

**Form ADV: Part 2  
Firm Brochure  
March 2024**

**Paratus Financial, Inc.  
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<http://paratusfinancial.com/>**

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 the phone number above. The information in this brochure has neither been approved nor verified by the United States 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.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm's CRD Number is 133361.

In accordance with SEC requirements, we are providing all clients receiving investment advice a brochure written in an easily understood format. We are amending this brochure to more accurately describe our services, to distinguish our advisory clients and accounting clients, and to accurately reflect our assets under management. Additionally, the SEC requires this brochure to include all of the sections listed in the Table of Contents. We must include a disclosure for each section, even if it does not apply directly to our firm. Hence, a number of the sections essentially state that the subject is not relevant to our practices.

## Item 2 – Material Changes

As of the date of the last annual amendment filing dated March 24, 2023, Paratus Financial, Inc. has made no material changes to this brochure.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes, as necessary.

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#### **Item 4 - Advisory Business**

Paratus Financial, Inc. was founded by Bonnie Free Chadwick in 2003. Paige E. Boyer, and Olivia S. Kriscunas were appointed directors in 2017. Our current directors' biographies can be found 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.

Paratus Financial, Inc. provides custom financial planning services to high-net-worth individuals, families, trusts, estates, retirement plans, endowments, corporations and charitable organizations. These services include making specific investment recommendations, reviewing performance compared to a predetermined benchmark, analyzing risk compared to a predetermined benchmark, reviewing other investment managers, prioritizing and quantifying clients' financial goals and objectives, optimizing investment strategies with respect to taxes and account styling, retirement planning and long-term cash flow analyses, debt management, employee benefits, income tax planning, and estate planning. Paratus Financial, Inc. reviews the client's financial objectives, recent statements for brokerage and retirement accounts, annual income including earned income and passive income, annual spending, tax returns and charitable objectives, and estate documents and gifting goals. We aid the client to develop a strategy through which Paratus Financial, Inc. can assist the client in managing their investment portfolio, tax planning, and estate planning. Particular services are in an annual contract signed by each Account Manager and client. Financial exhibits, asset allocations, investment performance, statements of investment policy, and other various reports will be utilized and provided to the client depending on the description of services summarized in the contract.

##### Specific Investment Recommendations

Paratus Financial, Inc. identifies each individual's risk tolerance and establishes a target portfolio asset allocation. We implement and monitor investments review risks within the target.

##### Specific Fixed Income Recommendations

To implement a secure strategy using mutual funds, Paratus Financial, Inc. monitors performance, credit risk, interest rate risk (duration) and fee structure. Paratus Financial, Inc. reviews the appropriateness of these funds at least monthly.

Paratus Financial, Inc. also recommends use of professional third-party bond managers. We recommend bond managers to buy individual bonds in clients' portfolios when appropriate. We review a clients' duration and credit risk across their entire portfolio to recommend a bond investment strategy. We do not receive any compensation for recommending these 3<sup>rd</sup> party managers. We have discretion over the assets when they

are managed by 3<sup>rd</sup> party managers.

Paratus Financial recommends clients diversify risk assets among securities, among markets, among sectors and among management styles.

#### Specific Equity Investment Recommendations

The investments we recommend are mutual funds and ETFs. These funds are publicly traded, liquid, and transparent. The funds are reviewed quarterly for appropriateness in our clients' portfolios. The criteria we use for passive funds are market liquidity and correlation to the fund's target index. For actively managed funds, we evaluate manager tenure, long term performance, fee structure, risk adjusted returns, and return and style consistency.

Appropriate investment recommendations are based on a buy and hold strategy, rather than market timing, daily trading, or a revolving door of new investments. We recommend investment strategies that reflect current market conditions and long-term market trends. We offer unbiased advice on investment strategies since we are not compensated by investment managers.

We have discretion over some of our clients' assets and are responsible for all trades and account management. Further, a client may self-direct or hire a third party to manage a portion of their portfolio. We incorporate these assets into our overall investment recommendations. We consider a clients' entire portfolio, including those assets not under our discretion.

Mutual funds have shares classes with varying fee structures. We do not differ in share class recommendation among clients and client may purchase our recommended funds directly (or through their retirement plans).

We do not accept referral fees or commissions from our recommendations. All client fees are negotiated in an annual contract with each client to determine what services each client needs for the next year.

Performance: Paratus Financial, Inc. provides portfolio returns and compares the returns to a specific and predetermined benchmark. We review with clients the dollar and percentage returns, how it relates to the rest of the investment market, what investments in their portfolio contributed to performance.

