

**UNITED STATES OF AMERICA**  
before the  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10574 / November 16, 2018**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-18897**

<p><b>In the Matter of</b></p> <p style="text-align:center"><b>Paragon Coin, Inc.,</b></p> <p><b>Respondent.</b></p>
--

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933, MAKING FINDINGS, AND  
IMPOSING PENALTIES AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against Paragon Coin, Inc. (“Paragon” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant To Section 8A of the Securities Act of 1933, Making Findings, and Imposing Penalties and a Cease-and-Desist Order (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

**Summary**

Paragon is an online entity that was purportedly established to implement blockchain technology in the cannabis industry. From August 2017 through October 2017, Paragon offered

---

<sup>1</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

and sold digital tokens (“PRG” or “PRG tokens”) to be issued on a blockchain, or a distributed ledger (the “offering”). Paragon conducted the offering of PRG tokens to raise capital to develop and implement its business plan to add blockchain technology to the cannabis industry and work towards legalization of cannabis. In connection with the offering, Paragon described the way in which PRG tokens would increase in value as a result of Paragon’s efforts and stated that PRG tokens would be traded on secondary markets. Paragon raised approximately \$12 million worth of digital assets during the offering. Paragon did not register the offering pursuant to the federal securities laws, nor did it attempt to qualify for an exemption to the registration requirements.

Based on the facts and circumstances set forth below, PRG tokens were securities pursuant to *SEC v. W. J. Howey Co.*, 328 U.S. 293 (1946), and its progeny, including the cases discussed by the Commission in its *Report of Investigation Pursuant To Section 21(a) Of The Securities Exchange Act of 1934: The DAO* (Exchange Act Rel. No. 81207) (July 25, 2017) (the “DAO Report”). A purchaser in the offering of PRG tokens would have had a reasonable expectation of obtaining a future profit based upon Paragon’s efforts, including to develop Paragon’s “ecosystem” using the proceeds from the sale of PRG tokens, and to take steps to control and increase the value of PRG. Paragon violated Sections 5(a) and 5(c) of the Securities Act by offering and selling these securities without having a registration statement filed or in effect with the Commission or qualifying for exemption from registration with the Commission.

### **Respondent**

Paragon is a Delaware Corporation. Neither Paragon nor its securities are registered in any capacity.

### **Facts**

1. Paragon is an entity, established in July 2017, to “deploy a suite of blockchain enabled products to organize, systematize and bring verification and stability to the cannabis industry.”
2. On August 15, 2017, Paragon released a White Paper (the “White Paper”) on its website and social media websites describing its planned business model and upcoming token sale.
3. The White Paper described Paragon’s mission as seeking to “pull the cannabis community from marginalized to mainstream by building blockchain into every step of the cannabis industry and by working toward full legalization.” The White Paper described five different segments of the planned Paragon business model, including “ParagonChain,” “ParagonCoin,” “ParagonSpace,” “ParagonOnline,” and “ParagonAccelerator.” ParagonChain would facilitate the creation of “an immutable ledger for all industry related data.” ParagonCoin would “offer payment for industry related services and supplies.” ParagonSpace would “establish niche co-working spaces via ParagonSpace.” ParagonOnline would “organize and unite global legalization efforts.” And ParagonAccelerator would “bring standardization of licensing, lab testing, supply chain and ID verification through apps.”
4. Paragon’s White Paper described the terms of an upcoming token sale that would raise funds to build the various Paragon business segments.

5. Paragon and its agents control the content on multiple web pages, including but not limited to its website, a Twitter account, a Facebook page, and posts on various blogs and message boards (collectively, the “Paragon Web Pages”).

### **Paragon’s Offer and Sale of PRG To The General Public**

6. On August 15, 2017, Paragon announced, via the White Paper, that it would launch an “initial token crowdsale” to offer “ParagonCoins,” or “PRG,” to the general public, to run from September 15, 2017 through October 15, 2017 (“the PRG crowdsale”). Paragon released the White Paper on its website, and posted it to various social media platforms. The White Paper described, *inter alia*, the details of the offering, the offering process, how Paragon would use the proceeds of the offering to develop its business, the ways in which Paragon would control the supply of PRG to increase the value of tokens, and the ability for PRG token holders to trade PRG on secondary markets after the offering.

