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Paragon Reports Most Profitable Quarter in Bank History



Robert Shaw speaks at the annual Shareholder's Meeting

At the annual meeting in May of 2016, Paragon reported that the first quarter of 2016 was the most profitable in the bank's more than 10-year history. Total revenue increased to \$4.2 million, which compares to the previous record of \$3.5 million during the fourth quarter of 2015 and is an increase of 19%. Revenue also increased 40.7% compared to the first quarter of 2015. The improvement in earnings was due in large part to increased loan volume, income from the Paragon Small Business Capital Group, and interest recovered on a previously charged-off loan.

"Thanks to our dedicated team members and loyal customers, we are proud to share that this has been the most successful quarter in Paragon's history," said Robert Shaw, Chief Executive Officer at Paragon Bank. "This has set the tone for the rest of 2016, and we look forward to continue building on such a tremendous start."

In addition to a stronger-than-budgeted revenue for the first quarter of 2016, the Small Business Capital Group continued to have an increased number of loan approvals from the U.S. Small Business Administration. Furthermore, the group's recent Preferred Lenders Program status from the SBA will expedite loan approval and continue improving customer service.

Other highlights from the first quarter include:

- Net income for the quarter was \$418,835, compared to \$269,147 for the fourth quarter of 2015 and to a loss of \$152,839 in the first quarter of 2015.
- Noninterest income for the first quarter of 2016 totaled \$1.2 million, which is 65.4% greater than the fourth quarter of 2015. This was the result of a 70.6% increase in income from the Small Business Capital Group; a 36.2% increase in mortgage banking income; and a 31.5% increase in Solutions income, which includes Paragon's wealth insurance, BusinessManager, and payroll revenue.
- Core income increased 34% from the fourth quarter of 2015.

- Gross loans increased \$15.6 million, or 6.3%, in the first quarter of 2016 from \$245.6 million to \$261.1 million. Paragon Small Business Capital Group loans increased \$12.5 million, or 70.8%.
- Total deposits increased \$13.1 million, or 5.2%, during the first quarter of 2016 from \$251.3 million to \$264.4 million.
- Demand deposits increased 1.4% during the first quarter of 2016 and have increased 13.3% over the last 12 months.
- Net interest margin for the first quarter of 2016 was 4.13%, compared to 3.90% for the fourth quarter of 2015 and to 3.59% for the first quarter of 2015.
- Book value per share increased from \$7.94 to \$8.06 during the first quarter of 2016.

Paragon Announces Three New Board Members



Paragon recently appointed three new members to its Board of Directors - Steve Bargiacchi, Rudi Scheidt Jr., and Anita Vaughn. With these additions, Paragon's Board of Directors continues to expand with leaders from a wide range of industries.

Steve Bargiacchi is Chief Executive Officer at Pro Tech Systems Group, where he has used his position to shape the company into an award-winning technology and talent services provider. Currently, Steve is a member of the Executive Committee on the Boys & Girls Club of Greater Memphis Board, a charter member of the Board of the Greater Memphis IT Council, and a member of the Ingram Micro Datacenter Advisory Board.

Rudi Scheidt Jr. currently serves as Chairman of Bridge Capital Asset Funding, which provides alternative funding solutions for domestic and international investors. He also serves as a member of the Pitkin County Finance Committee and the Pitkin County Senior Services Committee in Aspen, Colorado.

Anita Vaughn worked at Baptist Memorial Health Care Corporation from 1974 until her retirement earlier this year, serving in a variety of positions including CEO/Administrator of Baptist Memorial Hospital for Women. Additionally, Anita serves on the Women's Foundation for a Greater Memphis Board, Baptist College of Health Sciences Governing Board, and the University of Memphis College of Arts and Sciences Alumni Advisory Board.

SPOTLIGHT



Steve Meek, Owner of Mellow Mushroom Germantown

What do you get when you combine delicious food and a unique, funky atmosphere? There can be only one restaurant in the competition – Mellow Mushroom. With its emphasis on unique locations, psychedelic decor, and incredible pizza, Mellow Mushroom is a favorite restaurant nationwide with which Paragon is privileged to do business. Paragon has multiple ties with the Mellow Mushroom franchise with SBA loans to multiple franchises around the country, a traditional loan to the Eastgate Mellow in Memphis, and an SBA loan to the Germantown location. So what makes Mellow Mushroom successful and different from other pizza joints? We sat down with the folks who keep tabs on the day-to-day operations of Mellow Mushroom in East Memphis and Germantown to find out.

