

**Paratus Financial, Inc.**  
**5910 N. Central Expressway Suite 1955**  
**Dallas, TX 75206**  
**(214) 378-7400**

In accordance with a requirement by the SEC, we are providing all clients receiving investment advice a brochure written in an easily understood format. Additionally, the SEC requires this brochure to include all of the sections listed in the Table of Contents. We must include a disclosure, even if it does not apply to our firm. Therefore, a majority of the sections are listed with the statement that it does not apply to our firm. There are two parts to this ADV which include Part 2A and Part 2B. This document fulfills the requirements of **Part 2A**.

This brochure provides information about the qualifications and business practices of Paratus Financial, Inc. If you have questions about the contents of this brochure, please contact us at (214) 378-7400. The information in this brochure has not been approved or verified by the United State Securities and Exchange Commission or by any state securities authority.

Additional information about Paratus Financial, Inc. is also available at the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

There are no material changes since we last provided our last ADV Part II.

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## **Advisory Business**

Paratus Financial, Inc. was founded by Bonnie Free Grisz in 2003. Since that time Michael A. Grisz and Jane R. Burruss have joined the firm as directors. All of our director's biographies can be found on page 18 under Educational Background.

Paratus Financial, Inc provides comprehensive financial planning services in the areas of tax, investments, risk management, estate planning, and retirement. Fees are based on hourly rates and incorporated into annual fixed fee contracts prior to engagement.

## **Fees and Compensation**

Paratus Financial, Inc. and their employees cannot receive compensation from the sale of any investment strategy. Clients have the option to purchase recommended investment strategies and products from non affiliated firms.

Our hourly rates range from \$50 to \$400 per hour depending on the work and experience of Paratus employees and the complexity of the work involved.

Director's fees range from \$250 to \$400 per hour

Associate fees range from \$ 50 to \$175 per hour

All fees are paid directly by clients, in advance of work progression. Individual contracts identify work and fees to be provided to clients during the contract period. A majority of these contracts are on an annual basis. Contracts may be terminated at any time by the client, with a refund of any unearned fees.

Although a client may terminate a contract at any time, Paratus Financial, Inc. must notify a client eighteen months in advance of termination to ensure the client sufficient time to ensure a smooth transition of their financial oversight.

## **Performance-Based Fees and Side-by-Side Management**

Paratus Financial, Inc. does not charge performance based fees or side-by-side management.

## **Types of Clients**

Paratus Financial, Inc. provides financial planning services to high net-worth individuals, families, trusts, estates, charitable foundations, and corporations.

## **Methods of Analysis, Investment Strategies, and Risk of Loss**

Paratus Financial, Inc. employs fundamental long-term investment strategies targeting holding periods of over one year.

*Portfolio management processes, including allocation of investment opportunities among clients and consistency of portfolios with clients' investment objectives, disclosures by the adviser, and applicable regulatory restrictions;*

The appropriate investment strategy for each client can be developed only after a Statement of Policy is formulated. Every client of the firm must have a Statement of Investment Policy.

Each statement of Investment Policy should contain at a minimum:

- Qualified and prioritized financial objectives for the portfolio
- Prioritization of Investment Objectives
- Prioritized strategy for use of funds
- Investment considerations including at a minimum:
  - Income Requirements
  - Liquidity Needs
  - Tax Consequences, including AMT, marginal rates, tax-deferred accounts
  - Target Rate of Return for portfolio and specific investments
  - Risk Tolerance including sophistication, experience, and diversification requirements
  - Asset Constraints
  - Performance benchmarks and periods
  - Fee Review
- Appropriate Ranges of Allocation among Asset Classes

Each Statement of Investment Policy should be reviewed annually.

Implementation of the Investment policy can be made with no-load mutual funds, managers, and a client's outside advisors.

## **Disciplinary Information**

There are no legal or disciplinary actions involving Paratus Financial, Inc. or any individual associated with the firm.

## **Other Financial Industry Activities and Affiliations**

Paratus Financial, Inc. is not engaged in any other business other than financial planning, our sole business. The firm does not sell any other products or services to clients other than financial advice delineated in each client contract. Paratus Financial, Inc and directors receive no direct or indirect compensation for recommended investment strategies other than client contract fees.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Every Director and employee has signed our Code of Ethics as follows:

Rule 204A-1 under the Investment Advisers Act of 1940 (“Advisers Act”) requires all investment advisors registered with the Securities and Exchange Commission (“SEC”) to adopt codes of ethics that set forth standards of conduct and require compliance with federal securities laws.

