

Uniform Application for Investment Adviser Registration

Name of Investment Adviser: Paragon Advisors, Inc.				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code Telephone Number
Suite 300, 20820 Chagrin Blvd.	Shaker Heights	Oh	44122	(216) 491-3990

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.**

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)
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Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

1. A. Advisory Services and Fees. (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

<input checked="" type="checkbox"/>	(1)	Provides investment supervisory services	<u>5</u>	%
<input checked="" type="checkbox"/>	(2)	Manages investment advisory accounts not involving investment supervisory services	<u>29</u>	%
<input checked="" type="checkbox"/>	(3)	Furnishes investment advice through consultations not included in either service described above	<u>33</u>	%
<input type="checkbox"/>	(4)	Issues periodicals about securities by subscription	_____	%
<input type="checkbox"/>	(5)	Issues special reports about securities not included in any service described above	_____	%
<input type="checkbox"/>	(6)	Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities	_____	%
<input checked="" type="checkbox"/>	(7)	On more than an occasional basis, furnishes advice to clients on matters not involving securities	<u>33</u>	%
<input type="checkbox"/>	(8)	Provides a timing service	_____	%
<input type="checkbox"/>	(9)	Furnishes advice about securities in any manner not described above	_____	%

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes No

C. Applicant offers investment advisory services for: (check all that apply)

<input checked="" type="checkbox"/>	(1)	A percentage of assets under management	<input type="checkbox"/>	(4)	Subscription fees
<input checked="" type="checkbox"/>	(2)	Hourly charges	<input type="checkbox"/>	(5)	Commissions
<input checked="" type="checkbox"/>	(3)	Fixed fees (not including subscription fees)	<input checked="" type="checkbox"/>	(6)	Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of Clients — Applicant generally provides investment advice to: (check those that apply)

<input checked="" type="checkbox"/>	A.	Individuals	<input checked="" type="checkbox"/>	E.	Trusts, estates, or charitable organizations
<input type="checkbox"/>	B.	Banks or thrift institutions	<input checked="" type="checkbox"/>	F.	Corporations or business entities other than those listed above
<input checked="" type="checkbox"/>	C.	Investment companies	<input type="checkbox"/>	G.	Other (describe on Schedule F)
<input type="checkbox"/>	D.	Pension and profit sharing plans			

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- A. Equity securities H. United States government securities
- (1) exchange-listed securities
- (2) securities traded over-the-counter I. Options contracts on:
- (3) foreign issuers (1) securities
- B. Warrants (2) commodities
- C. Corporate debt securities (other than commercial paper) J. Futures contracts on:
- D. Commercial paper (1) tangibles
- E. Certificates of deposit (2) intangibles
- F. Municipal securities K. Interests in partnerships investing in:
- G. Investment company securities: (1) real estate
- (1) variable life insurance (2) oil and gas interests
- (2) variable annuities (3) other (explain on Schedule F)
- (3) mutual fund shares L. Other (explain on Schedule F)

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- (1) Charting (4) Cyclical
- (2) Fundamental (5) Other (explain on Schedule F)
- (3) Technical

B. The main sources of information applicant uses include: (check those that apply)

- (1) Financial newspapers and magazines (5) Timing services
- (2) Inspections of corporate activities (6) Annual reports, prospectuses, filings with the Securities and Exchange Commission
- (3) Research materials prepared by others (7) Company press releases
- (4) Corporate rating services (8) Other (explain on Schedule F)

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- (1) Long term purchases (securities held at least a year) (5) Margin transactions
- (2) Short term purchases (securities sold within a year) (6) Option writing, including covered options, uncovered options, or spreading strategies
- (3) Trading (securities sold within 30 days) (7) Other (explain on Schedule F)
- (4) Short sales

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes No

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

- For:
- each member of the investment committee or group that determines general investment advice to be given to clients, or
 - if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
 - each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
- formal education after high school
- year of birth
- business background for the preceding five years

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
 - (1) broker-dealer
 - (2) investment company
 - (3) other investment adviser
 - (4) financial planning firm
 - (5) commodity pool operator, commodity trading adviser or futures commission merchant
 - (6) banking or thrift institution
 - (7) accounting firm
 - (8) law firm
 - (9) insurance company or agency
 - (10) pension consultant
 - (11) real estate broker or dealer
 - (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes No
-

