

Paradigm Financial Partners, LLC

FORM ADV PART 2A

BROCHURE

Item 1 – Cover Page

315 Post Road West,
Westport, CT 06880

This brochure provides information about the qualifications and business practices of Paradigm Financial Partners, LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, Carol Robertson by telephone at (203) 221-3085 or by email at Carol@pfpartners.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.

Paradigm Financial Partners, LLC is a registered investment advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about Paradigm Financial Partners, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

June 7, 2018

Item 2 – Material Changes

Form ADV Part 2 requires registered investment advisors to amend their brochure when information becomes materially inaccurate. If there are any material changes to an advisor's disclosure brochure, the advisor is required to notify you and provide you with a description of the material changes.

As Paradigm Financial Partners, LLC is a newly-registered investment advisor, there are no material changes to disclose.

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Item 4 - Advisory Business

A. Description of the Advisory Firm

Paradigm Financial Partners, LLC (“Paradigm” or the “Firm”) is a limited liability company organized in Delaware. Paradigm is an investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). Paradigm has a single member, Paradigm Financial Holdings, LLC. The sole owners of Paradigm Financial Holdings, LLC are David Halper and Lee Rawiszer as of May 11, 2018.

All statements in this brochure, including those made in the present tense, describe the prospective business of Paradigm.

B. Types of Advisory Services

Paradigm advises clients in all areas of financial management, including tax-efficient wealth accumulation, retirement, estate and gift planning as well as income planning. Paradigm’s comprehensive services can include values-based wealth, income and estate planning, assistance with insurance, real-estate holdings, multigenerational wealth planning and entrepreneurial needs and philanthropy.

Paradigm manages client investment portfolios on a discretionary or non-discretionary basis. In addition, Paradigm offers a full suite of investment advisory services to individuals, families, institutions, and businesses, which include financial planning and consulting services as well as discretionary and/or nondiscretionary management of investment portfolios. In designing and implementing customized strategies, Paradigm can manage a broad range of investment strategies and vehicles including traditional asset classes and alternative investments.

Paradigm’s portfolio construction process follows five basic principles that manage risk, maximize diversification, use alternative investments, capitalize on traditional asset classes and maintain a consistent portfolio process.

Where appropriate and requested by clients, Paradigm may also provide advice about positions clients held in their portfolios prior to engaging Paradigm. Clients may also engage Paradigm to manage and/or advise on certain investment products that are not maintained at their primary custodian, including, but not limited to, variable life insurance and annuity contracts, assets held in employee sponsored retirement plans and qualified tuition plans (for example, 529 plans). In those situations, Paradigm directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider. Certain external managers utilized by Paradigm may use custodians other than the primary custodian recommended by Paradigm.

Financial Planning Services

Paradigm offers its clients a variety of comprehensive financial planning and consulting services. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation based on the client's financial goals and objectives. This planning or consulting may encompass one or more areas of need, including, but not limited to cash flow analysis, investment planning, retirement planning, estate planning, personal savings, educational savings, and other areas of a client's financial situation.

A financial plan developed for or financial consultation rendered to the client will typically include general recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs. Paradigm may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if pursuant to a separate financial consultation arrangement, Paradigm recommends its own services, as such a recommendation may increase the advisory fees paid to Paradigm. The client is under no obligation to act upon any of the recommendations made by Paradigm under a financial planning or consulting engagement to engage the services of any such recommended professional, including Paradigm itself.

Investment Management Services

In designing and implementing customized models and portfolio strategies, Paradigm can manage, on a discretionary or nondiscretionary basis, a broad range of investment strategies and vehicles. Paradigm primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), and individual debt and equity securities in accordance with clients' stated investment objectives. Paradigm may retain consultants to assist it in managing the investment strategies it designs and implements for its clients.

Paradigm may further recommend to clients that all or a portion of their investment portfolio be managed on a discretionary basis by one or more affiliated or unaffiliated money managers or investment platforms ("External Managers"). The client may be required to enter into a separate agreement with the External Manager(s), which will set forth the terms and conditions of the client's engagement of the External Manager or will receive a Statement of Investment Selection in a single contract relationship. Paradigm generally renders services to the client relative to the discretionary selection of External Managers. Paradigm also assists in establishing the client's investment objectives for the assets managed by External Managers, monitors and reviews the account performance and defines any restrictions on the account. The investment management fees charged by the designated External Managers, together with the fees charged by the

corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, the annual advisory fee charged by Paradigm.