Paratus Financial, Inc. (the "Company") is committed to conducting its business in accordance with applicable laws, rules and regulations, and the highest standards of business ethics, and to full and accurate disclosure in compliance with applicable laws, rules and regulations.

This Code of Ethics applies to all “Supervised Persons” of the Company who act as an investment advisor as defined by the Advisers Act in providing investment advice to advisory clients, unless otherwise noted below. The Advisers Act defines “Supervised Person” to mean any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment advisor, or other person who provides investment advice on behalf of the investment advisor and is subject to the supervision and control of the investment advisor. As applied to the Company’s Investment Advisor Compliance Program, the term consists of all client contact registered representatives of the Company who, in the course of their business, act as an investment advisor as defined under the Advisers Act in providing investment advice to advisory clients.

### **Acknowledgement**

Every Supervised Person will receive a copy of the Code of Ethics and any amendments. Each person will review the Code of Ethics and any accompanying amendments and provide written acknowledgement of receipt.

### **Standard of Conduct and Compliance with Laws, Rules and Regulations**

Each director, officer or employees of the Company, must not only comply with applicable laws, rules and regulations; that person also must engage in and promote honest and ethical conduct and abide by the policies and procedures that govern the conduct of the Company's business. Each person’s responsibilities include helping to create and maintain a culture of high ethical standards and commitment to compliance, and, in the case of directors and officers, maintaining a work environment that encourages employees to raise concerns to the attention of management and promptly addressing employee compliance concerns.

### **Personal Securities Trading**

Rule 204A-1 of the Advisers Act requires all “Access Persons” of an investment advisor registered with the SEC to report, and the investment advisor to review, their personal securities transactions and holdings periodically. The Advisers Act defines “Access Person” to mean any supervised persons of an investment advisor who (1) has access to nonpublic information regarding any advisory clients’ purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund (*i.e.*, any mutual fund advised by Paratus Financial, Inc.), or (2) is involved in making securities recommendations to advisory clients, or who has access to such recommendations that are nonpublic.

Based on the limited scope of the Company’s investment advisory services, which do not include any specific securities recommendations by the Company or the discretionary management of advisory clients’ accounts, the Company’s

Supervised Persons generally are not deemed by the Company to be Access Persons. The Chief Compliance Officer is required to compile and maintain a list of the Company's Access Persons, and will promptly notify any Company Supervised Person who is or becomes an Access Person for these purposes.

Once identified, each Access Person is required to provide the following reports to the Chief Compliance Officer:

1. Holdings Reports: A report of the Access Person's current securities and holdings ("Holdings Report") that contains, at a minimum:

- the title and type of security, and as applicable the exchange ticker symbol or CUSIP number, number of shares, and principal amount of each "reportable security" (1) in which the Access Person has any direct or indirect "beneficial ownership"(2);
- the name of any broker, deal or bank with which the access person maintains an account in which any securities are held for the Access Person's direct or indirect benefit; and
- the date the Access Person submits the report.

The Holdings Report must be submitted to the Investment Advisor Chief Compliance Officer:

- no later than 10 days after the person becomes an Access Person, and the information must be current as of a date no more than 45 days prior to the date the person becomes an Access Person; and
- Thereafter, at least one each 12 month period no later than the end of the first calendar quarter.

2. Broker trade confirmations and/or account statements for each account over which the Access Person has direct or indirect influence or control must be submitted to the Chief Compliance Officer no later than 30 days after the end of each calendar quarter. An access person will be deemed to have satisfied this reporting requirement with respect to any Company or other brokerage accounts for which the Company receives copies of such confirms and/or statements directly from the broker in question. The Broker trade confirmations or account statements must contain, at a minimum:

- the date of the transaction, the title, and as applicable the exchange ticker symbol or CUSIP number, interest rate and maturity rate, number of shares and principal amount of each reportable security(1) involved;
- the nature of the transaction (*i.e.*, purchase, sale or any other type of acquisition or disposition);
- the price of the security at which the transaction was effected; and
- the name of the broker, dealer or bank with or through which the transaction was effected.