Portfolio Risk: Paratus Financial, Inc. reviews a portfolio's risk by analyzing the standard deviation of the portfolio and specific funds over a long period (10 years) compared to the benchmark. We also evaluate a portfolio's value-at-risk.

Other Investment Managers: Some Paratus Financial, Inc. clients retain other investment managers. Paratus Financial, Inc. does not have discretion over these accounts. We will, at the clients request and per our annual contracts, evaluate the managers performance, risk, style drift. We will review investment proposals from other managers to ensure it complements the client's overall portfolio and financial objectives.

Financial Goals and Objectives: Paratus Financial, Inc. assists clients with quantifying and prioritizing financial goals and objectives. These are typically noted in a statement of investment policy and the portfolio will be managed with these goals in mind. Some financial goals may include funding education, paying off debt, optimizing yield in a portfolio to provide living expenses, charitable objectives, and gifting goals.

Optimizing Investment Strategies with Respect to Taxes and Account Styling: Investment recommendations consider tax implications such as deferred tax on qualified retirement accounts and realizing gains in after-tax accounts. To the extent possible and without impeding on sound economics, we strive to minimize tax implications in a portfolio. This includes recommending tax-exempt municipal bonds in after-tax portfolios for clients in higher tax brackets, rebalancing in retirement accounts, prioritizing qualified dividends in after-tax accounts and non-qualified dividends in retirement accounts.

We also consider asset ownership during portfolio construction. Paratus Financial, Inc. works with clients to ensure assets held jointly, separately, in retirement accounts, or invested for the next generation are invested appropriately.

Retirement Planning and Long-Term Cash Flow Analyses: Paratus Financial, Inc. assists clients with evaluating if they are financially independent to pursue retirement, or when they will become financially independent. We use a Monte Carlo analysis for these discussions. Account Managers emphasize the variables in the Monte Carlo are sensitive and that results are not guaranteed. We provide multiple reports showing slight changes in expectations (life expectancy, market returns, spending) to illustrate how sensitive the analysis is.

During this process, we assist clients in determining their annual spending and expected spending in retirement and establish a reasonable target rate of return in relation to their risk tolerance.

Debt Management: Paratus Financial, Inc. will review clients' debt and assist with prioritizing paying off debt to maximize tax deductions and minimize cash outflow. We advise on optimal mortgage strategies, such as paying off a mortgage, refinancing, or recasting, when appropriate.

Employee Benefits: Paratus Financial, Inc. assists with client's evaluation of employee benefits, such as 401(k) participation and investments, supplemental retirement plans, cash balance plans, deferred compensation, and stock awards. We optimize savings with respect to a client's tax situation.

We review clients' restricted stock awards and stock options as a piece of their portfolio and on their asset allocation. We do not advise on exercising stock options as we do not advise on individual stock positions.

For clients who have material inside information or stock holding requirements, we monitor clients' trading with respect to corporate governance requirements.

Income Tax Planning: Since our firm typically prepares and files income tax returns for

our clients, we are also involved in income tax planning. This includes calculating and managing retirement distributions, monitoring capital gains, recommending timing and source of charitable contributions, staying apprised of changes in income tax laws, and other income tax items.

Estate Planning: Paratus Financial, Inc. recommends 3<sup>rd</sup> party attorneys for clients to update their estate plan, wills, and ancillary documents to reflect changes in estate tax laws, changes in portfolios, and interpersonal changes. We will advise on estate tax strategies, given our knowledge of a client's portfolio and income tax situation.

Retirement Plan Rollover Recommendations - When Paratus Financial, Inc. provides investment advice about your retirement plan account or individual retirement account ("IRA") including whether to maintain investments and/or proceeds in the retirement plan account, roll over such investment/proceeds from the retirement plan account to a IRA or make a distribution from the retirement plan account, we acknowledge that Paratus Financial, Inc. is a "fiduciary" within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC") as applicable, which are laws governing retirement accounts. The way Paratus Financial, Inc. makes money creates conflicts with your interests so Paratus Financial, Inc. operates under a special rule that requires Paratus Financial, Inc. to act in your best interest and not put our interest ahead of you.

