



SECURITY 03053090 MISSION  
Washington, D.C.

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| OMB APPROVAL                                   |                  |
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| SEC FILE NUMBER |
| 8-53558         |

### ANNUAL AUDITED REPORT FORM X-17A-5 PART III

#### FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 08/03/01 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

#### A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Paragon Advising Group, L.P.

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FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

3200 Southwest Freeway, Suite 2350

|                       |                           |                           |
|-----------------------|---------------------------|---------------------------|
| Houston               | (No. and Street)<br>Texas | 77027                     |
| <small>(City)</small> | <small>(State)</small>    | <small>(Zip Code)</small> |

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Mr. Michael Chevalier-White

713-599-0111

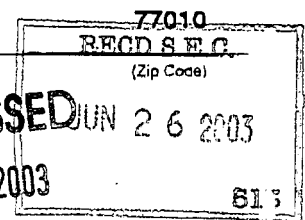
(Area Code - Telephone No.)

#### B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young LLP

|                           |   |                        |
|---------------------------|---|------------------------|
| 1401 McKinney, Suite 1200 | (Name - of individual, state last, first, middle name)<br>Houston | TX                     |
| <small>(Address)</small>  | <small>(City)</small>   | <small>(State)</small> |



CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

**Paragon Advising Group, L.P.**  
**Statement of Financial Condition**

December 31, 2002

|  |                  |
|--|------------------|
| <b>Assets</b>                                |                  |
| Cash   | \$ 34,088        |
| Accounts receivable from customer            | 25,000           |
| Receivable from state securities commission  | 200              |
| Prepaid expenses                             | 2,476            |
| Other assets                                 | 304              |
| Total assets                                 | <u>\$ 62,068</u> |
| <br><b>Liabilities and partners' capital</b> |                  |
| Accrued expenses                             | \$ 11,550        |
| <br>Partners' capital:                       |                  |
| General partner                              | 252              |
| Limited partners                             | 50,266           |
| Total partners' capital                      | <u>50,518</u>    |
| Total liabilities and partners' capital      | <u>\$ 62,068</u> |

*See accompanying notes.*