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Mr. Sullivan is involved in the more global issues pertaining to Paragon's clients. As such, he may oversee more than 50 client accounts. All other financial advisors employed by Paragon Advisors, Inc. have less than 30 clients. Because the nature of many client investments is long-term and sometimes illiquid, these investments generally are reviewed on a formal basis with clients no less frequently than annually. In many cases, clients are provided with quarterly reports calculating the performance of their investments. Information with respect to investments is typically obtained from the sponsor or managers for such investments and is sent directly to the clients. Review of client accounts varies in format and frequency, depending in part upon the desires of the client. Clients may request more or less frequent reviews. Paragon Advisors, Inc. provides comprehensive and detailed reports to clients no less frequently than annually, updating the client's overall financial affairs. Reports generally include a Statement of Assets and Liabilities, Asset Allocation, Investment Performance Report and Taxable Income and Cash Flow Projection. However, the reports are tailored to meet the specific needs of each client and vary in scope and approach.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Described in 11A

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- | | | |
|--|-------------------------------------|--------------------------|
| (1) securities to be bought or sold? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (3) broker or dealer to be used? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (4) commission rates paid? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients? Yes No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | |
|---|-------------------------------------|-------------------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? | Yes | No |
| | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

(For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
 - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- | | | |
|--|-------------------------------------|--------------------------|
| Has applicant provided a Schedule G balance sheet? | Yes | No |
| | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Paragon Advisors, Inc.	IRS Empl. Ident. No.:
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Item of Form (identify)	Answer
1. A-D	<p>Overview of Financial Advisory Services</p> <p>PARAGON ADVISORS is a fee based financial advisory firm specializing in comprehensive and confidential management of family wealth. Our mission statement for our clients is to organize and centralize their financial matters, provide ongoing review and monitoring of their financial assets, develop wealth maximizing and tax minimizing strategies and lastly, act as the catalyst to implement the plan in an efficient and cost effective manner.</p> <p>Generally, clients of Paragon Advisors have an individual net worth in excess of \$10,000,000 with moderately to very complicated financial situations. Due to the large net worth of Paragon clients, the service provided to each client is highly tailored and personalized to each client's particular circumstances. Paragon provides a group of core services of which most clients take advantage. Those core services are as follows:</p> <ul style="list-style-type: none"> Overall organization and monitoring of family financial matters Tax and cash flow planning Asset allocation analysis and recommendation Estate and trust planning across generations Insurance analysis and recommendations on life, property and liability coverage Investment review and recommendation Review and recommendation of traditional and alternative investment managers Tax return preparation Quarterly investment performance monitoring Bill paying Other services tailored to each client individual needs <p>Other Services</p> <p>Since Paragon tailors the services to its clients' needs, there are other services, beyond the Core Services, that Paragon provides. This would include, from time to time at clients' requests, administering estates, trusts, foundations and other entities. Paragon may also be engaged by its clients for special projects such as organizing family partnerships, constructing and monitoring laddered bond portfolios, assisting in the negotiation of the sale or purchase of a business and other related services.</p> <p>Fees For Core Services</p> <p>Paragon charges an annual retainer to its clients for the Core Services. The fee is tailored to, and is based upon the complexity of each client's financial situation. Consideration is given to the level of income, assets owned, the composition of the asset mix, and the level of service to be performed by Paragon. Annual fees for the Core Services are negotiated with each client and average around \$35,000. Fees for clients with complicated financial matters may exceed \$100,000 if the services provided are extensive. The fee is generally paid quarterly in advance, and out of pocket expenses incurred on client's behalf are billed quarterly in arrears. All pre paid fees are refundable and advisory or engagement agreements are terminable at will by either party upon reasonable notice.</p> <p>Fees for Other Services</p>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Paragon Advisors, Inc.	IRS Empl. Ident. No.:
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Item of Form (identify)	Answer
3. A - L	<p>Fees charged for Other Services or special projects are negotiated based on each individual situation and are based upon the depth of the project and time involvement.</p> <p>Investments</p> <p>Paragon often serves as the financial alter ego of its clients. Paragon does not typically manage stock portfolios or make investments that require direct management; rather, Paragon will in such circumstances, research and recommend other investment advisors and commodity trading advisors to directly manage client investments. Paragon will access these managers for its clients either directly or through a pooling of clients' assets in a partnership-type entity. This pooling allows Paragon's clients to invest with managers (Underlying Investment Funds) who have high minimum investment limits and which would not otherwise be accessible to clients individually. For pooled investments, Falmouth Investment Company, Inc. ("Falmouth"), an affiliate of Paragon, will form a private investment company and will serve as manager member to such entity. Falmouth provides investment advisory services to the investment pools, including the formation and organization of the pool, performing due diligence on investment managers to be utilized by each pool, ongoing monitoring and performance evaluation of the managers and annual accounting for each pool.