

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of Paulo Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 718-370-3464 or paulo@paulofinancialadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Reference made to Paulo Financial Advisors, LLC as being a registered investment adviser should not be interpreted to imply any particular level of skill or training by the firm or its employees.

Additional information about Paulo Financial Advisors, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 131943.

Item 2 MATERIAL CHANGES

We have not made material amendments to this Disclosure Brochure since our last filing.

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Item 4 ADVISORY BUSINESS

Paulo Financial Advisors, LLC ("Paulo Financial") is a registered investment adviser with its principal place of business located in Staten Island, New York. Paulo Financial began conducting business as a registered investment adviser in 2004. Catherine Paulo is the firm's founding and sole owner.

We offer a variety of investment advisory services, including the following:

- Investment Management Program ("IMP" or "the Program") - Through this Program, we will manage the Client's "Account" on a discretionary or non-discretionary basis to achieve the Client's investment objectives.
- Financial Planning Services - Through the Financial Planning Services, we will analyze the Client's current and anticipated financial condition, investment goals and objectives, risk tolerance, and investment time horizon, among other factors, and provide advice recommending the purchase or sale of securities and other actions intended to assist the Client in achieving his or her investment objectives.
- Consulting Services - Through the Consulting Services, we will be available, upon request of the Client, for consultations with respect to the Client's portfolio and matters relating to estate, planning, retirement planning or other areas of client concern.

Clients will enter into a written agreement with Paulo Financial describing the nature and extent of the services we will provide, the terms and conditions applicable to such services, and the fees to be charged. The services, terms, conditions, and fees described in the written agreement may differ from the information in this Brochure. In the event of any difference between the information in this Brochure and the written agreement, the written agreement shall control.

In addition to the services described in this Brochure, Paulo Financial may, when it deems appropriate, provide other services upon request of a Client. The nature and extent of such services, the terms and conditions applicable to such services, and the fees to be charged will be described in the written agreement between Paulo Financial and the Client.

Investment Management Program

For Clients engaging us to provide investment management services, we will obtain information regarding the Client's personal and financial situation, and investment objectives, financial goals, tolerance for risk, investment time horizon, and any reasonable restrictions the Client wishes to impose on the management of Client's account (all referred to as the "Suitability Information"). If we determine that it is appropriate based on the individual needs and circumstances of the Client, we will recommend that the Client participate in the IMP. Clients who participate in the IMP will enter into an "Advisory Agreement" with Paulo Financial. As provided in the Advisory Agreement, Clients will establish an "Account" with a qualified custodian (the "Custodian").

We will monitor Client Accounts and invest and reinvest the Account's assets on a continuous basis and in a manner consistent with the suitability information provided by the client. For non-discretionary Client Accounts, we will obtain Client consent before executing any recommended transaction.

For discretionary Accounts, unless stated in the Advisory Agreement or otherwise in writing, Paulo Financial will have full discretion in selecting the types of securities and length of maturities in pursuing

the Client's objectives. Paulo Financial will also have the discretion to invest the Account's assets in cash or cash equivalents, and may effect temporary "sweep" transactions of all uninvested cash balances in the Account to a money market mutual fund, which may be managed by the Custodian or an affiliate of the Custodian. Investments for the Account may include, but are not limited to, listed and over-the-counter common or preferred stock, shares of open-end and closed-end investment companies, exchange-traded funds ("ETFs"), corporate bonds, municipal securities, or government securities. We may utilize different strategies or investments to achieve the same or similar objectives of different Clients.

Clients should note that we cannot and do not guarantee the performance of any IMP Account, any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our management of an Account. The investment or other decisions or recommendations made by us are subject to various market, currency, economic, political and business risks, and those decisions or recommendations will not always be profitable. All investment decisions, recommendations, and transactions with respect to a Client's Account will be made Paulo Financial.

With respect to each IMP Account:

We will obtain sufficient suitability information to be able to provide individualized investment advice to the Client. We will manage (for discretionary Accounts) or make recommendations (with respect to non-discretionary Accounts) on the basis of the Client's Suitability Information, including any reasonable investment restrictions the Client may impose.

At least annually, we will contact the Client to determine whether there have been any changes in the Suitability Information and we always strive to be reasonably available to the Client for consultation.

At least quarterly, the Custodian will provide the Client with a statement reflecting all activity in the Account during the preceding quarter, including all transactions made on behalf of the Account, all contributions and withdrawals, all fees and expenses, and the value of the Account at the beginning and end of the period.