7. Paragon also offered a pre-sale (the “pre-sale”) to investors prior to the PRG crowdsale, from August 15, 2017 through September 15, 2017, offering 10-25% discounts on PRG tokens during that period, with the earlier investors receiving bigger discounts.

8. PRG tokens were advertised as being available for purchase by individuals in the United States and worldwide through websites and social media pages including, but not limited to, the Paragon Web Pages.

9. Paragon also sold PRG tokens to at least 7 investors via private agreements during the offering.

10. Per the White Paper, a total of 200,000,000 PRG tokens were to be generated, and there would be “no further production of tokens so, over time, the tokens in circulation shall reduce in number and increase demand.” The White Paper delineated a schedule for production of the PRG tokens, as “the distributed value and frequency of token production influence[s] token price.” 100,000,000 PRG tokens were to be sold in the offering; 50,000,000 tokens would be for sale at a later unspecified date; 40,000,000 tokens would be allotted for a “Paragon controlled reserve to maintain price support of the PRG tokens”; and 10,000,000 tokens were to be placed in community-controlled reserve to be used for start-up ventures “voted on by the community.”

11. Proceeds from the offering would be used for the development and implementation of the business model contemplated by the White Paper, and to build an “ecosystem” around the token. The White Paper also stated that the “lion’s share” of the offering proceeds would be spent on real-estate acquisition for the contemplated “ParagonSpace” co-working spaces. Paragon described its contemplated co-working spaces to be similar to other well-known co-working spaces, where cannabis-related businesses could rent space, and pay for space and other amenities using PRG tokens. Since the offering, Paragon has purchased and opened a ParagonSpace co-working space that is currently operational.

12. Paragon described a timeline that provided for various development milestones in 2017 and 2018, including the “listing” of PRG tokens on “major exchanges” within one month of the close of the offering, “initial functionality,” and the purchasing and renovating of buildings to be used in the “ParagonSpace” venture.

13. Paragon engaged a celebrity to promote the offering. Before and during the offering, Paragon directed the celebrity to release statements on various social media sites promoting Paragon and the offering. Paragon also told potential investors that the celebrity was on Paragon's "Advisory Board."

14. Principals of Paragon also interacted with potential investors on various internet sites and forums. On August 27, 2017, principals of Paragon hosted a public question and answer forum on Reddit.com, known as "Ask Me Anythings" or "AMAs," in which potential investors were invited to ask questions regarding Paragon and its token sale, titled "AMA w/Paragon Coin Execs" ("Paragon AMA"). (Paragon hosted an earlier AMA with potential investors on August 20, 2017).

15. The PRG crowdsale ran from September 15, 2017 through October 15, 2017. During the pre-sale and crowdsale, PRG tokens could be purchased only in exchange for other digital assets, including Bitcoin, Ether, Litecoin, Dashcoin, Zcash, Ripple, Monero, Ethereum Classic, and Waves. PRG tokens could not be purchased with fiat currency.

16. Through the offering, Paragon raised a total of \$12,066,000, as measured in the U.S. Dollar equivalent of these various digital assets at the close of the offering. Approximately 8,323 investors purchased PRG tokens, including investors in the United States.

17. PRG tokens were distributed to purchasers on October 22, 2017, on the Ethereum blockchain using the ERC-20 protocol.

18. Before and after the PRG tokens were distributed to investors, Paragon sought to have PRG tokens "listed" on various secondary trading platforms. Following the offering, PRG tokens were traded on multiple digital asset trading platforms.

19. Following the offering, Paragon communicated with token holders via Slack and Telegram channels, and also via e-mail. Presently, Paragon continues to communicate with investors via Telegram and e-mail.

**Paragon's Plan To Create An "Ecosystem" And Take Other Steps  
To Control and Increase The Value Of PRG**

20. Paragon offered PRG tokens in order to raise capital to build a profitable enterprise. Paragon stated that it would use the offering proceeds to establish its planned business, including the purchase of real estate for its "ParagonSpaces" business segment.

21. Paragon stated repeatedly, in the White Paper, marketing materials, internet forums and elsewhere, that it was planning to use the offering proceeds to build an "entire ecosystem" around the PRG tokens that would increase the value of the PRG tokens. In the Paragon AMA, for example, a principal of Paragon stated that Paragon, "will be using this money to build an entire ecosystem around our token that we're expecting to bring much more value to the token than what[sic] it's offered at right now." In the same forum, the principal also stated that PRG tokens were "a product that we're expecting to appreciate in value due to it[s] limited supply and the ecosystem we're building around to build a strong demand."