C. Client-Tailored Advisory Services

Each client's needs are different. Paradigm tailors its investment advisory services to the specific needs of each client. Each investment advisory client is provided an advisor whose role is to facilitate the provision of investment advisory services that are tailored to the client's unique circumstances. Paradigm consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, income tax issues, liquidity constraints and other related factors relevant to the management of their portfolios. If a client's financial situation changes, or if their investment objectives or risk tolerance changes, clients are advised to promptly advise Paradigm of such changes or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions on the management of their accounts if Paradigm determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for Paradigm's management efforts.

D. Assets Under Management

As of June 4, 2018, Paradigm has \$169,057,651.83 in regulatory assets under management, of which \$138,541,928 are managed on a discretionary basis and \$30,515,723.58 on a non-discretionary basis.

Item 5 - Fees and Compensation

A. Fees for Advisory Services

Paradigm charges an annual advisory fee that is agreed upon with each client and set forth in an agreement executed by Paradigm and the client. Paradigm's fee for investment advisory services is negotiable and varies based on several factors, including, but not limited to, the size of the relationship, the nature and complexity of the products and investments involved, time commitments and travel requirements. The fee generally ranges between .10% and 1.00% annually of the value of the assets under management. For the initial quarter, the fee shall be calculated in arrears on a pro rata basis, based upon the period ending value of the net billable assets under management as provided by third-party sources, such as pricing services, custodians, fund administrators, and client-provided sources. For subsequent quarters, the advisory fee generally is payable in advance (except for services to participant-directed 401k plans, which generally are payable in arrears), based on the value of the net billable assets under management on the last business day of the previous quarter as provided by third-party sources, such as pricing services, custodians, fund administrators, and client-provided sources.

The investment advisory agreement between Paradigm and the client may be terminated at will by either Paradigm or the client. Paradigm does not impose termination fees when the client terminates the investment advisory relationship, except when agreed upon in advance.

Paradigm's fee for financial planning services is separate and apart from the annual advisory fee. Such fee is negotiable and is based on an hourly rate of \$250 to \$500 per hour or an agreed-upon flat fee.

Employees and family members of the Firm may receive waived or reduced fees. Paradigm does not maintain a minimum fee or a minimum level of account assets.

B. Payment of Fees

Paradigm generally deducts its advisory fee from a client's investment account(s) held at his/her custodian. Upon engaging Paradigm to manage such account(s), a client grants Paradigm this limited authority through a written instruction to the custodian of his/her account(s). Each quarter, the quarterly fee will be debited from the client's account(s) held at the client's custodian. The client is responsible to verify the accuracy of the calculation of the advisory fee; the custodian will not determine whether the fee is accurate or properly calculated. See Section A herewith for further information on fee billing. A client may utilize the same procedure for financial planning or consulting fees if the client has investment accounts held at a custodian.

Although clients generally are required to have their investment advisory fees deducted from their accounts, in some cases, Paradigm will directly bill a client for investment advisory fees if it determines that such billing arrangement is appropriate given the circumstances.

The custodian of the client's accounts provides each client with a monthly statement indicating separate line items for all amounts disbursed from the client's account, including any fees paid to Paradigm.

Clients may make additions to and withdrawals from their account at any time, subject to Paradigm's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets at any time on notice to Paradigm, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Paradigm may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g. contingent deferred sales charges) and/or tax ramifications.

C. Clients Responsible for Custodial and Brokerage Fees

In connection with Paradigm's management of an account, a client will incur fees and/or expenses separate from Paradigm's advisory fee. These additional fees may include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund (such as 12b-1 fees), ETF, separate account manager (and the manager's platform manager, if any), limited partnership, or other advisor, transfer taxes, odd lot differentials, exchange fees, interest charges, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees that reasonably may be borne by a brokerage account. For External Managers, client should review each manager's Form ADV 2A disclosure brochure and any contract they sign with the External Manager (in a dual contract relationship). The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

D. Prepayment of Fees

As noted in Item 5(B) above, Paradigm's investment advisory fees generally are paid in advance. Upon the termination of a client's investment advisory relationship, Paradigm will issue a refund equal to any unearned management fee for the remainder of the quarter. The client may specify how he/she would like such refund issued (*i.e.*, a check sent directly to the client or a check sent to the client's custodian for deposit into his/her account).