Account Assets. Except as provided below with respect to Non-Strategy Assets, Client is generally expected to deposit only cash or cash equivalents with the Custodian. Client may, with our consent, deposit with the Custodian securities (other than Non-Strategy Assets) which will be liquidated to cash. Client shall not deposit with the Custodian any securities (other than Non-Strategy Assets) which are not publicly traded or cannot be promptly sold. Client grants us the authority, in our discretion, to sell or otherwise liquidate all securities deposited with the Custodian, other than Non-Strategy Assets. Client should carefully consider the tax consequences of such sales.

With our consent, and subject to the consent and terms of the Custodian, Client may deposit with the Custodian certain Assets (the Non-Strategy Assets) which are not intended to be liquidated and invested with the other Assets; provided, the income and proceeds from a Non-Strategy Asset (unless illiquid or restricted by law or contract) shall not be treated as Non-Strategy Assets. An Asset shall not be considered to be a Non-Strategy Asset unless specifically agreed by Paulo Financial and Client. We will consider the Non-Strategy Assets in determining the overall allocation and diversification of the Account, but unless otherwise agreed by Client or required by the Custodian, Paulo Financial will not liquidate the Non-Strategy Assets, will not manage the Non-Strategy Assets, and will not advise Client with respect to the Non-Strategy Assets, except upon Client's specific request.

Client should note that the Non-Strategy Assets will be included in the value of the Account, and shall be treated the same as the other Assets deposited with Custodian, for purposes of calculating the Program Fee, and that Paulo Financial shall be paid the usual Program Fee with respect to Non-

Strategy Assets notwithstanding the different level of service provided by Paulo Financial.

In the event that we determine, in our sole discretion, that any Asset (including without limitation, the Non-Strategy Assets) imposes an unreasonable administrative burden upon Paulo Financial or is otherwise impractical or undesirable for Paulo Financial to be maintained in the Custodial Account, Client shall, upon request by Paulo Financial, promptly transfer such Asset out of the Custodial Account. Client grants us the authority, in our discretion, to direct the Custodian to transfer such Asset out of the Custodial Account to Client or to a different account maintained by Custodian for the benefit of Client. Client shall bear any expenses of transferring Assets out of the Custodial Account and shall be solely responsible for the care, custody, and management thereof.

Any Asset transferred out of the Custodial Account (except in connection with the purchase, sale, redemption, or other ordinary transaction for the Account) shall no longer be considered an Asset under this Agreement, and Client shall be solely responsible for the care, custody, and management thereof.

Model Portfolios. We may elect to manage certain Accounts according to model portfolios that Paulo Financial or a third-party constructs and adjusts from time to time to achieve specific investment objectives. Through discussions with the Client, we will help the Client to select a suitable model based on the Suitability Information; however, it will be up to the Client to select the model portfolio for which the investment objectives and other characteristics are suitable for the Client. These Accounts will be managed to reflect the objectives of the model the Client selects. If the Client's Suitability Information changes, the objectives of the model may no longer be appropriate for the Client. Clients are advised that if, as a result of any change in their Suitability Information the objectives of the selected model portfolio are no longer suitable for the Client, the Client should contact us promptly in order to identify another model or advisory service that meets the Client's needs.

Financial Planning Services

We also provide financial planning services on behalf of Clients. Clients seeking financial planning services will enter into a "Financial Planning Agreement" with Paulo Financial which describes the services we will provide on the Client's behalf, and the Fees for such services.

In providing financial planning services, we will typically ask the Client to provide detailed information with respect to the Client's personal and family situation, financial condition, investment objectives, risk tolerance, investment time horizon, estate and retirement plans, trust agreements, wills, investment, insurance, personal and family obligations, and other pertinent information.

Financial planning services will usually address a broad range of financial issues and include recommendations intended to assist the Client in achieving his or her financial goals and objectives, such as obtaining insurance or revising existing coverage, establishing an individual retirement account, increasing or decreasing funds held in savings accounts, or investing in securities. When appropriate, we may agree to provide specific, limited scope financial planning services.

Paulo Financial's typical financial planning services include one or more of the following, as stated in the Client's written "Financial Planning Agreement" with Paulo Financial:

- Preparation of a written report with recommendations regarding cash flow, tax planning, investment planning, estate planning, or risk management.

- Preparation of a written Asset Allocation Report and recommendations.
- Preparation of a written Estate Planning Summary and recommendations.
- Preparation of a written Retirement Planning Report and recommendations.
- Preparation of a written update of an existing financial plan.
- Preparation of a written analysis of the Client's current investment portfolio and recommendations.