22. While Paragon told potential purchasers that they would be able to use PRG tokens to buy goods or services in the future after Paragon created an “ecosystem,” no one was able to buy any good or service with PRG before or during the offering other than pre-ordering Paragon merchandise.

23. In the White Paper, internet forums and elsewhere, Paragon and its agents further emphasized that the company would build an “ecosystem” in a way that would cause PRG tokens to rise in value. A Paragon representative stated, in the Paragon AMA: “[p]eople are buying a token, which is a product. And the more money our company has to build an ecosystem around this token, the more valuable the token is going to be.” In an e-mail exchange with a potential investor, who asked about the benefits of investing in the PRG crowdsale, a Paragon representative responded:

It’s important to understand that price of any token depends on the supply and demand. We are building an ecosystem around the tokens — online and offline that is much needed in the legal cannabis industry. We expect much more demand with more and more features and business development activities introduced on the Paragon platform.

24. Paragon and its representatives also repeatedly emphasized, in the White Paper, marketing materials and elsewhere, its built-in “deflation algorithm” which was designed to decrease supply of PRG tokens and in turn, increase the value of PRG tokens. Per the White Paper, this reduction in supply of PRG was part of “Paragon’s plan to encourage PRG price stability and growth . . . ensur[ing] a growth of PRG purchasing power over time.”

25. Paragon reiterated its “built-in internal deflation algorithm to decrease supply” in its marketing materials and in e-mails with potential investors. In a marketing presentation, Paragon noted:

**Fixed number of coins in circulation**  
**Coins return to us as payments for co-working space,**  
**commissions, accumulation**  
**We release coins into circulation if needed, to keep**  
**the price at reasonable level**  
**Harboring of coin to effectuate supply, while**  
**intermittently taking proceeds to further expand**  
**the ecosystem**  
**Deflation occurs**

26. Paragon also told investors, in the White Paper and in e-mail communications, that it would “burn” tokens that were not sold by the end of the offering, which “means that at that point, instantly, all allocated coins will immediately gain value due to scarcity.” Tokens “used for community self-governing and for downvoting” would also be burned, per the White Paper. Further, Paragon told investors that it would charge a “transaction” fee for “transactions within the blockchain,” but that half of those fees “will be burned, decreasing the amount of coins in circulation. More adoption = less coins, more value.”

27. Paragon also maintained, as part of its core business model outlined in the White Paper, a “Controlled Reserve Fund” to keep the price of PRG “stable.” If the price of PRG tokens were to drop significantly, the Controlled Reserve Fund would “intervene by buying back PRG in an effort to stabilize the market price.” Conversely, the Controlled Reserve Fund would “[r]elease PRG to the markets if PRG deflates too fast and pushes token prices up too rapidly.”

28. Paragon also stated, in the White Paper and in communications with investors, that PRG tokens would be tradeable on secondary markets. In the White Paper, Paragon stated that, “post crowdsale, people will also be able to purchase and sell PRG on exchanges,” and that it planned to “[l]ist tokens on major exchanges” by November 15, 2017. In e-mail communications with potential investors, Paragon representatives confirmed that Paragon was “expecting PRG to be listed on many major exchanges and a few big ones have already confirmed,” and discussed the likely liquidity of PRG tokens on those platforms: “I can’t make such promises, but based on what I see there is a lot of liquidity with most tokens that were recently sold through crowdsale.”

### **Paragon Promoted PRG Tokens And Purchasers Had A Reasonable Expectation Of Obtaining A Future Profit**

29. Paragon made statements on internet forums, blogs, e-mails and social media indicating that the PRG token offering was an opportunity to profit.

30. For example, the White Paper stated that “PRG is designed to appreciate in value as our solutions are adopted throughout the cannabis industry and around the world. Our model incentivizes PRG owners to hold their tokens as long term growth assets, in addition to spending PRG on any of our platforms.” Paragon also noted in its White Paper that it wanted “to keep the value of PRG strong and growing.”

31. In the White Paper and elsewhere, Paragon also touted its “deflationary algorithm,” “Controlled Reserve Fund,” and “burning” mechanism that were designed expressly to control and increase the price of PRG on the open market, and provide investors with an opportunity to profit:

A gradual reduction in circulating supply is part of Paragon’s plan to encourage PRG price stability and growth, but above all, a solid price development over time. This ensures a growth of PRG purchasing power over time. While 1,000 PRG may pay for a month’s rent now, in the future, it might pay for a year’s rent.