Steve Meek, owner of Mellow Mushroom Germantown, has extensive experience in the food industry ranging from Disney World to Harley Davidson's executive office to general manager at Newk's. But it was his stint as a personal chef for former Grizzlies player Mike Miller that brought him to Memphis and into Mellow Mushroom Germantown for the first time. Searching for a former Old Navy, Steve found a Mellow Mushroom in its place. Their bar quickly became a watering hole for Steve and his wife Julie, and this led to a friendship with then owner Cary Fairless. So when Cary was selling Mellow Mushroom, Steve was one of the first that came to mind, largely because of the way he values relationships and hard work. "It's about being part of the community, part of being here all the time," Steve says. "Some owners like to check in and go home. Julie and I actually run shifts."

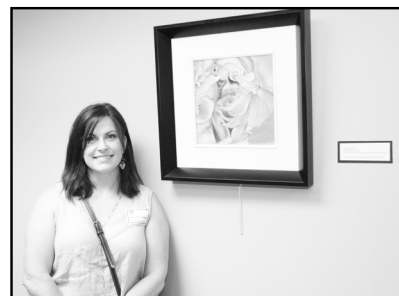
Scott Mathis, owner of Mellow Mushroom at Eastgate, came by his involvement in Mellow Mushroom through his family whose group has grown to become the largest Mellow Mushroom franchisee with seven locations across the southeast. During Scott's college years, his mom and dad were looking for something different from their corporate lives when they opened their first store in Atlanta right before the 1996 Olympics. "The day I graduated college I came to Atlanta and started helping

them at that store," Scott says. Since that day, they have opened two more locations in Atlanta, two in Knoxville, one in Pensacola, and, of course, one in Memphis.

Pizza isn't the only thing that unites the Mellow Mushroom franchises across the United States. Both Steve and Scott emphasize the customer-focused and community-centric attitude that each location has. The care that Steve has about his customers is evident in the way he speaks of his patrons by name. He spouts off story after story of his regulars whether they are bodybuilders who come in every Friday after their workout or a little girl who is proud of drawing him a picture to hang on the wall. "Everyone knows who we are, they expect us here. People know that it's like coming home," says Steve. Scott echoes the importance of a family atmosphere when looking at new Mellow Mushroom locations. "We've looked for locations where we could become part of the community between schools and churches and everything like that," Scott says. "Everything we do on a day-to-day basis is very customer centric – serving great food and providing great customer service."

One of Mellow Mushroom's distinct qualities is its strong brand and freewheeling, hippy-like culture. While each Mellow is different in design and artwork, they all have the same quirky yet mellow (pun intended) atmosphere. "I love it. I love this culture. The culture is about having that freedom of expression," Steve says. With seven stores, Scott has a good bit of freedom with how he builds out his restaurants. Jon Oswald, Director of Operations for Scott, says, "Mellow's unique, there's no doubt. Every single buildout is different. Every single theme inside each of the restaurants is different. And that's what draws a lot of interest from potential franchisees to the group." The Germantown location has incorporated local influences with a mural that depicts Memphis musicians, and the Eastgate location is housed in an iconic circular Memphis building complete with a curved bar. *(continued on page 5)*

Paragon Hosts Memphis Area Art Teachers



During the school year, Paragon displays the artwork of Memphis area schools at the Saddle Creek Banking Center. This summer, the art teachers of those schools had their own artwork on display in Paragon's Memphis Art Teachers Exhibit. The teachers displaying artwork included Jocelyn Collins, Westminster Academy; Kristi Duckworth, Madonna Learning Center; Robin Durden, St. Louis Catholic School; and Rebekah Laurenzi, Farmington Elementary. The artwork was displayed at Paragon's Fountain Place location throughout the summer.

Make-A-Wish

Paragon sends Walker to Hawaii!



Andy Taylor greets Walker and welcomes him to his luau!