E. Outside Compensation for the Sale of Securities or Other Investment Products to Clients

Paradigm does not buy or sell securities and does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

Certain Firm representatives who provide investment advice to clients ("advisory persons") are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS") a FINRA-registered broker-dealer and member of SIPC.

Advisory personnel of the firm implement securities transactions, acting in their capacity as registered representatives, on a commission basis through PKS. In such instances, the advisory personnel will receive commission-based compensation in connection with the purchase and sale of securities, as well as a share of any ongoing distribution or service (trail) fees, including 12b-1 fees for the sale of investment company products. Compensation earned by the advisory person in his or her capacity as a registered representative is separate from and in addition to

Paradigm's advisory fee charged on client assets held in advisory accounts. The receipt of such compensation by an advisory person presents a conflict of interest as an advisory person who is a registered representative has an incentive to effect securities transactions for the purpose of generating commissions and 12b-1 fees rather than solely based on client needs. Clients may be able to obtain these products less expensively through sources other than PKS that do not generate compensation for the advisory person. Paradigm addresses this conflict through disclosure and additionally notes that the Firm does not charge advisory fees on assets where the Firm's advisory personnel, acting in their capacity as registered representatives, receive brokerage compensation (e.g., it does not "double dip"). Paradigm notes that clients are under no obligation to purchase securities products through PKS or Firm advisory persons or otherwise engage such persons and may choose brokers or agents not affiliated with Paradigm or PKS, and in some cases could purchase products directly from fund companies without paying brokerage compensation.

Advisory persons of Paradigm may also be licensed as insurance professionals through an affiliate of Paradigm. Such persons earn commission-based compensation for selling insurance products to clients. Insurance commissions earned by advisory persons who are insurance professionals are separate from and in addition to Paradigm's advisory fee. This practice presents a conflict of interest as an advisory person who is an insurance professional may have an incentive to recommend insurance products for the purpose of generating commissions rather than solely based on client needs. Clients are under no obligation to purchase insurance products through any person affiliated with Paradigm.

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

Paradigm does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Paradigm's fees are calculated as described in Item 5 above.

Item 7 - Types of Clients

Paradigm offers investment advisory services to individuals, high net worth individuals, family offices, trusts, institutions, businesses, charitable foundations, and retirement/profit-sharing plans.

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

A. Methods of Analysis and Risk of Loss

The first step in Paradigm's investment strategy is getting to know the clients – to understand their financial condition, risk profile, investment goals, tax situation, liquidity constraints – and assemble a complete picture of their financial situation. To aid in this understanding, Paradigm offers clients financial planning that are highly customized and tailored. This comprehensive approach is integral to the way that Paradigm does business. Once Paradigm has a true understanding of its clients' needs and goals, the investment process can begin, and the Firm can recommend strategies and investments that it believes are aligned with the clients' goals and risk profile. Paradigm may select certain external managers to manage a portion of its clients' assets.

Paradigm primarily employs fundamental analysis methods in developing investment strategies for its clients. Analysis from Paradigm is based on numerous sources, including third-party research materials and publicly-available materials, such as company annual reports, prospectuses, and press releases.

Overall investment strategies recommended to each client emphasize long-term ownership of a diversified portfolio of marketable and non-marketable investments intended to provide superior after-tax, inflation-adjusted, economic returns.

Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, long-term wealth transfer objectives, time horizon and choice of custodian are all factors that influence Paradigm's investment recommendations.

B. Material Risks

Investing in individual equity or fixed income securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and can involve a high degree of risk.

The mutual funds, ETFs, and External Managers that the Firm frequently invests client assets with or recommends to clients generally own individual equity and/or fixed income securities and therefore also involve the risk of loss that is inherent in investing in securities, and which clients should be prepared to bear.