32. Paragon also highlighted the potential for profit in e-mail and online chat communications with investors. For example, when asked by a potential investor what the price of PRG would be in several months, a Paragon representative responded “[w]e cannot speculate on the future exchange prices after we are listed, though we do believe the future is very optimistic for Paragon and PRG.”

33. Paragon also stated, in the White Paper and elsewhere, that PRG tokens would be listed on “major” secondary platforms following the offering. Paragon also assured potential investors of these listings in e-mail and online chat communications. For example, when asked by a potential investor how they would be able to “sell the stock” after “investing,” a Paragon

representative reiterated that “PRG will be listed on the major exchanges in the mid of November.”

**PRG Token Purchasers Reasonably Expected They Would Profit From The Efforts Of Paragon And Its Agents**

34. Paragon also made statements indicating that Paragon and its agents would expend significant efforts to develop an “ecosystem” that would increase the value of their PRG tokens.

35. Paragon highlighted the credentials, abilities and management skills of its agents and employees. For example, in the White Paper and elsewhere, Paragon highlighted that its team brought “a depth of experience across business, technology, blockchain, smart contracts, and the cannabis industry.”

36. The White Paper, in fact, emphasized the direct correlation between Paragon’s ability to create the planned “ecosystem” and the future value of PRG tokens. In a lengthy “Risks” section of the White Paper, Paragon noted, for example:

- “The value of, and demand for, the PRG Tokens hinges heavily on the performance of the PARAGONCOIN platform and the continuous active engagement of its users and success of its contemplated business lines . . . the development of the PARAGONCOIN platform and launch of the anticipated PARAGONCOIN future business lines may not be completed and there is no assurance that it will be launched at all. As such, distributed PRG Tokens may hold little worth or value.”
- “The PARAGONCOIN platform is developed, operated, and maintained by ParagonCoin, Inc. Any events or circumstances which adversely affect ParagonCoin, Inc. or any of its successor operating entities may have a corresponding adverse effect on the PARAGONCOIN platform and any future business line. . . Such adverse effects would correspondingly have an impact on the utility, liquidity, and the trading price of the PRG tokens.
- “ParagonCoin, Inc. may be materially and adversely affected if it fails to effectively manage its operations as its business develops and evolves . . . Any adverse effects affecting ParagonCoin, Inc.’s business or technology are likely to also adversely impact the utility, liquidity, and trading price of the PRG Tokens.”
- “Although the Company will use reasonable endeavors to seek the approval for availability of the PRG Tokens for trading on a cryptocurrency exchange, there is no assurance that such approval will be obtained.”

37. As discussed above, Paragon stated in its White Paper and elsewhere that it would (i) distribute PRG tokens on a specified schedule, because “the distributed value and frequency of token production influence token price”; (ii) use the “Controlled Reserve Fund” to buy or sell PRG tokens to “stabilize the market price,” (iii) “burn” unsold tokens and tokens spent in transaction fees to decrease supply and increase value of the PRG tokens, and that these efforts would increase

the value of PRG tokens. Purchasers would have also reasonably expected to obtain a profit from their purchase of PRG tokens based on Paragon’s claimed ability to control the price of PRG, and keep it “stable.”

### **Legal Analysis**

38. Under Section 2(a)(1) of the Securities Act, a security includes “an investment contract.” *See* 15 U.S.C. § 77b. An investment contract is an investment of money in a common enterprise with a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others. *See SEC v. Edwards*, 540 U.S. 389, 393 (2004); *SEC v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946); *see also United Housing Found., Inc. v. Forman*, 421 U.S. 837, 852-53 (1975) (The “touchstone” of an investment contract “is the presence of an investment in a common venture premised on a reasonable expectation of profits to be derived from the entrepreneurial or managerial efforts of others.”). This definition embodies a “flexible rather than a static principle, one that is capable of adaptation to meet the countless and variable schemes devised by those who seek the use of the money of others on the promise of profits.” *Howey*, 328 U.S. at 299 (emphasis added). The test “permits the fulfillment of the statutory purpose of compelling full and fair disclosure relative to the issuance of ‘the many types of instruments that in our commercial world fall within the ordinary concept of a security.’” *Id.* In analyzing whether something is a security, “form should be disregarded for substance,” *Tcherepnin v. Knight*, 389 U.S. 332, 336 (1967), “and the emphasis should be on economic realities underlying a transaction, and not on the name appended thereto.” *Forman*, 421 U.S. at 849.