Under this special rule's provisions, Paratus Financial, Inc. must as a fiduciary to a retirement plan account or IRA under ERISA/IRC:

- Meet a professional standard of care when making investment recommendations (e.g., give prudent advice);
- Never put the financial interests of Paratus Financial, Inc. ahead of you when making recommendations (e.g., give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that Paratus Financial, Inc. gives advice that is in your best interest;
- Charge no more than is reasonable for the services of Paratus Financial, Inc.;
- Give Client basic information about conflicts of interest.

To the extent we recommend you roll over your account from a current retirement plan account to an individual retirement account managed by Paratus Financial, Inc., please know that Paratus Financial, Inc. and our investment adviser representatives have a conflict of interest.

We can earn increased investment advisory fees by recommending that you roll over your account at the retirement plan to an IRA managed by Paratus Financial, Inc. We will earn fewer investment advisory fees if you do not roll over the funds in the retirement plan to an IRA managed by Paratus Financial, Inc.

Thus, our investment adviser representatives have an economic incentive to recommend a rollover of funds from a retirement plan to an IRA which is a conflict of interest because our recommendation that you open an IRA account to be managed by our firm can be based on our economic incentive and not based exclusively on whether or not moving the IRA to our management program is in your overall best interest.

We have taken steps to manage this conflict of interest. We have adopted an impartial conduct standard whereby our investment adviser representatives will (i) provide investment advice to a retirement plan participant regarding a rollover of funds from the retirement plan in accordance with the fiduciary status described below, (ii) not recommend investments which result in Paratus Financial, Inc. receiving unreasonable compensation related to the rollover of funds from the retirement plan to an IRA, and (iii) fully disclose compensation received by Paratus Financial, Inc. and our supervised persons and any material conflicts of interest related to recommending the rollover of funds from the retirement plan to an IRA and refrain from making any materially misleading statements regarding such rollover.

When providing advice to you regarding a retirement plan account or IRA, our investment advisor representatives will act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk, tolerance, financial circumstances, and a client's needs, without regard to the financial or other interests of Paratus Financial, Inc. or our affiliated personnel.

#### Client Assets Under Management

As of December 31, 2023, Paratus Financial, Inc.'s assets under management totaled \$619,615,968. \$202,365,327 are managed on a discretionary basis and \$417,250,641 are managed on a non-discretionary basis.

### **Item 5 - Fees and Compensation**

Paratus Financial, Inc. and its employees do not receive compensation from the sale of any investment strategy.

Mutual Fund shares have different share classes with varying fee structures. Clients have the option to purchase recommended investment strategies and products from non-affiliated firms.

Paratus Financial, Inc.'s advisors receive compensation based on the level of revenue a client pays to the firm. Clients negotiate and agree to revenue and services each year in a written annual contract disclosing all fees.

Our hourly rates range from \$80 to \$700 per hour depending on the complexity of the work and the experience of the Paratus Financial, Inc. employees involved.



Directors' fees range from \$185 to \$700 per hour.  
Associates' fees range from \$80 to \$400 per hour.

All fees are paid directly by clients in advance of work progression. Individual contracts identify both the work to be provided to the client and the fees owed as compensation during the contract period. A majority of these contracts are on an annual basis. A client may terminate a contract at any time, at which point a full refund of all unearned fees will be returned to the client.

#### **Item 6 - Performance-Based Fees and Side-by-Side Management**

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

#### **Item 7 - Types of Clients**

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

#### **Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss**

Paratus Financial, Inc. employs fundamental long-term investment strategies that target 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 advisor, and applicable regulatory restrictions:*

The appropriate investment strategy for each client should be developed in context of a broader Statement of Investment Policy.

A Statement of Investment Policy requires:

- Qualified and prioritized financial objectives for the portfolio
- Prioritization of investment objectives
- Prioritized strategy for use of funds
- Investment considerations that must include
  - income requirements
  - liquidity needs
  - tax consequences including AMT, marginal rates, and 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 these policies can be made with no-load mutual funds, managers, and a client's outside advisors.

### **Item 9 - Disciplinary Information**

On July 26, 2021, Paratus Financial, Inc. agreed to pay a penalty to the SEC for providing a Client Relationship Summary (CRS) to our clients after the deadline. There are no other legal or disciplinary actions involving the firm. There are no legal or disciplinary actions involving any individual associated with the firm.

### **Item 10 - Other Financial Industry Activities and Affiliations**

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

#### Accounting Services

Associated persons of Paratus Financial, Inc. are licensed CPAs. Advisory clients needing assistance with tax preparation and/or account services may be referred to them but are not obligated to use their services. No compensation is paid for any referrals.

### **Item 11 - 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 employee 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.