The extent of the risk of ownership of fund shares generally depends on the type and number of securities held by the fund. Mutual funds invested in fixed income securities are subject to the same interest rate, inflation, and credit risks associated with the fund's underlying bond holdings. Fixed income securities may decrease in value as a result of many factors, for example, increases in interest rates or adverse developments with respect to the creditworthiness of the issuer. Risks also may be significantly increased if a mutual fund pursues an alternative investment strategy. An investment in an alternative mutual fund involves special risks such as risk associated with

short sales, leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. Investing in alternative strategies presents the opportunity for significant losses. Returns on mutual fund investments are reduced by management costs and expenses.

An ETF's risks include declining value of the securities held by the ETF, adverse developments in the specific industry or sector that the ETF tracks, capital loss in geographically focused funds because of unfavorable fluctuation in currency exchange rates, differences in generally accepted accounting principles, or economic or political instability, tracking error, which is the difference between the return of the ETF and the return of its benchmark and trading at a premium or discount, meaning the difference between the ETF's market price and NAV. ETFs also are subject to the individual risks described in their prospectus. Although many mutual funds and ETFs may provide diversification, risks can be significantly increased if a mutual fund or ETF is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage to a significant degree, or concentrates in a particular type of security. One of the main advantages of mutual funds and ETFs is that they give individual investors access to professionally managed, diversified portfolios of equities, bonds and other securities.

Although the goal of diversification is to combine investments with different characteristics so that the risks inherent in any one investment can be balanced by assets that move in different cycles or respond to different market factors, diversification does not eliminate the risk of loss. In some circumstances, price movements may be highly correlated across securities and funds. A specific fund may not be diversified and a client portfolio may not be diversified. Additionally, when diversification is a client objective, there is risk that the strategies that the Firm uses may not be successful in achieving the desired level of diversification. There is also risk that the strategies, resources, and analytical methods that the Firm uses to identify mutual funds and ETFs will not be successful in identifying investment opportunities.

The following events also could cause mutual funds, ETFs, equities and fixed income securities and other investments managed for clients, as well as those managed by External Managers, to decrease in value:

- Market Risk: The price of an equity security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, changes in political, economic and social conditions may trigger adverse market events.
- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- Event Risk: An adverse event affecting a particular company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency. Adverse events affecting a particular country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.
- Liquidity Risk: Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.
- Leverage Risk: The use of leverage may lead to increased volatility of a fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the fund's portfolio, which may lead to increased market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares that take place from changes in short- term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.
- Domestic and/or Foreign Political Risk: The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.
- Inflation Risk: Countries around the globe may be more, or less, prone to inflation than the U.S. economy at any given time. Companies operating in countries with higher inflation rates may find it more difficult to post profits reflecting its underlying health.
- Currency or Exchange Risk: Overseas investments denominated in foreign currencies are subject to fluctuations in the exchange rates between such foreign currencies and the U.S. dollar. In addition, investments denominated in foreign currencies are subject to the possible imposition of exchange control regulations or currency restrictions or blockages.
- Operational Risk: Fund advisors and other ETF service providers may experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures, that could negatively impact the mutual fund or ETF.

- Reinvestment Risk: This risk is that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Regulatory/Legislative Developments Risk: Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the value associated with such investment transactions or underlying securities
- Illiquid Securities: Investments in hedge funds and other private investment funds may underperform publicly offered and traded securities because such investments typically require investors to lock-up their assets for a period and may be unable to meet redemption requests during adverse economic conditions;
 - Have limited or no liquidity because of restrictions on the transfer of, and the absence of a market for, interests in these funds;
 - Are more difficult for to monitor and value due to a lack of transparency and publicly available information about these funds;
 - May have higher expense ratios and involve more inherent conflicts of interest than publicly traded investments; and
 - Involve different risks than investing in registered funds and other publicly offered and traded securities. These risks may include those associated with more concentrated, less diversified investment portfolios, investment leverage and investments in less liquid and non-traditional asset classes.

Cybersecurity Risk:

The computer systems, networks and devices used by Paradigm and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or

functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

C. Use of External Managers

Paradigm may select certain External Managers to manage a portion of its clients' assets. In these situations, the success of such recommendations relies to a great extent on the External Managers' ability to successfully implement their investment strategies. In addition, Paradigm generally does not have the ability to supervise the External Managers on a day-to-day basis.