(1)All securities are "Reportable Securities," except: (a) direct obligations of the United States; (b) bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments; (c) transactions and holdings in shares of mutual funds, including money market funds, unless the mutual funds are advised by The Paratus Financial, Inc. (*i.e.*, "Reportable Funds"); (d) transactions in units of a unit investment trust unless it is invested in Reportable Funds; and (e) automatic investment plan (a program with period investment purchases or withdrawals made automatically to or from investment accounts in accordance with allocation and a predetermined schedule).

(2) "Beneficial Ownership" is interpreted in the same way as in determining whether a person has beneficial ownership of a security for purposes of Section 16 of the Securities Exchange Act of 1934, and includes ownership by any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares a direct or indirect pecuniary interest in a security. For example, a person should consider himself or herself the beneficial owner of securities held by his or her spouse, his or her minor children, a relative who shares his or her home, or other persons by reason of any contract, arrangement, understanding or relationship that provides him or her with sole or shared voting or investment power. If any Access Person has a question about whether he or she beneficially owns a security, he or she should consult the Chief Compliance Officer.

#### Pre-Approval of Certain Investments

An Access Person must obtain approval from the Chief Compliance Officer before they directly or indirectly acquire beneficial ownership in any security initial public offering or limited offering.

#### Consequences for Failure to Comply and Reporting Certain Conduct

A Supervised Person can be subject to discipline up to and including termination of employment if he or she violates this Advisor Code and its component parts, which includes the Corporate Code and the Supplemental Policies appended

to this Advisor Code. If a supervised person knows of, or reasonably believes there is, a violation of applicable laws or this Advisor Code, they must report that information immediately to the Chief Compliance Officer. The supervisor should not conduct preliminary investigations, unless authorized to do so by the Chief Compliance Officer. Anyone who in good faith raises an issue regarding a possible violation of law, regulation or company policy or any suspected illegal or unethical behavior will be protected from retaliation.

### Insider Trading

All supervised persons should pay particular attention to potential violations of insider trading laws. Insider trading is both unethical and illegal and will be dealt with decisively if it occurs. If they have questions about these guidelines, they should consult with the Chief Compliance Officer or the Managing Director.

### Conflicts Of Interest

Each person may not make any investment, accept any position or benefits, participate in any transaction or business arrangement or otherwise act in a manner that creates or appears to create a conflict of interest unless you make a full disclosure of all facts and circumstances to, and obtain the prior written approval of either, the Chief Compliance Officer or Managing Director.

A "conflict of interest" arises when one takes actions or have interests that conflict in any way with the interests of the Company. These conflicts may make it difficult for one to perform their work objectively and efficiently.

### Confidential Information

Every person is required to maintain the confidentiality of all confidential information that they receive or become privy to in connection with the Company's business, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might prejudice the ability of the Company to pursue certain objectives, be of use to competitors or harmful to the Company, its vendors or its clients, if disclosed. One must not use confidential information for their own advantage or profit.

### Disclosures

It is the Company's policy to make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in all other public communications made by the Company. The Company's management has the general responsibility for preparing such filings and such other communications and shall ensure that such filings and communications comply with all applicable laws and regulations. Employees must provide all necessary information to management when requested and must inform management if they become aware that information in any such filing or communication was untrue or misleading at the time such filing or communication was made or if they have information that would affect any filings or communications to be made in the future.

### Compliance With Code Of Ethics

If a person knows of or suspects a violation of applicable laws, rules or regulations or this Code of Ethics, they must immediately report that information to the Chief Compliance Officer or Managing Director. Reports of suspected violations should identify as many relevant facts as possible, including, if applicable: (1) the date(s) relevant to the identified issue; (2) the name of any persons involved in the identified activity; (3) the specific facts that give rise to the concerns expressed; and (4) any suggestions for resolving or dealing with the problems or issues identified. The Company recognizes that resolving reported problems or concerns will advance the overall interests of the Company, and will help to safeguard the Company's assets, financial integrity and reputation. *No one will be subject to retaliation because of a good faith report of a suspected violation.*



Violations of this Code of Ethics may result in disciplinary action, up to and including discharge. The Chief Compliance Officer and/or Managing Director shall determine, or shall designate appropriate persons to determine appropriate action in response to violations of this Code of Ethics. Violations of this Code of Ethics may also violate certain laws.