### Paratus Financial, Inc. has a Fiduciary Relationship with our Clients

As a director, officer, or employee of the Company, we each have the following duties to our clients: to act honestly with clients at all times, to treat our clients with good faith and fair dealing, to act in the clients best interest at all times, to disclose to clients any and all conflicts of interest that may arise, to keep client matters confidential, to avoid misuse or dissemination of nonpublic information, and to refuse gifts from third parties.

### 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.

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, dealer 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.
  - 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 he or she directly or indirectly acquires 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. Persons 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.

### **Item 12 - Brokerage Practices**

Paratus Financial, Inc. recommends services with Charles Schwab & Co., Inc. (Charles Schwab) for Broker Dealer and custodian services. Further, the firm reviews the recommended Broker Dealer to ensure the best practices for each client's needs. Furthermore, Paratus Financial, Inc. does not receive any compensation from Broker Dealers.

Paratus Financial, Inc. exercises reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

If Paratus Financial, Inc. assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with my existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back-office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

#### **Brokerage Recommendations**

Paratus Financial, Inc. requires that clients establish brokerage accounts with Charles Schwab & Co., Inc (“Schwab”), a FINRA-registered broker-dealer, Member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Paratus Financial, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides Paratus Financial, Inc. with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor’s clients’ assets are maintained at Schwab Institutional. These services are not contingent upon Paratus Financial, Inc. committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab’s brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require significantly higher minimum initial investment.

### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, Paratus Financial, Inc. may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, Paratus Financial, Inc. has decided to require clients to use broker/dealers and qualified custodians determined by Paratus Financial, Inc.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer. Paratus Financial, Inc. does not receive any soft dollar benefits from a broker-dealer or a third-party.

### **Item 13 - Review of Accounts**

Paratus Financial, Inc. review Broker Dealers at least annually to ensure clients receive best practices for their needs. The firm monitors 3<sup>rd</sup> party advisors at least quarterly for performance, risk, consistency. The firm monitors bond funds at least monthly for their appropriateness based upon credit risk, interest rate risk, and fee structure. The firm reviews equity funds for performance, manager tenure, return and style consistency, risk and fee structure. All discretionary trades are reviewed to ensure the securities are consistent with the firm’s policies and procedures.

Each Director reviews his or her client accounts on a continual basis for conformity with investment style and asset allocation. In addition, each Director reviews client accounts due to changes in portfolio managers or because of the



relative performances of different assets, etc. Moreover, all accounts are reviewed upon a change in clients' stated objectives or financial situation.

Formal reports of these reviews are sent to clients regularly. Frequency and nature of these reports are agreed upon in the client's annual contract. Reports may include, but are not limited to, Statement of Investment Policy, Statement of Financial Condition, Asset Allocation, Portfolio Analysis, Performance Review, and Comparative Balance Sheets.

Clients are encouraged to always compare any reports or statements provided by us or a third-party manager against the account statements delivered from the qualified custodian. When clients have questions about their account statement, client should contact our firm and the qualified custodian preparing the statement.

#### **Item 14 - Client Referrals and Other Compensation**

Paratus Financial, Inc. receives no financial benefit from reporting, reviewing, or recommending investment strategies other than fees explicitly defined in each client's annual contract.

#### **Item 15 - Custody**

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

#### **Item 16 - Investment Discretion**

When providing management services, Paratus Financial, Inc. maintains trading authorization over client's account and provides management services on a discretionary basis. When discretionary authority is granted, we have the authority to determine the type of securities, the amount of securities that can be bought or sold and the broker or dealer to be used for your portfolio without obtaining your consent for each transaction.

Paratus Financial, Inc. does accept discretionary authority of some client accounts. However, in practice, all trading and asset moves are done only after reviewing them with the clients.

#### **Item 17 - Voting Client Securities**

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

#### **Item 18 - Financial Information**

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

**PARATUS FINANCIAL, INC.**

**BALANCE SHEET  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2023**

**Paratus Financial, Inc.**  
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**December 31, 2023**

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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder  
of Paratus Financial, Inc.

### ***Opinion***

We have audited the balance sheet of Paratus Financial, Inc. (a Texas corporation) as of December 31, 2023, and the related notes to the financial statement.