39. As the Commission discussed in the DAO Report, tokens, coins or other digital assets issued on a blockchain may be offerings of securities under the federal securities laws, and, if they are, issuers and others who offer or sell these securities in the United States must register the offering with the Commission or qualify for an exemption from registration.

#### **A. The PRG Token Offering Was an Offering of Securities**

40. The offering was an offer and sale of “securities” as defined by Section 2(a)(1) of the Securities Act because it constituted the offer and sale of investment contracts.

41. Paragon offered and sold PRG tokens in a general solicitation that included investors in the United States. Investors purchased their PRG tokens in exchange for other digital assets. Such investment is the type of contribution of value that can create an investment contract. *See* DAO Report; *In re Munchee Inc.*, Securities Act Release No. 10445 (December 11, 2017).

42. PRG token purchasers had a reasonable expectation of profits from their investment in the Paragon enterprise. Purchasers had a reasonable expectation that they would obtain a future profit from buying PRG tokens if Paragon were successful in its entrepreneurial and managerial efforts to develop its business. Paragon primed purchasers’ reasonable expectations of profit through statements on internet forums, blogs, e-mails and social media. The proceeds of the PRG token offering were intended to be used by Paragon to build an “ecosystem” that would create demand for PRG tokens and make PRG tokens more valuable. Paragon stated its plans to build the “ecosystem” around PRG tokens, including all 5 of its planned business segments, purchase and renovate real estate for ParagonSpaces, pursue the listing of PRG on secondary trading platforms,



“develop[], operate[] and maintain[]” the Coin Paragon platform, control and increase the value of PRG tokens through its deflation algorithm, Controlled Reserve Fund and token “burning,” among other things. The investors reasonably expected they would profit from any rise in the value of PRG tokens created by these efforts. In addition, Paragon highlighted that it would ensure a secondary trading market for PRG tokens would be available shortly after the completion of the offering and prior to the creation of the “ecosystem.”

43. Investors’ profits were to be derived from the significant entrepreneurial and managerial efforts of others – specifically Paragon and its agents – who were to create the “ecosystem” that would increase the value of PRG (through both an increased demand for PRG tokens by users and Paragon’s specific efforts to cause appreciation in value, such as by utilizing the Controlled Reserve Fund, the deflationary algorithm, and burning PRG tokens), and support secondary markets.

44. Investors’ expectations were primed by Paragon’s marketing of the PRG token offering. To market the offering, Paragon and its agents created the Paragon Web Pages and the White Paper and then posted on message boards, blogs, social media and other outlets. They described how Paragon would build an “ecosystem” that would create demand and increase value for PRG tokens. Because of the conduct and marketing materials of Paragon and its agents, investors would have had a reasonable belief that Paragon and its agents could be relied on to provide the significant entrepreneurial and managerial efforts required to make PRG tokens a success.

## **B. Paragon Offered And Sold PRG Tokens In Violation Of The Securities Act**

45. As described above, Paragon offered and sold securities to the general public, including investors in the United States. No registration statements were filed or in effect for the PRG token offers and sales and the offering did not qualify for any exemption from registration.

46. As a result of the conduct described above, Paragon violated Section 5(a) of the Securities Act, which states that unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

47. Also as a result of the conduct described above, Paragon violated Section 5(c) of the Securities Act, which states that it shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security.

### **Paragon’s Remedial Actions**

48. In determining to accept the Offer, and to not impose greater civil penalties, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the

Commission staff.

### **Undertakings**

Respondent makes the following undertakings:

49. Within fourteen (14) days from the date of this Order, Respondent will issue a press release, in a form not objected to by Commission staff, notifying the public of this Order, containing a link to the Order, and containing a link to the “Claim Form” (as defined in Paragraph 50.b. below). The press release, among other things, will also notify the public that Respondent will “Distribute” (as defined in Paragraph 50.b. below) the Claim Form on the “Effective Date” (as defined in Paragraph 50.b. below). At the same time, Respondent will prominently post the press release, link to the Order, and Claim Form on Paragon’s company website and maintain it there until the “Claim Form Deadline” (as defined in Paragraph 50.b. below).