#### Waivers of Code of Ethics

If anyone would like to seek a waiver of this Code of Ethics, they must make full disclosure of their particular circumstances to the Chief Executive Officer and Managing Director. Amendments to and waivers of this Code of Ethics will be publicly disclosed as required by applicable laws, rules and regulations.

#### Documenting Compliance with the Disclosure Policy

Appropriate records evidencing compliance with this Code of Ethics will be maintained by the Company, including copies of correspondence relating to requests for, and determinations relating to, waivers of this Code of Ethics, and copies of documents relating to violations of this Code of Ethics.

### **Brokerage Practices**

Paratus Financial, Inc. recommends services with multiple Broker Dealers to ensure best practices for each client's needs. Further, Paratus Financial, Inc does not receive any compensation from Broker Dealers. Finally, Paratus Financial, Inc provides services for client assets housed at unaffiliated Broker Dealers.

### **Review of Accounts**

Each Director reviews their client accounts on an ongoing basis for conformity with investment style and asset allocation. Further, each Director also reviews accounts upon changes in portfolio manager or mutual funds and relative performance. Finally, all accounts are reviewed upon a change in clients' stated objectives or financial situation.

Formal reports of these reviews are sent to clients on an ongoing basis. Frequency and nature of these reports are agreed upon in the client's annual contract. Reports may include Statement of Investment Policy, Statement of Financial Condition, Asset Allocation, Portfolio Analysis, Performance Review, and Comparative Balance Sheets.

### **Client Referrals and Other Compensation**

Paratus Financial, Inc. receives no economic benefit from reporting, reviewing, or recommending investment strategies other than fees stated in the client individual annual client contract.

### **Custody**

Paratus Financial, Inc. does not provide custodial services of client assets.

**Investment Discretion**

Paratus Financial, Inc. does not accept discretionary authority of client assets. All trading and asset moves are done only after express permission from clients.

**Voting Client Securities**

Paratus Financial, Inc. does not assume authority to vote client securities.

**Financial Information**

Paratus Financial, Inc., in order to reduce administrative burdens, collects client contractual fees of over \$1,200 more than six months in advance. As such, we are required to provide an audited financial statement as follows:

# Paratus Financial, Inc.



Audited Balance Sheet

December 31, 2011

# Edward E. Gray, CPA

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7608 KILMICHAEL LANE, DALLAS TX 75248-2341

 PHONE: 972-392-0637 =  FAX 972-960-8341

 E-MAIL: EGRAY@EDGRAYCPA.COM

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder  
Paratus Financial, Inc.

I have audited the accompanying balance sheet of Paratus Financial, Inc. (a Texas corporation) as of December 31, 2011. This financial statement is the responsibility of the Company's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. I believe that my audit of the balance sheet provides a reasonable basis for my opinion.

In my opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Paratus Financial, Inc. as of December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

February 29, 2012

**Paratus Financial, Inc.**  
**Balance Sheet**  
**December 31, 2011**

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**ASSETS**

Current assets:		
Cash and equivalents	\$	267,764
Accounts receivable		31,400
Prepaid expenses		20,160
Total current assets		<u>319,324</u>
 Furniture and equipment, at cost:		 129,243
less accumulated depreciation		<u>(79,648)</u>
		49,595
 Rent deposit		 <u>2,450</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>371,369</u></u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

Current liabilities:		
Accounts payable and accrued expenses	\$	-
Deferred revenue		220,050
<b>Total Liabilities</b>		<b><u>220,050</u></b>
 Stockholder's Equity:		
Common Stock		1,000
Retained earnings		150,319
<b>Total Equity</b>		<b><u>151,319</u></b>
<b>Total Liabilities and Equity</b>	<b>\$</b>	<b><u><u>371,369</u></u></b>

See notes to balance sheet.

#### A. Nature of Operations

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Paratus Financial, Inc. (the "Company") is a Texas corporation chartered November 26, 2003. The Company, through its professional staff, provides fee- based financial planning to high-wealth individuals and families, with services including tax planning and compliance, estate planning, and comprehensive investment advice.