In our opinion, the accompanying balance sheet presents fairly, in all material respects, the financial position of Paratus Financial, Inc. as of December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Paratus Financial, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Paratus Financial, Inc.'s ability to continue as a going concern for one year after the date that the financial statement is issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of this financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Paratus Financial, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Paratus Financial, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*SST Accountants & Consultants*

SST Accountants & Consultants PLLC

March 12, 2024

**Paratus Financial, Inc.**  
**Balance Sheet**  
December 31, 2023

**ASSETS**

**Current Assets**

Cash	\$ 470,970
Accounts receivable	<u>30,000</u>
Total Current Assets	<u>500,970</u>

**Property and Equipment**

Furniture and equipment	159,886
Leasehold improvements	<u>159,313</u>
	319,199
Less accumulated depreciation and amortization	<u>(259,097)</u>
Net Property and Equipment	<u>60,102</u>

Operating Lease Right-of-Use Asset	<u>382,913</u>
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<b>TOTAL ASSETS</b>	<u><u>\$ 943,985</u></u>
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**LIABILITIES AND STOCKHOLDER'S  
EQUITY**

**Current Liabilities**

Accrued expenses	\$ 2,689
Deferred revenue	415,555
Operating lease liability, current portion	<u>90,512</u>
Total Current Liabilities	508,756

Operating lease liability, net of current portion	<u>334,577</u>
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<b>TOTAL LIABILITIES</b>	<u>843,333</u>
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**Stockholder's Equity**

Common stock; no par value; 100 shares authorized, issued and outstanding	1,000
Retained earnings	<u>99,652</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<u>100,652</u>

<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u><u>\$ 943,985</u></u>
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The accompanying notes are an integral part of this financial statement.

**Paratus Financial, Inc.**  
**Notes to the Financial Statement**  
**December 31, 2023**

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**Note 1: Summary of Significant Accounting Policies**

The summary of significant accounting policies of Paratus Financial, Inc. (Company) is presented to assist in understanding the financial statement. The financial statement and notes are representations of the Company's management, who is responsible for the fairness and objectivity embodied in the financial statement. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statement.

**Organization**

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.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing this financial statement include those assumed in recording depreciation and amortization and the realizable value of accounts receivable. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

**Cash and Cash Equivalents**

The Company defines cash equivalents as highly liquid investments having an original maturity of ninety days or less. The Company places cash, which, at times, may exceed federally insured limits, with high credit-quality financial institutions. The Company has not experienced any losses on such assets. There were no cash equivalents at December 31, 2023.

**Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Major expenditures and those that substantially increase useful lives are capitalized. Maintenance and repairs, which do not improve or extend the lives of the respective assets, are charged as expenses when incurred. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is recorded.

**Paratus Financial, Inc.**  
**Notes to the Financial Statement**  
**December 31, 2023**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Property and Equipment (Continued)**

Depreciation and amortization are provided for over the estimated useful lives of the assets using the straight-line method as follows:

Furniture and equipment	3-7 years
Leasehold improvements	10 years

**Accounts Receivable and Allowance for Credit Losses**

Accounts receivable represent amounts billed and unpaid from clients for services rendered. The Company estimates and reserves for expected credit loss exposure based on its experience with past due accounts and collectability, write-off history, the aging of accounts receivable, and forward-looking information (including the expected impact of rising inflation and indicators of a potential recession). Uncollectible accounts receivable are specifically identified and charged to the allowance for credit losses. Recovered bad debts are credited to income when collected. At December 31, 2023, the allowance for credit losses was \$-0-, as all receivables are deemed fully collectible.

**Revenue Recognition**

Revenues are recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. The Company applies the five-step revenue model under Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 606 to determine when revenue is earned and recognized.

The Company's revenues primarily consist of financial service revenues. Revenue is deferred and recognized ratably as the services are provided.

In the event a client terminates his or her contract prior to completion, the Company must determine the amount of fees to which it's entitled based on its published refund policy. A refund will typically be due and payable within 30 days of the contract termination if the payments received from the client exceed the value of services provided after application of the refund policy.

The Company's receivables represent unconditional rights to consideration from its contracts with clients. Once a client is invoiced, payment is due immediately. However, payments may be received monthly or periodically. The Company's contract liabilities are reported as deferred revenue and represent the excess of client fees received over amounts recognized as revenue. Deferred revenue is reflected as a current liability, as all revenue from uncompleted contracts is expected to be earned in the next 12 months.



