

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

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This Form ADV Part 2A (Investment Advisor Brochure) gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this brochure, please contact us using one of the methods listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

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

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

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

On March 29, 2023, we submitted our annual updating amendment for fiscal year 2022. There were no material changes to report.

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

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

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

### **Advisory Firm**

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

### **Advisory Services**

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

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

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

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

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

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

As of December 31, 2022, Paragon Wealth Management has \$128,183,516 of assets under management on a discretionary basis, and \$8,391,508 of assets under management on a non-discretionary basis.

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

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

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

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

### **Paragon Core Portfolios:**

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

### **Custom Bond Portfolios:**

Negotiable

### **Custom Equity Portfolios:**

Negotiable

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

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

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

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

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

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

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

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

**Negotiability of Fees:** We allow Associated Persons servicing the account to negotiate the exact investment management fees within the range disclosed in our Form ADV Part 2A Brochure. As a result, the Associated Person servicing your account may charge more or less for the same service than another Associated Person of our firm. Further, our annual investment management fee may be higher than that charged by other investment advisors offering similar services/programs.

**Billing on Cash Positions:** The firm treats cash and cash equivalents as an asset class. Accordingly, unless otherwise agreed in writing, all cash and cash equivalent positions (e.g., money market funds, etc.) are included as part of assets under management for purposes of calculating the firm's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the firm may maintain cash and/or cash equivalent positions for defensive, liquidity, or other purposes. While assets are maintained in cash or cash equivalents, such amounts could miss market advances and, depending upon current yields, at any point in time, the firm's advisory fee could exceed the interest paid by the client's cash or cash equivalent positions.

**Periods of Portfolio Inactivity:** The firm has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, the firm will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when the firm determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, unless otherwise agreed in writing, the firm's annual investment advisory fee will continue to apply during these periods, and there can be no assurance that investment decisions made by the firm will be profitable or equal any specific performance level(s).

**IRA Rollover Considerations:** As a normal extension of financial advice, we provide education or recommendations related to the rollover of an employer-sponsored retirement plan. A plan participant leaving employment has several options. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from us.

An Associated Person who recommends an investor roll over plan assets into an Individual Retirement Account ("IRA") may earn an asset-based fee as a result, but no compensation if assets are retained in the

plan. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA. In most cases, fees and expenses will increase to the investor as a result because the above-described fees will apply to assets rolled over to an IRA and outlined ongoing services will be extended to these assets.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interests and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

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

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

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

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

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

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

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

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

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

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

- **Fundamental analysis** involves the analysis of financial statements, management, and competitive advantages in order to determine value. The risk is that the market could fail to reach expectations of perceived value.
- **Technical analysis** involves the analysis of past market data in order to predict future prices. The risk is that future prices may not follow the previous patterns.

- **Cyclical analysis** involves the analysis of business and economic cycles to determine optimal conditions for the holding a security. The risk is that the cycles fail to develop in the same manner as in the past or at all.

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

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

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

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

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

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

**Concentrated Position Risk:** Certain Associated Persons may recommend that clients concentrate account assets in an industry or economic sector. In addition to the potential concentration of accounts in one or more sectors, certain accounts may, or may be advised to, hold concentrated positions in specific securities. Therefore, at times, an account may, or may be advised to, hold a relatively small number of securities positions, each representing a relatively large portion of assets in the account. As a result, the account will be subject to greater volatility than a more sector diversified portfolio. Investments in issuers within an industry or economic sector that experiences adverse economic, business, political conditions or other concerns will impact the value of such a portfolio more than if the portfolio's investments were not so concentrated. A change in the value of a single investment within the portfolio will affect the overall value of the portfolio and will cause greater losses than it would in a portfolio that holds more diversified investments.



**Cybersecurity Risks:** Our firm and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate; however, unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While our firm has established a business continuity plan and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities, investment companies and other investment advisers in which we invest, which could result in material adverse consequences for such entities and may cause a client's investment in such entities to lose value.

**Pandemic Risk:** Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption. It is difficult to predict the long-term impact of such events because they are dependent on a variety of factors including the global response of regulators and governments to address and mitigate the worldwide effects of such events. Workforce reductions, travel restrictions, governmental responses and policies and macroeconomic factors will negatively impact investment returns.

**Risks Associated with Investing in Inverse and Leveraged Funds:** Leveraged mutual funds and ETFs generally seek to deliver multiples of the daily performance of the index or benchmark that they track. Inverse mutual funds and ETFs generally seek to deliver the opposite of the daily performance of the index or benchmark that they track. Inverse funds often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward-moving markets. Some Inverse funds are both inverse and leveraged, meaning that they seek a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse funds use a range of investment strategies, including swaps, futures contracts, and other derivative instruments. Leveraged, inverse, and leveraged inverse funds are more volatile and riskier than traditional funds due to their exposure to leverage and derivatives, particularly total return swaps and futures. At times, we will recommend leveraged and/or inversed funds, which may amplify gains and losses.