D. Unusual Risks of Specific Securities

Risk Associated with Initial Public Offerings

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the company's shares.

Risks Associated with Closed-End Funds

Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.

Risks Associated with Structured Notes

- Complexity. Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with us.
- Market risk. Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. *For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal.* Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
- Issuance price and note value. The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.
- Liquidity. The ability to trade or sell structured notes in a secondary market is often very limited as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on security exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients

should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

- Credit risk. Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Paradigm and the integrity of Paradigm's management. Paradigm has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Registrations with Broker-Dealer

Persons providing investment advice on behalf of our firm may be registered representatives with Purshe Kaplan Sterling Investments a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with the Firm.

Recommendation of External Managers

Paradigm may recommend that clients use External Managers based on the client's needs and suitability. Paradigm does not receive separate compensation, directly or indirectly, from such external managers for recommending that clients use their services.

Licensed Insurance Professionals

A number of the Firm's advisory persons are licensed insurance agents through a Firm-affiliated entity and offer certain insurance products on a fully-disclosed commissionable basis. This practice presents a conflict of interest as an advisory person who is an insurance professional has an incentive to recommend insurance products for the purpose of generating commissions rather than solely based on client needs. Paradigm strives to make recommendations which are in the best interests of its clients. Clients are under no obligation to purchase insurance products

through any person affiliated with Paradigm. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions

A. Description of Code of Ethics

Paradigm has a Code of Ethics (the "Code") which requires Paradigm's employees ("supervised persons") to comply with their legal obligations and fulfill the fiduciary duties owed to the Firm's clients. Among other things, the Code of Ethics sets forth policies and procedures related to conflicts of interest, outside business activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by supervised persons.

Personal securities transactions of supervised persons present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, supervised persons to report their personal securities holdings and transactions to Paradigm for review by the Firm's Chief Compliance Officer. The Code also requires supervised persons to obtain pre-approval of certain investments, including initial public offerings and limited offerings.

Paradigm will provide a copy of the *Code of Ethics* to any client or prospective client upon request.

Item 12 – Brokerage Practices

A. Factors Used to Select Custodians and/or Broker-Dealers

Paradigm generally recommends that its investment management clients utilize the custody and brokerage services of an unaffiliated broker/dealer custodian (a "BD/Custodian") with which Paradigm has an institutional relationship. Currently, this includes Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab"), which is a FINRA-registered broker-dealer and member of SIPC and a "Qualified Custodian" as that term is described in Rule 206(4)-2 of the Investment Advisers Act of 1940. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed in client accounts by Paradigm. If your accounts are custodied at Schwab, Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While Paradigm recommends that clients use Schwab as BD/Custodian, clients decide whether to do so and open accounts with Schwab by entering into an account agreement directly with Schwab. Paradigm does not open an account with Schwab for clients.

In deciding to recommend Schwab, some of the factors that Paradigm considers include:

- combination of transaction execution services along with asset custody service;
- order execution and the ability to provide accurate and timely execution, clearing and settlement of trades;
- capabilities to facilitate transfers and payments to and from accounts;
- the reasonableness and competitiveness of services, including commission rates and other fees and transaction costs;
- access to a broad range of investment products, including stocks, bonds, mutual funds, and exchange-traded funds;
- availability of investment research and tools that assist the Firm in making investment decisions;
- quality of services;
- access to trading desks;
- technology that integrates within Paradigm's environment, including interfacing with Paradigm's portfolio management system;
- a dedicated service or back office team and its ability to process requests from Paradigm on behalf of its clients;
- ability to provide Paradigm with access to client account information through an institutional website;
- ability to provide clients with electronic access to account information and investment and research tools; and
- reputation, financial strength, and stability.

Paradigm may place portfolio transactions through the BD/Custodian where the clients' accounts are custodied. In exchange for using the services of the BD/Custodian, Paradigm may receive, without cost, computer software and related systems support that allows Paradigm to monitor and service its clients' accounts maintained with such BD/Custodian.

Products and Services Available to the Firm from Schwab. Schwab Advisor Services is Schwab's business serving independent investment advisory firms like Paradigm. Schwab

Advisor Services provide the Firm's clients and the Firm with access to its institutional brokerage trading, custody and reporting and related services – many of which are not available typically to Schwab retail customers. Schwab also makes available to the Firm various support services, some of which help the Firm manage or administer client accounts while others help the Firm manage and grow the business.