Clients who receive financial planning services may, in their discretion, elect to enter into an agreement for investment management services (such as an IMP Advisory Agreement) to implement recommendations made through the financial planning services. Clients should be aware that in those situations, there exists a conflict between the interests of the Client and the interests of Paulo Financial as a result of the potential additional compensation to be earned if the Client chooses to engage Paulo Financial to provide investment management services. Clients are under no obligation to purchase any products or follow any course of action recommended by us.

After completion of the financial planning services described in the Financial Planning Agreement, we do not monitor Client's investments, or provide any further services, reviews, or reports, unless the Client enters into a separate written agreement with Paulo Financial for further services for an additional fee.

Consulting Services

Paulo Financial also provides investment consulting services for Clients who request such services. Typically, the consulting services will involve the Client arranging for one or meetings to discuss specific, limited issues or questions regarding the Client's portfolio or particular investments. We will advise the Client during the meeting(s), but will not prepare a financial plan, and will generally not consider or attempt to provide advice based on all of the factors that would be considered as part of the financial planning process. We will generally recommend that Clients who desire more comprehensive or in-depth advice should engage us to provide financial planning services.

AMOUNT OF MANAGED ASSETS

As of 12/31/2014, we were actively managing \$ 25,234,631 of clients' assets on a discretionary basis and \$ 2,980,050 on a non-discretionary basis.

Item 5 FEES AND COMPENSATION

Investment Management Program

Clients with IMP Accounts will pay an annual investment management fee (the "Fee"), in an amount to be set forth in the Advisory Agreement. Paulo Financial determines the amount of the Fee on a client-

by-client basis, taking into account the size, nature, and complexity of the Account, as well as the potential for other or future business or referrals. We may, in our discretion, negotiate the Fee. Our general Fee, absent other factors, is equal to 1% per annum based on the value of the Account.

The Fee will be invoiced or directly debited from the client's account, as authorized, quarterly for each calendar quarter or part of a quarter the Advisory Agreement is in effect, and will be payable in arrears, as provided in the Advisory Agreement. The quarterly payment shall be equal to one-fourth of the annual Fee, based on the value of the Account as of the close of the last trading day of such calendar quarter; provided that, we may, in our discretion, calculate the Fee based on the actual number of days in such calendar quarter. The Fee for the first and last calendar quarters will be prorated. Prorated Fees for the first quarter will be based on the number of calendar days in such quarter beginning with the first date assets are deposited into the Account, and prorated Fees for the last quarter will be based on the number of calendar days the Advisory Agreement is in effect. All unpaid Fees are due and payable immediately upon termination of the Advisory Agreement.

The Fee may be revised by us upon notice to the Client, and the new Fee will become effective as of the first calendar quarter that begins 30 days or more after we notify the Client of such revision. Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the Account or any portion of the Account. Client agrees, and will provide the Custodian with such documentation as Custodian requests, that Custodian is authorized to deduct the Fees from the Account automatically and pay Paulo Financial electronically as and when payable, without prior notice to Client.

The value of the Account and the value of any asset in the Account shall be the value as reflected on the Custodian's statement (or on the Custodian's internal system, for valuations other than as of the close of a calendar month or quarter). In the event the Custodian does not value any asset, the asset shall be valued by Paulo Financial in such manner as it shall determine in good faith to reflect the asset's fair value. Money market accounts and bank accounts, if any, shall be valued as of the valuation date.

Client may make additions to or withdrawals from the Account at any time, subject to our right to terminate the Account if it falls below the minimum account size, if any, as stated at Item 7 of this Brochure and/or the Advisory Agreement. Client may withdraw Account assets upon notice to the Paulo Financial, subject to usual and customary securities settlement procedures. No Fee adjustments shall be made for partial withdrawals or for Account appreciation or depreciation within a billing period. A prorated refund of Fees charged shall be made if the Account is closed within a calendar quarter.

The Advisory Agreement may be terminated by Paulo Financial or Client at any time without penalty upon written notice to the other party. Such termination shall not, however, affect liabilities or obligations incurred or arising from transactions initiated under the Advisory Agreement prior to such termination, including the provisions regarding arbitration, which shall survive any expiration or termination of the Advisory Agreement. Upon termination, Client shall have the exclusive responsibility to monitor the securities in the Account, and neither Paulo Financial nor we shall have any further obligation to act or advise with respect to the Account or those assets.

