

WHAT DO WE THINK ABOUT . . . ?

Europe

Spain and Italy remain on credit watch, France's AAA credit rating has been at risk for some time, the economy of Greece is in disarray – and that's all we'll list due to space constraints. While not wanting to sound cavalier about the situation, we would like to point out that sovereign debt defaults, which may happen in Greece, are not uncommon but, as of yet, have never brought down the entire global financial system.

Will there be further downgrades? Yes. Will there be defaults? Probably. Will there be bailouts, currency devaluations, and debt restructuring? Almost certainly. Looking into our "crystal ball", we see all of the above eventually leading to the dissolution, or diminishment, of the Euro currency and a return to the political, and economic, structures of the pre-Euro environment. After the initial shock of such a shift, we believe that it will be a positive development for the world economy.

Elections

The 2012 election cycle has begun – hang on to your hats! We believe that the continuation of sluggish economic growth, high unemployment and divided houses of Congress will make for an interesting campaign season. The current environment will probably lead to more extreme views (both left and right) taking center stage for the early parts of the campaign, and may well continue into the general election. Typically, both candidates turn toward the center as the election nears, but we are not so confident of that happening in 2012. Here's why:

Emerging Ideologies

As much as both sides deny it, we see certain parallels between the Tea Party and the Occupy movement. Both started as grass-roots movements, both are de-centralized (with no national leader per se), and both are protesting well-established institutions (the government and corporate America, respectively).

Although we believe both factions will contribute to their respective party's campaign rhetoric, we think that the Tea Party might be more effective in the actual elections – simply because it has a three-year head start in focusing its message and organizing its members.

However, we think that the Occupy movement (Wall St., Los Angeles, Kansas City, take your pick) will be much more entertaining and media savvy. As such, we expect there to be the perception of a nation divided throughout the election. This could make small moves in sentiment appear larger than they really are. A return to 1968, although hopefully without the violence, may well be in the offing.

Markets

Since the European woes became a common story in the U.S., and our own credit rating fell below AAA in early August, the markets have been noticeably volatile. However, the stock market has been trading in a well-defined channel since then. It is very possible that the market established a new (and more realistic given our current and near-term economy) range more quickly than it usually does, and obviated the need for a more drawn out slide to current levels.

Although the stock market often experiences a "Santa rally" in December, the indications are that it might be hard to come by this year. First of all, the sluggish recovery will eventually necessitate the lowering of some earnings estimates. Second, the peak shipping season for holiday inventories has come and gone with a dramatic decrease in volumes at the major U.S. ports.

Eventually the economy will recover, and the markets will reflect it. Until then, we will be cautious, conservative and continue to take a long-term, global view of the companies that we purchase for your accounts.

PARAGON CAPITAL MANAGEMENT, LLC

We are pleased to welcome Dana Berry as the newest member of the Paragon family. Dana is originally from Kansas City, and joins us from another financial firm here in town. If you have not yet had a chance to meet her, please take some time to say hello the next time you call, or stop in.

Thank you for choosing Paragon as your investment management partner. As always, we are actively seeking new clients, so feel free to pass our names on to anyone who you feel might benefit from our services.

Regards,

Craig, Howard, Elizabeth, Ward & Ethel

A copy of our SEC Brochure (formerly Form ADV Part II) is available to you at anytime. This document describes who we are, what we do, and how we do it. Also, our Proxy voting policy is available to you at any time. If you would like to receive either of these documents, or inquire as to how your shares have been voted, please contact us at a phone number, or e-mail, listed below.

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