</p> <p>Falmouth will charge an administrative fee to such entity for providing the investment advisory services. Falmouth generally charges a fee for the organization of each pool, then an annual asset management fee, paid quarterly in advance, for the ongoing services provided to each fund. This fee will cover the due diligence time, the time involved in monitoring and reporting on the underlying investment activities of the selected managers and the administration of cash receipts and disbursements. The annual administrative fee typically ranges from 0.4% to 1% of the net asset value of the individual investment pool. In some instances, the administrative fee may be calculated as a percent of capital committed to the pool by its investors. For certain investment pools, Falmouth charges an additional distribution fee of a percentage of cash distributions in excess of capital commitments. In addition to the management compensation paid to Falmouth, the managers of the Underlying Investment Funds will charge advisory and/or incentive fees to the funds in which the Company's capital is invested. Thus, investors will pay two levels of advisory fees for the management of their assets in these pools, one directly to Falmouth and one indirectly to the Underlying Investment Funds. In some cases, Falmouth may defer fees until the entity has a profit in any year. The fee for each pool is based on the amount of anticipated involvement that Falmouth may have in the investment.</p> <p>Paragon provides advice on a wide range of investments, investment vehicles and money managers. Paragon evaluates and provides advice on:</p> <p>Real estate investments</p> <p>All types of debt instruments (mortgage, corporate and non-corporate debt, performing and non-performing loans, secured and unsecured loans and notes).</p> <p>Specialized investment strategies, which may include limited partnership or other equity interests in hedge funds, private equity investments, arbitrage funds, or commodity funds.</p>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Paragon Advisors, Inc.	IRS Empl. Ident. No.:
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Item of Form (identify)	Answer																																
4. A, B, C	<p>Paragon is requested by its clients on occasion, to assist such clients with the purchase or sale of a business. In such cases, Paragon acts in an advisory role and does not provide investment banking services.</p> <p>Paragon does not employ any one particular method of evaluating investments. Its evaluation techniques depend on the investment being examined. The following are techniques that may be used to evaluate individual opportunities:</p> <ul style="list-style-type: none"> Research reports from investment banking firms Research reports from brokerage firms General investment publications Meetings with money managers Meetings with General Partners, sponsors or developers Meetings and phone calls with references for the sponsors of an investment (lawyers, accountants, bankers, etc.) Site and office visits Review and research of prior performance Discussions with contacts (developed in over 25 years in the financial advisory business) to evaluate the timelines and viability of an investment Continuing Education required to maintain CPA status 																																
5.	<p>Paragon requires employees that provide investment advice to have at least a college degree in accounting, finance or similar business discipline or graduate degrees in business, law or other areas suited to providing high quality investment and financial advisory services.</p>																																
6.	<p>Selected professionals of Paragon Advisors, Inc. furnish general investment advice. Specific investments are reviewed and approved by Mr. Sullivan, Ms. Jemison, or Mr. Swain, generally in consultation with certain professional staff of Paragon Advisors contributing to the analysis. The following is information on the education, business background, and personal history of each investment professional and each executive officer.</p> <table style="width:100%; border: none;"> <tr> <td style="width:25%;">Name:</td> <td>Sullivan, Terence Conway</td> </tr> <tr> <td>Birthdate:</td> <td>08/31/55</td> </tr> <tr> <td>Education:</td> <td>B.S.B.A. (Accounting); John Carroll University M.B.A. (Finance); University of Pittsburgh</td> </tr> </table> <table style="width:100%; border: none;"> <tr> <td style="width:25%;">10/07 - Present</td> <td>Ass't Treasurer, Paragon Advisors, Inc.</td> </tr> <tr> <td>08/09 - Present</td> <td>Ass't Secretary, Paragon Advisors, Inc.</td> </tr> <tr> <td>10/07 - Present</td> <td>Ass't Treasurer, Falmouth Investment Company, Inc.</td> </tr> <tr> <td>08/09 - Present</td> <td>Ass't Secretary, Falmouth Investment Company, Inc.</td> </tr> <tr> <td>10/96 - Present</td> <td>President, Paragon Advisors, Inc.</td> </tr> <tr> <td>01/97 - Present</td> <td>President, Falmouth Investment Company, Inc.</td> </tr> <tr> <td>01/96 - 10/96</td> <td>Senior Vice President, Sterling Ltd. Co.</td> </tr> <tr> <td>10/83 - 12/95</td> <td>Vice President, Sterling Ltd. Co.</td> </tr> <tr> <td>09/82 - 10/83</td> <td>Founder, Independent Planning Group</td> </tr> <tr> <td>08/81 - 09/82</td> <td>Senior Tax Consultant, Price Waterhouse</td> </tr> <tr> <td>08/80 - 08/81</td> <td>Full-time Financial Consultant, Condron Associates</td> </tr> <tr> <td>08/79 - 08/80</td> <td>Full-time Student, University of Pittsburgh, M.B.A.</td> </tr> <tr> <td>09/77 - 08/79</td> <td>Staff Accountant, Price Waterhouse</td> </tr> </table>	Name:	Sullivan, Terence Conway	Birthdate:	08/31/55	Education:	B.S.B.A. (Accounting); John Carroll University M.B.A. (Finance); University of Pittsburgh	10/07 - Present	Ass't Treasurer, Paragon Advisors, Inc.	08/09 - Present	Ass't Secretary, Paragon Advisors, Inc.	10/07 - Present	Ass't Treasurer, Falmouth Investment Company, Inc.	08/09 - Present	Ass't Secretary, Falmouth Investment Company, Inc.	10/96 - Present	President, Paragon Advisors, Inc.	01/97 - Present	President, Falmouth Investment Company, Inc.	01/96 - 10/96	Senior Vice President, Sterling Ltd. Co.	10/83 - 12/95	Vice President, Sterling Ltd. Co.	09/82 - 10/83	Founder, Independent Planning Group	08/81 - 09/82	Senior Tax Consultant, Price Waterhouse	08/80 - 08/81	Full-time Financial Consultant, Condron Associates	08/79 - 08/80	Full-time Student, University of Pittsburgh, M.B.A.	09/77 - 08/79	Staff Accountant, Price Waterhouse
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Paragon Advisors, Inc.	IRS Empl. Ident. No.:
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Item of Form (identify)	Answer
	<p>Examinations: Certified Public Accountant - Ohio Series 3, National Commodities Futures Exam</p> <p>Other Activities: Advisory Board, John Carroll University Department of Accounting Advisory Board, Linsalata Capital Partners Board of Directors, Stanton Carpet Holding Company Board of Directors, John Carroll University</p> <p>Name: Jemison, Christine L. Birthdate: 06/05/70 Education: B.S.B.A. (Accounting); Bowling Green State University MT (Masters Taxation); Akron University</p> <p>10/07 - Present Vice President & Treasurer, Paragon Advisors, Inc. 10/07 - Present Sr. Vice President & Secretary, Falmouth Investment Company, Inc.</p> <p>10/99 - Present Paragon Advisors, Inc. 08/88-10/99 Deloitte & Touche</p> <p>Examinations: Certified Public Accountant - Ohio</p> <p>Name: Swain, Scott J. Birthdate: 05/25/70 Education: B.S.B.A. (Accounting); Miami University MT (Masters Taxation); Akron University</p> <p>10/07 - Present Vice President & Secretary, Paragon Advisors, Inc. 10/07 - Present Sr. Vice President & Treasurer, Falmouth Investment Company, Inc.</p> <p>08/03- Present Paragon Advisors, Inc. 08/99-08/03 Charles Schwab & Co. 09/92-08/99 Ernst & Young</p> <p>Examinations: Certified Public Accountant - Ohio</p> <p>Name: Stephen J. Nowicki Birthdate: 03/23/76 Education: B.S.B.A. (Accounting); John Carroll University</p> <p>10/03 - Present Paragon Advisors, Inc. 07/00-10/03 Strang, Klubnik & Assoc. 06/98-06/00 McManus, Dosen & Co.</p> <p>Examinations: Certified Public Accountant - Ohio</p>