If Client terminates the Advisory Agreement within five business days of its signing, Client shall receive a full refund of all fees and expenses. If the Advisory Agreement is terminated after five business days of its signing, any prepaid fees shall be prorated and the unused portion shall be returned to Client. Upon termination of the Advisory Agreement, the Account will be charged any applicable introducing and clearing broker's customary fees and commissions, and the Custodian's fees for services provided with respect to closing the Account and holding, transferring or liquidating the assets.

Financial Planning

The fees for financial planning services will be disclosed in the Financial Planning Agreement. Financial planning services may be charged on an hourly or fixed fee arrangement. Generally, Paulo Financial requires a deposit of one-half of the estimated financial planning fees upon execution of the Financial Planning Agreement, with the balance due upon delivery of the report, if any, required pursuant to the Financial Planning Agreement, or if none, upon completion of the services described in the Financial Planning Agreement.

Hourly rates vary depending on a variety of factors, as described below, but will not exceed \$350 per hour, subject to future adjustments. Fixed fee arrangements also vary depending on the circumstances, but generally range between \$500 to \$5,000, also subject to future adjustments. Fees are negotiable and will vary depending upon the complexity of the Client situation and services to be provided, prior or anticipated relationships, as well as the size of the Client's assets, and the possibility for additional business, as determined by Paulo Financial within its discretion. In our discretion, the Financial Planning Agreement may provide that we will offset the fees for other investment advisory services by the amount of financial planning fees paid by the Client.

Financial planning services terminate upon delivery of the report, if any, required pursuant to the Financial Planning Agreement, or if none, upon completion of the services described in the Financial Planning Agreement. A Client may terminate the Financial Planning Agreement at any time, and will receive a prorated refund of the Fee based on the proportion of the total services that Paulo Financial has performed through the date Paulo Financial receives written notice of such termination.

Consulting Services

Paulo Financial and the Client will enter into a Consulting Agreement which will set forth the specific consulting services to be provided, the terms and conditions of the arrangement, and the consulting Fees to be charged, all of which will be negotiated on a case-by-case basis. Hourly rates vary depending on a variety of factors, as described below, but will not exceed \$350 per hour, subject to future adjustments. Fixed fee arrangements also vary depending on the circumstances, but generally range between \$500 to \$5,000, also subject to future adjustments. Fees are negotiable and will vary depending upon the complexity of the Client situation and services to be provided, prior or anticipated relationships, as well as the size of the Client's assets, and the possibility for additional business, as determined by Paulo Financial within its discretion. Generally, we require a deposit of one-half of the estimated consulting Fees upon execution of the Consulting Agreement, with the balance due upon completion of the services described in the Consulting Agreement.

GENERAL INFORMATION

Recommendations and Follow-On Services: Clients who receive financial planning or consulting services are not required to execute any transactions or follow any course of conduct recommended by Paulo Financial, and may execute any recommendations through any broker-dealer or other financial institution they choose. Clients should be aware that we have a conflict of interest in that if the Client engages Paulo Financial to provide investment management services, we will receive additional compensation.

Possibility of Lower Fees: Clients should be aware that lower fees for comparable services may be available from other investment advisers.

Negotiability of Fees or Terms: In certain circumstances, Paulo Financial may agree to negotiate the

Fees or other terms of the Client's relationship with Paulo Financial. Paulo Financial may charge different fees to Clients receiving the same services. Fees and terms are negotiated on a case-by-case basis, depending on variety of factors, including the nature and complexity of the particular service, the availability of qualified personnel, the Client's relationship with the firm, the size of the account, and the potential for other business or Clients, among other factors.

Other Fees and Charges: In addition to the Fees, Clients participating in the IMP will be responsible for any other fees and charges described in the Advisory Agreement, as well as any other fees and charges described in this Brochure, and in any agreement with the Custodian or other third parties. Fees charged by the Custodian, and fees and commissions charged by exchanges, electronic communications networks, introducing and executing brokers, and other trading intermediaries will be paid by Client and will be in addition to the fees owed to Paulo Financial.

Mutual Fund Fees, ETFs and Expenses: If the Client's IMP Account is invested in mutual funds (including money market funds) or exchange-traded funds ("ETFs"), Clients should be aware that the Fees paid to Paulo Financial will be separate and distinct from the fees and expenses charged by the mutual funds and ETFs to their shareholders. Additionally, mutual funds may impose a contingent deferred sales charge ("CDSC") or redemption fee if shares are sold within a short time period, usually within 30, 60 or 90 days from the date of purchase. The CDSC or redemption fee is generally one percent. Mutual funds and ETFs will also charge a management fee, transaction costs, and a possible distribution or service fee made pursuant to a plan adopted under SEC Rule 12b-1 (a "12b-1 Fee").