Clients benefit from Schwab's institutional brokerage services, which include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which the Firm might not otherwise have access or that would require a significantly higher minimum investment by clients.

Schwab also makes available to the Firm products and services that benefit the Firm but may not directly benefit the client or the client's account. These products and services assist the Firm in managing and administering client accounts. They include investment research, both Schwab's own and that of third parties. Paradigm may use this research to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the Firm. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide the Firm with other benefits such as occasional business entertainment of Firm personnel.

Transition-related expenses: In connection with the launch of Paradigm and the Firm's intention to recommend that clients custody their assets with Schwab, Schwab has agreed to provide Paradigm with reimbursement of Transfer or Account Exit Fees for a value not to exceed \$150,000 for accounts transferred within 12 months. These funds will be used toward fees client accounts will bear if the accounts are transferred to Schwab. Schwab has also agreed to pay for eligible third party vendor services and services provided by Schwab affiliates not to exceed \$250,000 for marketing, technology, consulting, or research expenses. These payments shall be distributed as follows: (1) \$50,000 in initial support upon initial funding at Schwab; (2) \$50,000 once there are \$50 million in net new assets transferred to the Schwab platform; (2) \$50,000 once there are \$150 million in net new assets transferred to the Schwab platform; (3) \$50,000 once there are \$275 million in net new assets transferred to the Schwab platform; and (4) \$50,000 once there are \$400 million in net new assets transferred to the Schwab platform. Paradigm will also receive benefits related to marketing services and the use of client relationship management ("CRM") systems.

These products and services from Schwab benefit Paradigm in that Paradigm does not have to purchase them. The benefits may incentivize Paradigm to routinely recommend Schwab as custodian over custodians who do not offer such products and services.

Paradigm will periodically review its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to, the following:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;

- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

As described above, Schwab provides to Paradigm, without cost, research and trade execution services. Schwab makes these services available to similarly situated investment advisers whose clients custody their assets with Schwab. Access to research and trade execution services is not predicated on the execution of client securities transactions (e.g., not "soft dollars.") Paradigm has not entered into any formal "soft dollar" arrangements with broker-dealers.

Paradigm's clients may utilize qualified custodians other than Schwab for certain accounts and assets, particularly where clients have a previous relationship with such qualified custodians.

Brokerage for Client Referrals

Paradigm does not select or recommend broker-dealers based solely on whether or not it may receive client referrals from a broker-dealer or third party.

Client-Directed Brokerage

Generally, in the absence of specific instructions to the contrary, for brokerage accounts that clients engage Paradigm to manage on a discretionary basis, Paradigm has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and affect securities transactions through the BD/Custodian of the client's account or other broker-dealers selected by Paradigm. In selecting a broker-dealer to execute a client's securities transactions, Paradigm seeks prompt execution of orders at favorable prices.

A client, however, may instruct Paradigm to custody his/her account at a specific broker-dealer and/or direct some or all of his/her brokerage transactions to a specific broker-dealer.

In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if Paradigm exercised its discretion in selecting the broker-dealer to execute the transactions. Directing brokerage to a particular broker-dealer may involve the following disadvantages to a directed brokerage client:

- Paradigm's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- such clients could be denied the benefit of Paradigm's experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- the client could receive less favorable prices on securities transactions because Paradigm may place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

In addition to accounts managed by Paradigm on a discretionary basis where the client has directed the brokerage of his/her account(s), certain institutional accounts may be managed by Paradigm on a non-discretionary basis and are held at custodians selected by the institutional client. The decision to use a particular custodian and/or broker-dealer generally resides with the institutional client. Paradigm endeavors to understand the trading and execution capabilities of any such custodian and/or broker-dealer, as well as its costs and fees. Paradigm may assist the institutional client in facilitating trading and other instructions to the custodian and/or broker-dealer in carrying out Paradigm's investment recommendations.

Trade Errors

Paradigm's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, Paradigm endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at Schwab, or another BD, as the case may be. In the event an error is made in a client account custodied elsewhere, Paradigm works directly with the broker in question to take corrective

action. In all cases, Paradigm will take the appropriate measures to return the client's account to its intended position.