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Paragon Advisors, Inc.	IRS Empl. Ident. No.:
Item of Form (identify)	Answer
7.	Name: Christopher J. Clair Birthdate: 06/18/73 Education: B.S.B.A. (Accounting); John Carroll University 1/09 - Present Chief Compliance Officer, Paragon Advisors 3/06 - Present Paragon Advisors, Inc. 10/02-3/06 Sustin, Bartell, Waldman & Fergus 8/00-10/02 Smythe Cramer 10/95-8/00 Pease & Associates (Lytkowski & Pease) Examinations: Certified Public Accountant - Ohio
8. C (12)	Refer to the answer to Item 1 of Schedule F. This answer provides details on Paragon's Comprehensive Financial Advisory Services.
8. D	Paragon is related to Falmouth Investment Company, Inc. (Falmouth) through the common ownership of both entities by Mr. Sullivan, Ms. Jemison & Mr. Swain. Falmouth acts as the managing member of investment entities described more fully in Item 1 above under the Investments heading. Falmouth creates and monitors such investment entities on behalf of Paragon clients who invest in such entities.
9.A.	As described in item 1 above, to facilitate client investment in other investment offerings, Falmouth will form pools of client capital to participate in such offerings. Falmouth generally acts as the manager member or general partner of the investment pools. Falmouth will be compensated for its services to such pools as described in item 1. These services are considered extraordinary and beyond the compensation paid by Paragon clients as part of the Core and Other Services.
9.D.	The pools managed by Falmouth invest in a wide range of investment vehicles, including hedge funds (traditional long/short, international, arbitrage, distressed securities, mortgage-backed securities, special situations) real estate investments, debt instruments, private equity and commodities.
9.A.	Mr. Sullivan, Ms. Jemison, Mr. Swain, Paragon, Falmouth, and employees of Paragon may invest in the pools to which Falmouth provides investment advisory services. These investments are made by these parties to provide an identity of interest with the investors in the pools. In other words, Mr. Sullivan, Ms. Jemison, Mr. Swain, Paragon, Falmouth, and employees of Paragon have invested their own money along with other investors of each pool on the same economic terms.
9.D.	As more specifically described in previous items, Falmouth acts as the managing member of investment pools formed to facilitate client investment in certain investment offerings that, due to size limitations, may be otherwise inaccessible for Paragon clients. Affiliates of Paragon and Paragon employees may invest alongside clients in these pools. For the services provided to such investment pools, Falmouth will be compensated and will enjoy appreciation of its investment to the same extent as its clients. Paragon, its affiliates and its employees are prohibited from taking commissions or other compensation from the sponsors of the investments