Mutual fund and ETF fees and expenses are described in each fund's and ETF's prospectus or summary disclosure. A Client could invest in mutual funds or ETFs directly, without the services of Paulo Financial. In that case, the Client would not receive the services provided by Paulo Financial, which are intended to identify mutual funds or ETFs which are more appropriate in light of the Client's Suitability Information. Clients should review the fees charged by the funds and ETFs in which their Accounts are invested in evaluating the costs and benefits of the services being provided.

Item 6 Performance-Based Fees and Side-By-Side Management

Paulo Financial does not charge performance-based fees to any client.

Item 7 Types of Clients

Paulo Financial provides advisory services to individuals, including high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other businesses.

Generally, for IMP clients, we will require a minimum annual Fee of \$1,000 per Client, subject to negotiation and in our sole discretion. As such, this minimum may make IMP impractical for Accounts valued less than \$100,000 ("Account Minimum"). We may waive the Account Minimum or require a higher or lower minimum for each Client, in our sole discretion. If the aggregate value of the Client's IMP Account falls below the Account Minimum, we reserve the right to either require deposit of additional amounts to bring the value of the Account up to the Account Minimum or close and liquidate the Account and send the proceeds to the Client in accordance with the Client's written delivery instructions.

Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable of the client's portfolio. Typically, however, our fund selections include index funds. As such, the fund's performance is less dependent on the particular manager than actively managed funds are.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investment Strategies

The strategies we use to achieve the Client's objectives in managed accounts will typically include long-term purchases (securities held for at least one year) and short-term purchases (securities sold within a year). We may, however, if appropriate, include trading (securities sold within 30 days), margin transactions, or other strategies. Below we have included details regarding these strategies and the risks inherent in each.

Long-term purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Although not typical, Paulo Financial may also employ the strategies of "Trading" and "Margin Transactions," as appropriate, when managing client accounts. Set forth below is a brief description of these strategies and the inherent risks in their use.

Trading. We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Margin Transactions. We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call", and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested.

Put Options: We may use or recommend the purchase of put options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. A put option gives the holder the right to sell an asset at a certain price within a specific period of time.

We may use options to “hedge” a purchase of the underlying security; in other words, we will use an option purchase to limit the potential downside of a security we have purchased for your portfolio. A risk of buying put options is that the underlying security will go up in value and the option contract will expire worthless. Under these circumstances, the client will forfeit the cost of the put.

Risk of Loss. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

Item 9 DISCIPLINARY INFORMATION

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Neither our firm nor any of our management personnel have reportable disciplinary events to disclose.

Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

While Paulo Financial is a registered investment adviser, Catherine Paulo, founder and Managing Member of Paulo Financial, is also separately licensed as an attorney in the State of New York. As such, and in her separate capacity, Ms. Paulo can provide legal advice and services for which she will receive separate, yet customary compensation. Ms. Paulo will provide legal services only as provided in a separate written agreement which specifically describes such services. Clients in need of legal advice or services are not under any obligation to engage Ms. Paulo for these services or for implementing any recommendations requiring such services as provide in a financial plan or otherwise by Paulo Financial. The implementation of any and all recommendations is solely at the discretion of the client.

Although Ms. Paulo will devote as much time to the affairs of Paulo Financial and its Clients as she believes is reasonably necessary to assist Clients in achieving their investment objectives, she will not devote all or any specific portion of her time to the affairs of Paulo Financial, and may devote a significant portion of her time to other matters. Further, Ms. Paulo (and Adviser) may organize or become involved with other clients or in other business ventures, including other investment-related investment businesses. Such other businesses and the clients of such businesses may compete with Adviser or its Clients for Ms. Paulo's time and attention, and possibly, for limited investment opportunities, all of which may create conflicts of interest.

Stephen J. Brown, PhD, currently the David Loeb Professor of Finance at New York University's Stern School of Business will provide periodic independent consulting services to Paulo Financial which may assist Ms. Paulo, Managing Member of Paulo Financial, in formulating general investment recommendations for clients. These services include general economic advice, research, and investment consulting. Dr. Brown is Ms. Paulo's spouse and his services are provided solely to Paulo Financial. Dr. Brown does not provide investment advice or services to Paulo Financial clients or with respect to any specific client account.

Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Paulo Financial has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Paulo Financial's Code of Ethics describes the firm's fiduciary duties and responsibilities to Clients, and sets forth Paulo Financial's practice of supervising the personal securities transactions of supervised persons with access to non-public information regarding Client recommendations or transactions.