50. Within 90 days of the date of this Order, Respondent will:

- a. File a Form 10 to register under Section 12(g) of the Securities Exchange Act of 1934 (“the 1934 Act Registration”) the PRG tokens as a class of securities;
- b. On a date no later than sixty (60) calendar days after the date of the filing of the 1934 Act Registration, or on the date of the 1934 Act Registration becomes effective, whichever date is sooner (the earlier date being the “Effective Date”) distribute by electronic means reasonably designed to notify each potential claimant (“Distribute”), a notice and a claim form (the “Claim Form”), both of which shall be in a form not objected to by Commission staff, informing all persons and entities that purchased PRG tokens from Respondent before and including October 15, 2017, of their potential claims under Section 12(a) of the Securities Act, including the right to sue “to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if [the purchaser] no longer owns the security” and informing purchasers that they may submit a written claim on the Claim Form directly to Respondent at an address indicated on the Claim Form of a purchaser’s assertion of rights under Section 12(a) of the Securities Act, and that such claims must be submitted within three (3) months from the Effective Date (“Claim Form Deadline”); and
- c. Maintain such 1934 Act Registration and make timely filings of all reports required by Section 13(a) of the Securities Exchange Act of 1934 for at least one year from the Effective Date of the 1934 Act Registration and until such time as Respondent is eligible to terminate its registration pursuant to Rule 12g-4 under the Securities Exchange Act of 1934.

51. Respondent will pay the amount due under Section 12(a) of the Securities Act to

any person or entity that purchased PRG tokens from Respondent before and including October 15, 2017, and that submitted a written claim to Respondent by the Claim Form Deadline using the Claim Form. Within three (3) months from the Claim Form Deadline, Respondent will make all payments due to purchasers who submitted the Claim Form by the Claim Form Deadline. Respondent may require that a claimant submit documentation supporting that the claimant is entitled to receive payment under Section 12(a) of the Securities Act and paragraph 50.b above. For any claims not paid, Respondent will provide the claimant with a written explanation of the reason for non-payment.

52. Respondent will submit to Commission staff a monthly report of the claims received and the claims paid under paragraph 51 above, including (a) identifying information about each claimant; (b) the amount of each claim; (c) the resolution of each claim, including the amount of each payment; (d) identification of all claims not paid and the reasons for all non-payment of claims; and (e) a list of all complaints received and how Respondent addressed each complaint. Respondent will provide Commission staff with any related additional information or documentation reasonably requested by Commission staff, such as documentation submitted by the claimant and documentation supporting Respondent's decision regarding the claim. In response to any objections by Commission staff to Respondent's handling of one or more claims, Respondent will reconsider its decision(s) in light of the objection and will provide a written explanation to Commission staff of its decision following reconsideration.

53. Within seven (7) months from the Effective Date, Respondent will submit to Commission staff a final report of its handling of all claims received under Paragraph 51 above, including all information listed in paragraph 52 above.

54. Respondent will certify, in writing, compliance with the undertakings set forth above within thirty (30) days of their completion. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Robert A. Cohen, Chief, Cyber Unit, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549, or such other person or address as the Commission staff may provide, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

55. Respondent will retain all records and communications relating to the Paragon offering for a period of at least one year after the date it submits the certification of compliance as described in Paragraph 54, above, or until such time as otherwise required by law.

56. Respondent may apply to Commission staff for an extension of the deadlines described above before their expiration and, upon a showing of good cause by Respondent, Commission staff may, in its sole discretion, grant such extensions for whatever time period it deems appropriate.

57. In determining whether to accept the Offer, the Commission has considered these undertakings.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Section 5(a) and (c) of the Securities Act.

B. Respondent shall pay a civil money penalty in the amount of \$250,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). Payment shall be made in the following installments:

1. Within thirty (30) days of the entry of this Order, Respondent will pay \$100,000.
2. Within one hundred and twenty (120) days of the entry of this Order, Respondent will pay \$75,000.
3. Within two hundred and forty (240) days of the entry of this Order, Respondent will pay \$75,000.

If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of the civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. 3717 shall be due and payable immediately, without further application.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying

Paragon as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Robert A. Cohen, Chief, Cyber Unit, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549, or such other person or address as the Commission staff may provide.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields  
Secretary