B. Trade Aggregation

Client accounts are managed on an individual basis. Paradigm therefore generally does not aggregate client trades. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's supervised persons may invest, the Firm will generally do so in a fair equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

Item 13 – Review of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Paradigm monitors investment advisory portfolios as part of a continuous and ongoing process. Client advisors review the accounts they manage on behalf of clients at least quarterly. These reviews may include the following:

- compare the account's allocation with stated goals;
- review holdings and consider alternatives;
- monitor the size of individual securities relevant to their sectors, asset classes, and overall account size;
- analyze an account's composition and performance, income, appreciation, gains/losses, and asset allocation; and
- assess its performance.

Factors that may trigger an additional review, other than a periodic review, include: extraordinary events (*e.g.*, material market turbulence), economic, political events or major investment developments. Significant changes in a client's financial situation and/or objectives and large deposits or withdrawals from the accounts may also trigger a review. Clients are encouraged to notify Paradigm if changes occur in the client's personal financial situation and/or objectives that might adversely affect the client's investment plan.

B. Other Reviews

Paradigm may perform compliance and/or supervisory reviews of a sampling of client accounts. These reviews may include comparing an account's strategy and/or allocation to the account's stated objectives, reviewing commission and transaction costs borne by the account, and reviewing the billing rate and charges.

C. Content and Frequency of Regular Reports Provided to Clients

Each client receives or has access to account statements from the qualified custodian of his/her account at least quarterly. In addition, the qualified custodian sends trade confirmation notices to clients. The client may also establish electronic access to the custodian's website so that the client may view these reports, and their account activity. Client brokerage statements will include all positions, transactions, and fees relating to the client's account[s].

Item 14 – Client Referrals and Other Compensation**A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

Paradigm does not receive benefits from third parties for providing investment advice to clients.

B. Compensation to non-Supervised Persons for Client Referrals*Referral Arrangements with Individuals*

Paradigm plans to enter into referral arrangements in place with certain unaffiliated individuals that act as solicitors and may from time-to-time refer potential investors to Paradigm for investment management services. Each arrangement must be in compliance with Rule 206(4)-3 of the Investment Advisers Act. For each successful referral, Paradigm will pay to the solicitor a fee which represents a percentage of the investment management revenue that Paradigm charges and collects from the client. The length of each arrangement may vary. In all cases, Paradigm requires that potential clients be provided a copy of Paradigm's ADV 2A as well as the terms of the specific referral arrangement. The client is not charged the cost of the solicitation of his/her account(s), *i.e.* Paradigm does not charge a referred client investment advisory fees that are higher than its standard rates.

Item 15 – Custody

All clients must utilize a "qualified custodian" as detailed in item 12. Clients are required to engage the custodian to retain their funds and securities and direct Paradigm to utilize the custodian for the client's securities transactions. Paradigm's agreement with clients and/or the clients' separate agreement with the B/D Custodian may authorize Paradigm through such

BD/Custodian to debit the client's account for the amount of Paradigm's fee and to directly remit that fee to Paradigm in accordance with applicable custody rules.

The BD/Custodian recommended by Paradigm has agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Paradigm. Paradigm encourages clients to review the official statements provided by the custodian, and to compare such statements with investment reports received from Paradigm. For more information about Custodians and brokerage practices, see "Item 12 - Brokerage Practices."

Item 16 – Investment Discretion

Clients have the option of providing Paradigm with investment discretion on their behalf, pursuant to a grant of a limited power of attorney contained in Paradigm's client agreement. By granting Paradigm investment discretion, a client authorizes Paradigm to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Clients may impose reasonable limitations in the form of specific constraints on any of these areas of discretion with the consent and written acknowledgement of Paradigm. See also Item 4(C), *Client-Tailored Advisory Services*.

Item 17 – Voting Client Securities

Paradigm does not accept the authority to and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for all and any securities maintained in client portfolios.

Item 18 – Financial Information

A. Balance Sheet

Paradigm does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not need to include a balance sheet with this Brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither Paradigm nor its management has any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Years

Paradigm has not been the subject of a bankruptcy petition.