#### B. Summary of Significant Accounting Policies

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**Basis of Accounting** – This balance sheet has been prepared using accrual accounting in accordance with accounting principles generally accepted in the United States of America. Under such method, revenues are recognized when earned and expenses recognized when incurred.

**Cash and Equivalents** – Include cash on hand and deposit, and short-term liquid investments with an initial maturity of 90 days or less.

**Accounts Receivable** – Represent amounts billed and receivable from clients for services rendered. Management is of the opinion that all such billings will be fully collected, and thus no allowance for uncollectible amounts is needed.

**Furniture and Equipment** – Assets having long-term usefulness to the Company are capitalized and depreciated using the straight-line ½ year convention method over the estimated useful life of the asset (computers and software – 3 to 5 years, vehicles and other equipment – 5 years, and furniture – 7 years).

**Income Taxes** – The Company, with the consent of its sole shareholder, has elected under Internal Revenue Service Subchapter S to be taxed at the individual shareholder level; thus no Federal income tax is assessed at the corporate level. The Company's corporate tax return is prepared on the cash basis of accounting, resulting in significant differences in basis and taxable income from these financial statements.

**Deferred Revenue** – From time to time, clients will make advance deposits with the Company for services to be rendered in the future. Amounts received for such future services are recorded as deferred revenue, and recognized as income as the contracted services are rendered.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual future results could differ from those estimates.

Management has considered the effect of any subsequent events through February 29, 2012, the date that these financial statements were available for issuance.

#### C. Shareholder Equity

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The Company has 100,000 shares of common stock (\$1.00 par value) authorized, of which 1,000 shares have been issued and are outstanding. Such shares carry pre-emptive rights for any additional shares to be issued.

#### D. Lease Commitment

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The Company leases its offices at 5910 N. Central Expressway, Dallas, Texas, under a long-term lease through October, 2013, with monthly rentals escalating to \$2,917 per month.

Future minimum rental expense is as follows:

Years ended December 31, 2012	34,417
2013	29,167

In addition, the lease includes pass-through recoveries of certain facility expenses and property taxes in excess of a base year amount.

**Requirements for State-Registered Advisors**

Paratus Financial, Inc. is registered on a Federal level and has no additional State filing requirements. Further, no individual of the firm has any additional State filing requirements.

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**This supplement is required for our firm directors:**

Bonnie F. Grisz  
Michael A. Grisz  
Jane R. Burruss



## **Educational Background and Business Experience**

Bonnie Grisz (DOB 8/9/1960)

Education: Southern Methodist University (BA and BBA 1982, JD 1985); CFP (1985); Chartered Financial Analyst CFA (1992)

Business Experience:

Ayco Company, LLP 1984-1987

Ernst & Young, Manager 1987-1989

Arthur Andersen, Senior Manager 1989-1993

Ayco Company, LLP (American Express, Goldman Sachs) Partner, 1993-2003

Paratus Financial, Inc. Managing Director 2003-present

Adjunct Professor University of Dallas Graduate Management School

Michael A. Grisz (DOB 11/17/1956)

Education: Arizona State University (BS 1978, MS Accounting 1979); CPA (1981); CEBS (1986); CFP (1989); CFA (1991)

Business Experience:

Deloitte Haskins Sells Senior, 1979-1981

Arthur Young, Principle

Ayco Company, LLP (American Express, Goldman Sachs) Partner 1988-2007

Paratus Financial, Inc Director 2008-present

Jane R. Burruss (DOB 10/28/1951)

Education: University of Texas at Austin (BBA 1973, MBA 1975, PhD1982, JD 1990)

Business Experience:

Twentieth Century Investors, Vice President 1986-1987

Akin Gump Hauer, & Feld, Litigating Attorney 1990-1995

Ayco Company, LLP (American Express, Goldman Sachs) Partner 1995-2008

Paratus Financial, Inc. Director 2009-present

## **Disciplinary Information**

There are no legal or disciplinary actions involving Paratus Financial, Inc. or any individual director associated with the firm.

## **Other Business Activities**

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**Additional Compensation**

Paratus Financial, Inc. and directors receive no direct or indirect compensation for recommended investment strategies other than client contract fees.

**Supervision****Requirements for State Registered Advisors**

Paratus Financial, Inc. is registered on a Federal level and has no additional State filing requirements. Further, no individual of the firm has any additional State filing requirements.