(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Paragon Advisors, Inc.	IRS Empl. Ident. No.:
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Item of Form (identify)	Answer
9.E.	<p>in the pools. However, Paragon will make an effort to have the sponsors reimburse Paragon or the pool for out of pocket and other expenses incurred in the due diligence process of evaluating the investment. In addition, Paragon or Falmouth may negotiate fee reductions from the sponsors which accrue to the benefit of the pool or the respective client (if applicable). The reimbursement amount does not include payment for time unless such amount for time offsets fees otherwise charged by Paragon to the investment pool. Paragon will fully disclose to its clients such reimbursement arrangements.</p> <p>Furthermore, from time to time, Mr. Sullivan may serve on the Board of Directors of certain privately-held companies owned by entities in which Falmouth's investment pools are invested. Mr. Sullivan does receive compensation for his position on such boards. Currently, he serves on the Board of Directors of Stanton Carpet Holding Company, a privately-held company owned by Linsalata Capital Partners Fund V, L.P., a private equity entity owned by one of Falmouth's investment pools.</p> <p>Paragon or its employees may recommend to clients securities or investments that Paragon's employees own, purchase or sell for their own accounts. In addition, Mr. Sullivan, Ms. Jemison, Mr. Swain and Falmouth may invest personally in the same funds recommended by Falmouth to its advisory clients, the investment pools. Such transactions are effectuated in accordance with Paragon's Insider Trading Policy and Code of Ethics, with which all employees are required to comply. Paragon's Code of Ethics is based on the principle that all employees of the Company have a fiduciary duty to place the interests of clients ahead of their own and the Company's. The code contains provisions dealing with, among other things, client confidentiality, prohibited transactions and insider trading. In addition, the Company's Chief Compliance Officer is responsible for monitoring the personal securities transactions of its employees to assist in detecting and preventing breaches of the Company's fiduciary duties to its clients and to avoid potential conflicts of interest with its clients. A complete copy of Paragon's Code of Ethics is available upon request.</p>
10.	<p>Generally, the minimum net worth for Paragon clients is \$10,000,000. Under certain circumstances, Paragon accepts clients with assets below \$10,000,000.</p>
12. A,B	<p>In limited cases, Paragon has the latitude to select brokers and negotiate commissions on behalf of its clients without specific client consent. Brokers used in such transactions are generally the brokers with whom the accounts are custodied. Paragon will negotiate fees with individual brokers based on competitive commission rates which Paragon experiences with other brokers.</p> <p>In most situations, Paragon does not have the authority to determine the broker used for client transactions. Typically, Paragon's clients have pre-established broker relationships and/or specifically direct the broker to be used. With such an arrangement, the client's direction to use a particular broker may limit Paragon's ability to achieve best execution and negotiate commissions with other brokers on the client's behalf. Paragon does recommend brokers to clients where appropriate. Paragon will recommend a broker best suited to the client's needs based on size of account, services provided and competitiveness of commissions.</p> <p>Falmouth has the discretionary authority to invest each pool's assets in managers which it deems appropriate to achieve the objective of each pool. In most cases, Falmouth discloses in advance what managers it expects to utilize in achieving the particular pool's objectives. However, the final determination of the managers utilized is made by Falmouth. In addition to</p>