**Paratus Financial, Inc.**  
**Notes to the Financial Statement**  
**December 31, 2023**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Federal and State Income Taxes**

The Company has elected to be taxed as an S Corporation. Under these provisions, all profits and losses pass directly to, and are taxed at, the shareholder level. While the Company is subject to state margin taxes, its revenues fall below the threshold for the tax to be assessed. Therefore, no provision or liability for federal and/or state margin taxes has been included in this financial statement.

**Accounting for Uncertainty in Income Taxes**

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the balance sheet taken as a whole. Accordingly, the accompanying balance sheet does not include any provision for uncertain tax positions, and no related interest or penalties have been accrued. Federal and state tax returns of the Company are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

**Leases**

The Company determines if a contract is classified as a lease at the contract's inception. Lease agreements are evaluated to determine whether the lease is a finance or operating lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the net present value of lease payments over the remaining lease term. The Company's leases do not provide an implicit rate; therefore, the Company has elected to use a risk-free rate as its incremental borrowing rate, based on the information available at the commencement date to determine the present value of the lease payments over the remaining lease term. Leases with an initial term of 12 months or less are not recorded on the accompanying balance sheet and are recognized as lease expense on a straight-line basis over the lease term.

**Accounting Pronouncement Adopted in 2023**

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which changes the impairment model used to measure credit losses for most financial assets. Under the new model the Company is required to estimate expected credit losses over the life of its trade receivables, certain other receivables and certain other financial instruments. The new model replaced the existing incurred credit loss model and generally results in earlier recognition of allowances for credit losses. The Company adopted this guidance on January 1, 2023, using the modified retrospective approach, and the adoption did not have a material impact on the financial statements or disclosures.

**Date of Management's Review**

Subsequent events have been evaluated for potential recognition or disclosure through March 12, 2024 which is the date the financial statement was available to be issued.

**Paratus Financial, Inc.**  
**Notes to the Financial Statement**  
**December 31, 2023**

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**Note 2: Related Party Activity**

The Company leases its corporate offices from Edifice Complex, LLC, a company owned by the shareholder. The lease requires monthly payments of approximately \$7,800. The Company paid approximately \$94,000 under this lease for the year ended December 31, 2023. See Note 3.

**Note 3: Operating Lease Commitment**

The Company entered into a lease with a related entity for office space that expires in June 2028. The lease includes a two percent per year escalation clause.

The Company's weighted average remaining lease term relating to its operating lease is 4.42 years, with a weighted average discount rate of 1.51%.

Future minimum lease payments required under this agreement are as follows:

For the years ending December 31,	
2024	\$ 96,189
2025	98,118
2026	100,076
2027	102,079
2028	42,885
2029 and thereafter	-
Total lease payments	<u>439,347</u>
Less interest	<u>(14,258)</u>
Present value of lease liabilities	<u>\$ 425,089</u>

## **ADV Part 2B Brochure Supplement**

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

Bonnie F. Chadwick  
Paige E. Boyer  
Olivia S. Kriscunas

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 for each section, even if it does not apply directly to our firm. Hence, a number of the sections essentially state that the subject is not relevant to our practices. There are two parts to this ADV: Part 2A and Part 2B. This is the second part of the document and it fulfills the requirements of Part 2B-Brochure Supplement.

## **Educational Background and Business Experience**

Bonnie F. Chadwick (DOB 1960)

Education: Southern Methodist University (BA and BBA 1982, JD 1985); CFP (1985); CFA (1992) CAIA (2015)

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

Paige E. Boyer (DOB 1991)

Education: University of Mississippi (Ole Miss) (BBA 2013)

Business Experience:

Paratus Financial, Inc., Director 2014-present

Olivia S. Kriscunas (DOB 1992)

Education: Southern Methodist University (BBA 2014) CFA (2018)

Business Experience:

Paratus Financial, Inc., Director 2014-present

## **Disciplinary Information**

On July 26, 2021, Paratus Financial, Inc. agreed to pay a penalty to the SEC for providing a Client Relationship Summary (CRS) to our clients after the deadline. There are no other legal or disciplinary actions involving the firm. There are no legal or disciplinary actions involving any individual director associated with the firm.

## **Other Business Activities**

Paratus Financial, Inc. and its directors are not engaged in any other business with its clients other than tax and financial planning. Neither the firm nor its directors sell any other products or services to clients other than the type of financial advice that is delineated in each client contract.

## **Additional Compensation**

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

## **Supervision**

Bonnie Chadwick is the Chief Compliance Officer of Paratus Financial, Inc. She is responsible for overseeing and enforcing the firm's compliance programs to monitor and supervise the activities and services provided by the firm and its representatives.