Team Paragon, Walker, and his family pose dressed in their Hawaiian costumes.

One of Team Paragon's favorite activities is granting a wish through Make-A-Wish Mid-South, and this year was no exception. Team members created a two-story volcano, tiki hut, and luau experience for Walker's wish reveal. The team greeted Walker with a flash mob and then led him inside to announce that he was going to Hawaii! Then Walker played games organized by Team Paragon and enjoyed a buffet of his favorite foods. We hope you enjoyed your trip to paradise, Walker!



Habitat for Humanity



Paragon's Small Business Capital Group (SBCG) participated in Habitat for Humanity DeKalb County's "A Brush of Kindness" program. Through this program, the SBCG spent a day power washing, painting, and cleaning the yard of a local homeowner. Pictured here is Adrian Lebron helping with the cleanup.

Bank Bowl for St. Jude



Paragon team members Troy Wheatley, Valorie Valle, Haley Overcast, and George Daley participated in the second annual Bank Bowl presented by Sawyers & Jacobs LLC. 14 banks participated in this event and raised \$10,000 to support St. Jude.

Community Involvement

Hawkins Mill Elementary School



Team Paragon loves spending time with our adopted third grade class at Hawkins Mill Elementary School! Pictured here is Valorie Valle helping some of the students with crafts during a recent visit to the classroom.

Lifeblood



During Employee Appreciation Week, the Lifeblood Bloodmobile makes a visit to Paragon for employees to donate blood during the workday. Pictured here is Julia Sledge getting ready to give blood.



Mid-South Food Bank



Recently, members of Team Paragon spent the afternoon volunteering at the Mid-South Food Bank. Team members helped with sorting and boxing food to be sent to the Food Bank's local agencies. Pictured here are Lewis Perkins and Gordin McMurtry boxing up some food for shipping.

Director's Corner: Anita Vaughn



Anita Vaughn

There's a certain magic when the talents and passions of an individual line up with their profession. And that magic is evident when Anita Vaughn, one of the newest members of Paragon's Board of Directors, talks about her role in creating Baptist Memorial Hospital for Women. "I got this great opportunity, which has been the capstone of my career, when they asked, 'Would you plan, build, and lead the women's hospital?'" But such an endeavor doesn't happen overnight. Anita's position as CEO of the women's hospital was the culmination of a 43-year career in the Baptist Hospital system. And, although she retired on March 31 of this year, her involvement with Baptist has no end in sight.

Although Anita has spent decades in the healthcare industry, her start in nursing came from a chance encounter with a friend. "I'd love to say that from a little girl I dreamed about being a nurse, but, no, I didn't," Anita says. "I was thinking I was going to be a commercial artist. Then one of my friends said, 'I'm going to go down to Baptist Nursing School.' And I said, 'Me, too!'" While her start in nursing was seemingly coincidental, Anita believes that it was certainly the right path for her. "I just think it was God saying that was where I needed to be," she says. "It was the best decision even if it wasn't where I thought I was going the year before." From there Anita started her nursing career on the ICU night shift working her way up through the ranks to eventually become the CEO of the women's hospital in 1998.

While her crowning achievement was planning and building the women's hospital, her priority as CEO the last few years of her job was planning and building the pediatric program – the Spence and Becky Wilson Baptist Children's Hospital. "The women's hospital was the capstone," Anita says. "But from the moment we laid the first brick, we wanted it to be a women's and children's hospital." Since her retirement, Anita has continued her work on the pediatric hospital through the Baptist Foundation where she works part time. She is currently leading the pediatric capital campaign, which is raising funds in part for the pediatric ICU with plans to open

by January of 2017. There are further plans to extend the children's hospital in the future as well.

In addition to her work in the healthcare field, Anita serves the Memphis community in other ways. She has been a member of the Women's Foundation for more than 10 years and was chair for two of those years. For Anita, her involvement with the Women's Foundation is a natural extension of her career at Baptist, "Their mission is to strengthen women and children, so they can be their fullest potential and get out of poverty. This multi-generational approach is congruent with what we do here."