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1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Paragon Advisors, Inc.	IRS Empl. Ident. No.:
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	<p>selecting the managers, Falmouth determines how much of each pool's capital is allocated to the respective managers. Finally, in certain circumstances, Falmouth may select brokers and negotiate commission rates for transactions made within each pool based on competitive commission rates Falmouth experiences with other brokers. Falmouth will select brokers best suited to the advisory client's needs based on the size of account, services provided and competitiveness of commissions.</p> <p>One such broker that Paragon & Falmouth often recommend to clients is the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, and member SIPC. Paragon and Falmouth are independently owned and operated and not affiliated with Schwab. Schwab provides Paragon and Falmouth 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. 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.</p> <p>For Paragon's and Falmouth's client 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.</p> <p>Schwab also makes available to Paragon and Falmouth other products and services that benefit Paragon and Falmouth but may not benefit their clients' accounts. Some of these other products and services assist Paragon and Falmouth 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; provide research, pricing information and other market data; 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 Paragon's and Falmouth's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to Paragon and Falmouth other services intended to help manage and further develop their business enterprises. 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 Paragon and Falmouth 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 Paragon and Falmouth. While as a fiduciary, Paragon and Falmouth endeavor to act in their clients' best interests, their recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Paragon and Falmouth 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. However, Paragon and Falmouth do evaluate Schwab's overall services in comparison to other brokers from time to time, and have been pleased by the level of Schwab's brokerage services, as well as with their competitive rate structure. Furthermore, the convenience of the ability to access all client accounts custodied at Schwab through Schwab's website is a substantial benefit that allows Paragon and Falmouth to act on behalf of clients in a more efficient and effective manner.</p>

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13.	<p>As described in Item 12 above, Paragon and Falmouth do receive some benefit from certain products and services provided by Schwab in connection with the custody of client assets with Schwab.</p>