RISK OF LOSS***

Securities investments are not guaranteed and you may lose money on your investments. You should be prepared to bear this risk. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

### **Conflicts of Interest - General**

Clients should be aware that the receipt of additional compensation by Paragon Wealth Strategies LLC and its management persons or employees creates a conflict of interest that

may impair the objectivity of our firm and these individuals when making advisory recommendations. We endeavor at all times to put the interest of our clients first as part of our fiduciary duty as a registered investment adviser. We take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

### **Conflicts of Interest – Licensed Insurance Agency**

Our firm is a duly licensed insurance agency with the State of Florida. Additionally, our advisors, in their individual capacities, are licensed insurance agents with various insurance companies. In such capacity, they may recommend, on a fully-disclosed basis, the purchase of insurance products, including life, long term care, and equity or fixed annuities. A conflict of interest exists to the extent that we or our advisors recommend the purchase of insurance products where we receive insurance commissions or other additional compensation.

Please see the preceding section titled “Conflicts of Interest – General” for the steps we take to address this conflict of interest.

### **Conflicts of Interest - Clients Referred to another Registered Investment Adviser**

As previously disclosed in the “Advisory Business” section (Item 4) under the Manager Selection Programs sub-heading, when appropriate we may recommend the services of various registered investment advisers to clients. In exchange for this recommendation, we receive a referral fee from the selected investment adviser. The fee received by us is typically

a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. We will only recommend advisers that pay us a referral fee. Because the assets managed by the other registered investment adviser do not aggregate for fee calculation with assets we may manage for the client directly through our Investment Supervisory Services, the client may incur a higher overall fee by using the combination of these services instead of having Paragon Wealth Strategies LLC manage all of the assets together through our Investment Supervisory Services.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

Please see the preceding section titled, "Conflicts of Interest – General" for the steps we take to address this conflict.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

### ***Fiduciary Duty to Clients***

Paragon Wealth Strategies LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

### ***Overview***

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts. For purposes of this Code, the term "security" includes not only stocks, but also

options, rights, warrants, futures contracts, and convertible securities. This policy is not applicable for securities that are not “reportable securities”, which includes mutual funds, ETF’s, money market funds, CD’s, commercial paper, and government treasuries.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

### ***Policies and Procedures for Implementation of Code of Ethics***

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm’s Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
- No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
  - It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations (“access person”). These holdings are reviewed on a regular basis by our firm’s Chief Compliance Officer or his/her designee.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

### ***Employees’ Reporting Requirements***

Our Code of Ethics includes policies and procedures for the review of employees’ quarterly

securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

### ***Use of Material Non-Public Information Prohibited***

Paragon Wealth Strategies LLC's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

### ***Other Prohibited Actions***

Paragon Wealth Strategies LLC and individuals associated with our firm are prohibited from engaging in principal transactions. Principal transactions are transactions that occur with our clients from our own accounts. Paragon Wealth Strategies LLC and individuals associated with our firm are prohibited from transactions that buy securities from you for our own accounts, or sell securities to you from our own accounts.

Paragon Wealth Strategies LLC and individuals associated with our firm are prohibited from engaging in agency cross transactions. An agency cross transaction happens when one person serves as broker to both the buyer and the seller. Paragon Wealth Strategies LLC and individuals associated with our firm are prohibited from acting in this capacity that would help one client sell a holding directly to another client. The reason for this rule is to ensure there is no favoritism of one client over another.

### ***Copy of Code of Ethics Available to Clients***

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to Michelle Ash at [michelle.ash@wealthguards.com](mailto:michelle.ash@wealthguards.com), or by calling us at (904) 861-0093.

## **Item 12 Brokerage Practices**

### ***Directed Brokerage***

For discretionary clients, Paragon Wealth Strategies LLC requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions. Please refer to the "Investment Discretion" section (Item 16) for additional information about discretionary clients. Please refer to the "Fees and Compensation" section (Item 5) of this Form ADV for additional information about commission costs.

### ***Brokerage Services Provided by Fidelity***

Paragon Wealth Strategies LLC has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Paragon Wealth Strategies LLC in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Paragon Wealth Strategies LLC to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Paragon Wealth Strategies LLC (within specified parameters). The brokerage services presently include services such as computer software and related systems support, which allow us to better monitor client accounts maintained at Fidelity. We may receive the software and related support without cost because we render investment management services to clients that maintain assets at Fidelity. The software and related systems support may benefit us, but not our clients directly. In fulfilling our duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence our choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, we may receive the following benefits from Fidelity through the Fidelity Registered Investment Advisor Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Advisor Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication net.

Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

### ***Analysis of Potential Conflict of Interest***

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of Paragon Wealth Strategies LLC's clients and satisfies our client obligations, including our duty to seek best execution. Though we attempt



to determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction.

### ***Best Execution***

Our duty to our clients is to seek “best execution”. Best execution’s most determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while Paragon Wealth Strategies LLC will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client’s account.

Paragon Wealth Strategies LLC and Fidelity are not affiliated. Paragon Wealth Strategies LLC will periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

### ***Client-Directed Brokerage***

If you prefer, you may direct us in writing to use a particular broker-dealer to execute some or all transactions for you. In that case, you will negotiate terms and arrangements for the account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to “batch” your transactions for execution through other broker-dealers with orders for other accounts managed by us (as described below). As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to our duty of best execution, we may decline your request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

## **Block Trading Policy and Practice**

### ***Definition of Block Trading***

Block Trading means to submit an order for sale or purchase of a large quantity of securities, sometimes accomplished through aggregating multiple clients’ orders. This is also known as creating a “batch”, or “batching” an order.

### ***General Policy***

As a matter of policy and practice, Paragon Wealth Strategies LLC does not generally block client trades, unless we decide to purchase or sell the same securities for several clients at

approximately the same time.

### ***Impacts of Trading Without Block Trades***

If we do not block trade, then we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

### ***Practice when Block Trading***

We may, but are not obligated to, combine or “batch” such orders to obtain best execution, negotiate more favorable commission rates, or to allocate equitably among our 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 generally be averaged as to price and allocated among our clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our Advisory Affiliate(s) may invest, we shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. We do not receive any additional compensation as a result of the aggregation.

In the event that we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- When only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates.
- Allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts.
- If an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed).
- With respect to sale allocations, allocations may be given to accounts low in cash.
- In cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, we may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts.
- In cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## Item 13    Review of Accounts

### INVESTMENT SUPERVISORY SERVICES- INDIVIDUAL PORTFOLIO MANAGEMENT

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by one or more of the following individuals:

Jonathan N. Castle, Managing Partner and Chief Investment Officer

Michelle L. Ash, Managing Partner

Michael W. Carignan, Financial Advisor

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

### SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS

**REVIEWS:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Paragon Wealth Strategies LLC will provide reviews on a quarterly basis.

These accounts are reviewed by: Jonathan N. Castle, Managing Partner and Chief Investment officer.

**REPORTS:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

Paragon Wealth Strategies LLC does not typically provide reports in addition to those provided by the independent registered investment adviser selected to manage the client's assets.

## FINANCIAL PLANNING SERVICES

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

## GENERAL INFORMATION APPLICABLE TO ALL SERVICES

All investment advisory clients are encouraged to discuss their needs, goals, and objectives with us and to keep us informed of any changes thereto. Paragon Wealth Strategies LLC shall contact ongoing investment advisory clients at least annually to review our previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Item 14 Client Referrals and Other Compensation

#### CLIENT REFERRALS

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are **not** increased as a result of any referral.

#### OTHER COMPENSATION

Our firm and/or our officers and representatives are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

## **Item 15 Custody**

Custody is a service in which a brokerage or other financial institution holds securities on behalf of the client. Generally, the firm providing brokerage services also provides custody services. Please see the "Brokerage Practices" section (Item 12) for further details.

Our firm does **not** have actual or constructive custody of client accounts.

### ***Discretionary Accounts***

For clients for whom we direct brokerage, Fidelity generally has custody of client's securities.

### ***Non-Discretionary Accounts***

We may also render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer sponsored retirement plans. In so doing, we either direct or recommend the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets are maintained at either the specific insurance company that issued the variable life/annuity product owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

### ***Reporting Requirements and Frequency***

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts when possible based on client account type and client authorization through our Management Agreement.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for:

- (1) Directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and
- (2) Making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

Paragon Wealth Strategies LLC has no financial circumstances to report. Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement in this document.

Paragon Wealth Strategies LLC has not been the subject of a bankruptcy petition at any time.