As a two-time graduate of the University of Memphis, with a Bachelors in sociology and a Masters in healthcare administration, Anita also enjoys serving as a member of the University of Memphis Alumni Board. As a native Memphian, Anita has a deep connection to her city saying, "The University is all about Memphis, and Memphis is all about the university. They really pin each other up." The Alumni Board handles alumni affairs including contributions and alumni associations across the country.

Anita's contributions to her community do not go unnoticed. In 2016, she was awarded the University of Memphis Distinguished Alumni Award. This award is given to recognize alumni for distinguished personal and career accomplishments that bring credit to the university. She also recently received the "Diamond Award" from Holy Nation Church of Bartlett, which is given to women who have made an impact on the Memphis community.

Paragon was honored to have Anita join the Board earlier this year. Anita served on the Women's Foundation and Southwest Community College Boards with Mary McDaniel, another Paragon Board member. Mary recommended Anita for Paragon's Board because of her contributions in the healthcare field. "I feel like I'm entering my next journey, which is to give back," Anita says. "That's why I'm staying connected [at Baptist]. Hopefully I'm going to be able to be a great help to Paragon." Paragon is pleased to have Anita as a member of the Board of Directors!



Customer Spotlight: Mellow Mushroom

(continued from page 2) The future is bright for Mellow Mushroom. New restaurants continue to pop up around the country. Scott hopes to take advantage of this and set the tone as the largest Mellow Mushroom franchisee, as they are actively looking for continued acquisition and growth with Mellow Mushroom. "We want to be the gold standard for Mellow Mushroom," Jon says. "We want to be the model franchisee."

Paragon is proud to have helped with the success stories of a fantastic franchise like Mellow Mushroom by helping get franchises up and running. "We work closely with Paragon...and connect the franchisee with Paragon at the beginning stages of the process so that they are able to secure the necessary funds," says Kacey Brackin, Franchise Development Coordinator with Mellow Mushroom. "Paragon has been an extremely valuable resource when it comes to facilitating the financial aspect of our franchises." Beyond just a loan transaction, Steve enjoys the personal touch Paragon provides, "It's nice to have an old-school banking relationship where, whenever I've gone into the branch, everyone knows you."



Jon Oswald, Director of Operations

Scott summarizes Mellow Mushroom best when he says, "At the end of the day, it's all about pizza and beer." And if Mellow Mushroom franchisees continue to keep quality pizza and great customer service in their sights, the future is wide open.



Congratulations to Mary Jackson (left) and Beverly Timberman (right) on their retirements this year! We miss both of you already!

Future Paragon Customer



Jayce Bernard Nabors
Grandson of Teresa Garner,
Deposit Operations

Locations:

Grove Park

Poplar at Grove Park
4515 Poplar Avenue, Suite 108
Memphis, TN 38117

Fountain Place

Poplar at Valleybrook
5400 Poplar Avenue, Suite 150
Memphis, TN 38119

Paragon Place

Poplar at Massey
6300 Poplar Avenue, Suite 117
Memphis, TN 38119

Saddle Creek

Poplar at Germantown
7600 Poplar Avenue
Germantown, TN 38138

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ATM: 24 Hours/7 days a week

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24-Hour Voice Response Unit

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Anniversaries

Congratulations and thanks to the following employees who have celebrated ten-year and five-year anniversaries with Paragon!

Ten-Year Anniversaries

Pam Hibler	May 1, 2006
Beverly Timberman	June 29, 2006

Five-Year Anniversary

Kathleen Lewis	February 17, 2001
Penny Hill	August 8, 2011
Lewis Perkins	August 8, 2011
Scott Penny	August 31, 2011

New Smiles at Paragon:



Ali Austin
Financial Services
Associate
Grove Park



Will Cooper
Staff Accountant



Sean Eschelweck
Specialty Lending
Associate



Irene Marin
SBA Closer
Small Business
Capital Group



Mark Nance
1st Vice President
Treasury Management



Nathan Neff
Financial Services
Associate
Paragon Place



Daniel Pouget
Specialty Lending
Intern



Joyce Richardson
Loan Coordinator
Mortgage



Samiya Saiyed
SBA Portfolio
Manager
Small Business
Capital Group



Tee Shipmon
Senior Vice President
Specialty Lending



Deron Wisdom
Vice President
Commercial
Lending