Individuals associated with our firm may buy or sell securities for their personal accounts identical to or different than those recommended to Clients. It is the express policy of Paulo Financial that no Supervised Person shall prefer his or her own economic interest to the interest of a Client. Subject to Paulo Financial's Code of Ethics, Paulo Financial and its Supervised Persons are permitted to trade for their own accounts side-by-side and in block transactions (see below) with the firm's Clients in the same securities, and at the same time, as long as they participate on the same terms as the Client accounts participating in such transactions.

To supervise compliance with its Code of Ethics, Paulo Financial requires that any Supervised Person who has access to non-public information regarding Client purchases or sales of securities or investment recommendations will be treated as an "access person." Access Persons must provide initial and annual securities holdings reports and quarterly transaction reports to the firm's Managing Member, and must also obtain approval from the Managing Member prior to investing in any IPOs or private placements (limited offerings); provided, the Managing Member is not required to submit such reports or obtain such approval from herself, but will maintain the records of her holdings and transactions which would be reportable by other access persons. Paulo Financial requires that all individuals must act in accordance with all applicable Federal and State laws and regulations governing registered investment advisers. Paulo Financial's Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual who fails to abide by the firm's Code of Ethics may be subject to discipline. Paulo Financial will provide a copy of its Code of Ethics to any Client or prospective Client upon request to the Managing Member at Paulo Financial's principal address.

Non-Exclusivity; Non-IMP Clients. Paulo Financial and persons associated with our practice: (i) have and may take the same or similar positions in specific investments for their personal accounts, or for the accounts of their non-IMP Accounts, as the positions taken for the IMP Accounts; and (ii) shall be free to render investment advice to others and are not bound to render services exclusively to IMP Clients. Nothing in this Brochure or otherwise shall impose upon Paulo Financial or the Representative any obligation to purchase or sell, or to recommend for purchase or sale, for any IMP Account any security which Paulo Financial, the Representative, or Paulo Financial's employees, affiliates, or agents purchase or sell for their own accounts or for the accounts of their non-IMP Clients, if in their reasonable opinion, such investment would be unsuitable for the IMP Accounts or if they determine in the best interest of the IMP Accounts such investment would be impractical or undesirable.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to paulo@paulofinancialadvisors.com, or by calling us at 718-370-3464.

Paulo Financial and individuals associated with our firm are prohibited from engaging in principal transactions (e.g., buying or selling securities for their personal accounts to/from client accounts). Paulo Financial and individuals associated with our firm are also prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Item 12 BROKERAGE PRACTICES

Investment Management Program

It is Paulo Financial's current policy and practice to neither request nor accept the discretionary authority to determine the broker-dealer to be used for Client Accounts (except in the case of certain fixed income securities as set forth below). Certain existing clients, however, have previously granted us the discretionary authority to select the broker-dealer to be used for client transactions and the commission costs that will be charged to these clients for these transactions. Paulo Financial is currently in the process of transitioning these clients under a new agreement which conforms to Paulo Financial's current brokerage policy. During this transition process, Paulo Financial will continue to seek best execution for these clients by endeavoring to select those brokers or dealers that will provide the best services at the lowest commission rates and costs possible. The reasonableness of transaction costs are based on the broker's ability to provide professional services at competitive commission rates.

Under Paulo Financial's current policy, new clients must direct Paulo Financial as to the broker-dealer(s) to be used. In directing the use of particular brokers or dealers, it should be understood that Paulo Financial will not have authority to negotiate commissions with or obtain volume discounts from other brokers or dealers, and best execution may not be achieved. Clients should be aware that not all advisers require their clients to designate the use of particular broker(s).

Paulo Financial participates in the Fidelity Institutional Wealth Services ("Fidelity Program") program offered to independent investment advisers by Fidelity Brokerage Services, LLC ("Fidelity"). Clients in need of brokerage and custodial services will have Fidelity recommended to them. Paulo Financial requests that clients directing the use of Fidelity custody their Account at National Financial Services, LLC (NFS), an affiliate of Fidelity. As part of the Fidelity Program, Paulo Financial receives benefits that it would not receive if it did not offer investment advice, as described below. For Clients for whom fixed income securities would be suitable investments, Paulo Financial will recommend the brokerage services of Vining Sparks IBG, LP ("Vining Sparks"). The term Brokers refers collectively to the Custodian (or its broker-dealer affiliate) and Vining Sparks.