Most leveraged funds are typically designed to achieve their desired exposure on a daily (in a few cases, monthly) basis, and reset their leverage daily. A "single day" is measured from the time the leveraged fund calculates its net asset value ("NAV") to the time of the leveraged fund's next NAV calculation. The return of the leveraged fund for periods longer than a single day will be the result of each day's returns compounded over the period. Due to the effect of this mathematical compounding, their performance over longer periods of time can differ significantly from the performance (or inverse performance) of their underlying index or benchmark during the same period of time. For periods longer than a single day, the leveraged fund will lose money when the level of the Index is flat, and the leveraged fund may lose money even if the level of the Index rises. Longer holding periods, higher index volatility, and greater leverage all exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the leveraged fund's return as much as or more than the return of the Index itself. Therefore, holding leveraged, inverse, and leveraged inverse funds for longer periods of time increases their risk due to the effects of compounding and the inherent difficulty in

market timing. Leveraged funds are riskier than similarly benchmarked funds that do not use leverage. Non-traditional funds are highly volatile and not suitable for all investors. They provide the potential for significant losses.

**Risks Associated with Investing in Buffer ETFs:** Buffer ETFs are also known as defined-outcome ETFs since the ETF is designed to offer downside protection for a specified period of time. These ETFs are modeled after options-based structured notes, but are generally cheaper, and offer more liquidity. Buffer ETFs are designed to safeguard against market downturns by employing complex options strategies. Buffer ETFs typically charge higher management fees that are considerably more than the index funds whose performance they attempt to track. Additionally, because buffer funds own options, they do not receive dividends from their equity holdings. Both factors result in the underperformance of the Buffer ETF compared to the index they attempt to track. Clients should carefully read the prospectus for a buffer ETF to fully understand the cost structures, risks, and features of these complex products.

**Structured Notes:** Below are some specific risks related to the structured notes recommended by our firm:

- **Complexity:** Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied by the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and/or fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with our firm.
- **Market risk:** Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
- **Issuance price and note value:** The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring, and/or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.
- **Liquidity:** The ability to trade or sell structured notes in a secondary market is often very limited, as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on securities exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date or risk selling the note at a discount to its value at the time of sale.
- **Credit risk:** Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal

protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

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

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

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

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

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

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

#### **Code of Ethics**

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

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

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

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

#### **Personal Trading**

At times, Paragon Wealth Management and/or its IA Reps may take positions in the same securities as clients, and we will try to avoid conflicts with clients. All transactions in non-exempt securities are required to be pre-cleared and in compliance with PWM's Code of Ethics to ensure that there is no conflict of interest or insider trading. PWM shall not receive any preferential price for, or portion of, any

securities acquired or disposed of on behalf of any client of PWM. Scalping (trading shortly ahead of clients) is prohibited. Employees are required to report personal securities transactions on a quarterly basis.

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

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

Paragon Wealth Management requires that clients establish brokerage accounts and maintain custody of assets through the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") or TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). Both firms are independent and unaffiliated SEC-registered broker-dealers and members of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). PWM is independently owned and operated and not affiliated with Schwab or TD Ameritrade.

### **Services, Research and Other Soft Dollar Benefits Received from Schwab**

Schwab provides PWM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab Institutional, is are not otherwise contingent upon PWM committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

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

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

solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Services, Research and Other Soft Dollar Benefits received from TD Ameritrade**

There is no direct link between PWM's use of TD Ameritrade and the investment advice it gives to its clients, although PWM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving PWM participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to PWM by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by PWM's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit PWM but may not benefit its client accounts. These products or services may assist PWM in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help PWM manage and further develop its business enterprise. The benefits received by PWM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, PWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by PWM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the PWM's choice of TD Ameritrade for custody and brokerage services.

PWM also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include various technology solutions offered through Orion Advisor Services, LLC ("Orion") to help us manage our advisory business and client accounts. Services provided by Orion include trading, reporting, billing, compliance, marketing, data services, and financial planning tools, among other technology solutions. TD Ameritrade has provided us with \$5,000 to offset some of the expenses we incur by utilizing services provided to us by Orion. TD Ameritrade provides the Additional Services to PWM in its sole discretion and at its own expense, and PWM does not pay any fees to TD Ameritrade for the Additional Services. PWM and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

PWM's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to PWM, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, PWM's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with PWM, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, PWM may have an incentive to recommend to its clients that the assets under management by PWM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. PWM's receipt of Additional Services does not

diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

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

#### *Client Referrals From Brokers*

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

#### *Directed Brokerage*

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

#### *Trade Aggregation*

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

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

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

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

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

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

##### **Referral Fees Paid**

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

##### **Referral Fees Received**

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

##### **Other Compensation**

Paragon Wealth Management has brokerage and clearing arrangements with Schwab and/or TD Ameritrade. As such the firm may receive additional benefits from them in the form of electronic delivery of client information, electronic trading platforms, institutional trading support, proprietary and/or third party research, continuing education, practice management advice, software and other technology, and other services provided by custodians for the benefit of investment advisory clients. Please refer to Item 12 above for additional information about the products, services, and economic benefits we receive from Schwab and/or TD Ameritrade.

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

Paragon Wealth Management is deemed to have custody of client assets solely because of the fee deduction authority granted by the client in the investment advisory agreement and in certain situations where we accept standing letters of authorization from clients to transfer assets to third parties. We maintain safeguards in accordance with regulatory requirements regarding custody of client assets.

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

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

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

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

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

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

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

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

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

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

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