Paulo Financial has reviewed the services of Fidelity and Vining Sparks and recommends their services based on a number of factors. These factors include the products and professional services offered, commission rates and spreads, Paulo Financial's experience with Fidelity and Vining Sparks, and (for Fidelity) the custodial platform provided to Clients. However, Clients are not under any obligation to affect trades through any recommended broker. Clients are free to designate any broker-dealer of his or her choice, as long as such broker is reasonably acceptable to Paulo Financial. Lower costs or better execution or prices for comparable services may be available through brokers other than Fidelity or Vining Sparks.

If the Client directs the use of Fidelity and Vining Sparks, Paulo Financial shall have the limited

discretion to choose between Fidelity and Vining Sparks for transactions involving fixed income securities. However, in directing the use of Fidelity and Vining Sparks, Client will be responsible for negotiating commissions and determining that the prices and execution of such firms are satisfactory. We will not seek or negotiate commissions, volume discounts, or better prices from other brokers or dealers. Paulo Financial will not have the obligation to negotiate commissions on a trade-by-trade basis with Fidelity or Vining Sparks or any other broker dealer the Client directs us to use, and best execution may not be achieved. Fidelity will charge an additional fee for its services in clearing and otherwise processing transactions directed to Vining Sparks or other brokers.

Clients who direct transactions for their Account to brokers other than Fidelity or Vining Sparks may pay higher or lower commissions or other charges, or receive less favorable prices, than if such transactions were executed through Fidelity or Vining Sparks.

Aggregated Trades. Paulo Financial will block trades where possible and when advantageous to clients. This blocking of client trades allows Paulo Financial to: (i) aggregate the Client's order with the orders of other Clients into a "block" order, (ii) determine which Client Accounts will participate in block orders, and (iii) determine the allocation of the securities acquired or the proceeds received among each of the participating Accounts.

Typically, block orders will be effected through an "average price" (or similar) account through which all Accounts participating in the block order will receive the same price and will share the transaction costs pro rata. However, under circumstances where we deem it appropriate, a block order may be allocated other than on a pro rata basis, so long as no Client is unreasonably disadvantaged in view of the overall trading for the Account.

On some occasions, the use of block orders may operate to the disadvantage of some Clients who might have received a better price for a particular transaction if their order had been executed separately. However, the use of block orders offers the possibility of reducing overall transaction costs because such costs are generally shared on a pro-rated basis among all Accounts included in the block order.

Due to differences in the types of investments in Clients' Accounts, and differences in Account objectives, cash positions, and other factors, Paulo Financial cannot anticipate the number of transactions, if any, that will be effected each year through block orders. Clients should be aware that orders for Accounts maintained at Fidelity will not be included in block orders with any Accounts maintained at other brokers, and as a result a disparity may arise in the commissions paid or prices received among these Clients. In addition, Clients electing not to grant us discretionary authority over their account may not be aggregated with other clients' trades due to the time involved in obtaining the client's approval for each trade. Please refer to Item 16 of this brochure for additional information.

Clients who elect not to grant investment discretionary authority to Paulo Financial are advised that trades in their account(s) may be executed subsequent to trades effected in discretionary accounts due to the time involved in obtaining the requisite client approval. Consequently, these clients may not participate in blocked trades and there may be a difference in the price paid per share of a given security and the commission rates paid by these clients as compared to other clients depending, in part, on the type of security traded.

Subject to the Code of Ethics, Paulo Financial and its Supervised Persons may participate in blocks orders, as long as Paulo Financial and the Supervised Persons participate on the same terms as the Clients.

Brokers who effect transactions for an Account may assess mark-ups or mark-downs on the prices of

securities, and may charge commissions and other transaction-related charges. Custodian may also charge a fee for its services as custodian. The amount of such mark-ups, mark-down, charges, and fees will be described in the Brokers' and the Custodian's Account documentation.

Economic Benefits Received from Brokers. As indicated above, Paulo Financial participates in the Fidelity Institutional Wealth Services Program ("Fidelity Program") and Paulo Financial recommends the use of Fidelity for IMP Clients. Additionally, for many years Paulo Financial's clients have purchased fixed income securities from Vining Sparks. Paulo Financial receives economic benefits from Fidelity and Vining Sparks which it would not receive if its Clients did not use Fidelity's or Vining Sparks services.

Through the Fidelity Program, Fidelity and NFS provide Paulo Financial with a number of benefits including, among other things, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Paulo Financial in conducting business and in serving the best interests of our clients.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Paulo Financial to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the platform services arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Paulo Financial (within specified parameters). These research and brokerage services presently include services such as company and market research and are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

The economic benefits from Vining Sparks may include, among other items: a daily market update; updates on bond insurer ratings; general economic research; and information and research regarding fixed income securities.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's or Vining Sparks' services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and Vining Sparks and have determined that the relationship is in the best interests of Paulo Financial's clients and satisfies our client obligations.

Trade Errors. On infrequent occasions, a trading error may be made in a Client Account. For example, a security may be erroneously purchased for a Client Account instead of being sold. In these situations, if Paulo Financial was responsible for such error, Paulo Financial's policy is to restore or return the Account to the position it would have been in had the trading error not occurred. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, or reimbursing the Account.

Item 13 REVIEW OF ACCOUNTS

Investment Management Program

REVIEWS: We will monitor the investments in the IMP Accounts on a continuous basis, and will review

IMP Accounts quarterly in light of the Suitability Information. More frequent reviews may be triggered by material changes in variables such as the Client's individual circumstances, or the market, political or economic environment. Accounts are reviewed by Catherine Paulo, Managing Member of Paulo Financial and/or John Donnelly, Operations Manager of Paulo Financial.

REPORTS: Clients participating in the IMP will receive monthly or quarterly statements and confirmations from the Custodian, and if provided in the Advisory Agreement, will also receive quarterly Account reports from Paulo Financial.

Financial Planning / Consulting Services

REVIEWS: Financial Planning Services clients' accounts will be reviewed as contracted for at the inception of the advisory relationship. Upon completion of the services described in the Financial Planning Agreement, we will not monitor or review Client's investments unless the Client has entered into a separate written agreement with us for further services for an additional fee.

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

REPORTS: Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for. Consulting Services clients will not typically receive reports due to the nature of the service.

Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

Currently, it is Paulo Financial's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm. However, we reserve the right to engage such solicitors in the future.

It is also Paulo Financial's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 CUSTODY

As disclosed at Item 5 of this Brochure, we may directly debit our fees from client accounts as authorized. Under applicable regulatory interpretations, as a result of this authority, we are deemed to have constructive custody of client assets. As part of this billing process, the client's custodian is advised of the amount of our fee which the custodian then debits from the client's account. On at least a quarterly basis, the custodian is required to send a statement to the client that shows all transactions in the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of this calculation, among other things. Clients should contact us directly if he/she believes that there may have been an error in the calculation of their fee or any other information provided in their statement.

Also, as disclosed at Item 13 of this Brochure, we will also receive quarterly Account reports to Clients when provided in the Advisory Agreement, on a quarterly basis. These reports are in addition to the periodic statements that clients receive directly from their custodians. *We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions,*

holdings and values are correct and current.

Item 16 INVESTMENT DISCRETION

Discretionary IMP Accounts. For client's granting us discretionary authority over his/her IMP Account, that authority includes, without limitation, the power to select, buy, sell, retain and exchange investments, and exercise such other powers as we deem appropriate to manage and execute transactions for the Client's Account in a manner consistent with the Suitability Information. Any limitations on this discretionary authority and any restrictions that Client wishes to place on the Account must be reasonable and must be in writing. Clients may change or amend these limitations or restrictions at any time. Such amendments must be in writing and must be reasonable.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Non-Discretionary IMP Accounts. For client's electing not to grant us discretionary authority over his/her IMP Account, we will implement recommendations made for the Account only upon Client's consent and subject to any limitation imposed by Client with respect to such transaction. We shall have the authority, in our discretion, to select the time, the price, and the terms at or upon which to effect such transaction.

Should a client elect not to grant us investment discretion over their account, we note that trades in their accounts will typically be executed after trades in the same securities are placed in discretionary accounts, due to the time involved in obtaining the requisite client approval. Consequently, these clients may not participate in blocked trades and there may a difference in the price paid per share of a given security and the commission rates paid by these clients as compared to other clients depending, in part, on the type of security traded.

Item 17 VOTING CLIENT SECURITIES

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

Class Actions, Bankruptcies and Other Legal Proceedings. Adviser will neither advise nor take any action (including, but not limited to, the filing of "Proofs of Claim" in class actions) on behalf of a Client in or with respect to any litigation, bankruptcy, regulatory matter, or other legal proceeding involving securities that are or were held in an Account or involving the issuer of such securities. Clients may direct Adviser to transmit copies of class action notices to the Client or a third party. Upon such direction, Adviser will undertake commercially reasonable efforts to forward such notices in a timely manner.

Item 18 FINANCIAL INFORMATION

Paulo Financial has no adverse financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Paulo Financial has not been the subject of a bankruptcy petition at any time during the past ten years.