



**Part 2A of Form ADV
Firm Brochure
March 12, 2020**

ITEM 1: INTRODUCTION

This Part 2A of Form ADV is our Firm Brochure. It is required to be filed with the Securities and Exchange Commission ("SEC") after the end of each year and provides information about the qualifications and services offered by **Paradigm Financial Advisors, LLC ("PFA")**. PFA is a **FEE ONLY** Registered Investment Advisory Firm and we are regulated by the SEC under the Investment Advisors Act of 1940. PFA serves our clients in a fiduciary capacity and we are committed to acting in their best interest at all times. We do not sell annuities, insurance or proprietary products and we do not accept commissions or any other compensation for recommending any investments to our clients.

PFA provides **institutional quality investment management and comprehensive wealth planning** services that are designed to help our clients grow their wealth, reduce taxes, protect their assets and provide financial security for their families for many generations to come.

If you have any questions regarding the information provided in this Brochure or if you would like more information about Paradigm Financial Advisors, please feel free to contact us to set up a free consultation.

A handwritten signature in blue ink, appearing to read "Jim Reding".

Jim Reding, CEO & Managing Member
314-966-3400
jreding@pfaclient.com

PARADIGM FINANCIAL ADVISORS, LLC

**12231 Manchester Road
Des Peres, MO. 63131
(314) 966-3400**

ITEM 2: MATERIAL CHANGES

Part 2A of our ADV is our Firm Brochure and disclosure document.

We are required to provide our clients with an updated version of this Part 2A of our ADV, which is called our Firm Brochure, if we make any material changes and within 120 days after the end of each year.

We have made the following material changes from the previous version of our Firm Brochure:

- We have expanded our description of the different types of services that we offer.
- The information related to our Investment Advisor Representatives has been updated.
- We have changed our fee schedules for each type of service that we offer.

If you have any questions or would like additional information about Paradigm Financial Advisors, please contact **Jim Reding at 314-966-3400 or by email at jreding@pfaclient.com.**

ITEM 3: TABLE OF CONTENTS

ITEM 1: INTRODUCTION	1
ITEM 2: MATERIAL CHANGES	2
ITEM 3: TABLE OF CONTENTS.....	3
ITEM 4: ADVISORY BUSINESS	4
ITEM 5: FEES AND COMPENSATION	7
ITEM 6: PERFORMANCE FEES	10
ITEM 7: TYPES OF CLIENTS.....	11
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS	12
ITEM 9: DISCIPLINARY INFORMATION	15
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	16
ITEM 11: CODE OF ETHICS, INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING	17
ITEM 12: BROKERAGE PRACTICES/CUSTODIANS.....	18
ITEM 13: REVIEW OF ACCOUNTS	20
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....	21
ITEM 15: CUSTODY	22
ITEM 16: INVESTMENT DISCRETION.....	23
ITEM 17: VOTING CLIENT SECURITIES	24
ITEM 18: FINANCIAL INFORMATION	25
ITEM 19: MISCELLANEOUS	26

ITEM 4: INFORMATION ON OUR BUSINESS

4.1 OUR FIRM: Paradigm Financial Advisors, LLC (“PFA”) has been a “Fee Only” Registered Investment Advisor since 2007 and we are regulated by the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940. Jim Reding is the sole owner and Managing Member of PFA. We serve our clients in a fiduciary capacity and we are committed to acting in their best interest at all times. We don’t sell insurance or annuities and we do not accept commissions or any other type of compensation. PFA provides the following services for our clients:

- **Investment Management**
- **Comprehensive Wealth Planning**
- **Specialized Financial Planning for young Doctors and other Professionals**
- **Fiduciary Investment Management for Company Sponsored Retirement Plans**

4.2 INVESTMENT MANAGEMENT SERVICES: PFA provides institutional quality investment management services and we customize each of our client’s portfolios based on their individual circumstances, risk tolerance and goals. Over the past 25 years, we have developed a proprietary portfolio management process that is based on Modern Portfolio Theory combined with tactical asset allocation to maximize risk adjusted returns for our clients. We build broadly diversified portfolios for our clients with low cost ETFs & mutual funds, individual stocks, REITS, commodities, private equity investments and we may also include individual bond laddering, convertible bonds, floating rate bonds, TIPS, municipal bonds and institutional CDs. We conduct rigorous financial analysis to select the tactical positions for our client’s portfolios which typically include individual stocks & sector funds that are undervalued compared to the overall market and have better earnings growth potential over the next 12 to 36 months.

4.3 COMPREHENSIVE WEALTH PLANNING SERVICES: PFA’s comprehensive wealth planning services are designed to help our clients grow their wealth, reduce taxes, protect their assets and provide financial security for their families for many generations to come. We have two attorneys on our team and many other team members that have earned advanced degrees & certifications such as CPA, CFP, MBA, CTFA, AIF, and CPP which enables us to provide a broader range of services than most other firms provide. (See Part 2B of our ADV for more information on our advisors.)

Comprehensive Wealth Planning Services	
Financial statements & cash flow planning	Hedging Concentrated Stock positions
Retirement planning	Stock Option planning
Tax reduction strategies	Roth Conversion analysis
Multigenerational Dynasty Trust planning	Family meetings & financial education
Asset Protection planning	Business succession planning
Social Security optimization	Key Employee retention planning
Tax bracket maximization strategies	Reducing taxes on Business sales
Insurance analysis & private placements	Private Equity Investments
Negotiating Luxury home & car purchases	Charitable trusts & private foundations
Independent Trustee services	Estate administration services
Special Needs Trusts for disabled children	Planning for the care of elderly parents

Proactive Tax Planning: Our Comprehensive Wealth Planning services also include Proactive Tax Planning at no additional cost to our clients. Our team has extensive experience in designing and implementing tax planning strategies to reduce income and capital gains taxes for our clients. We run **tax projections** for our clients during the year to help them estimate their tax liability and to determine if they need to adjust their tax withholding or estimated tax payments. We continuously look for **tax loss harvesting** opportunities in our clients' taxable accounts to help reduce or eliminate future capital gains taxes. We customize the tax planning strategies that we implement for each client based on their individual circumstances and goals. For example, if a client has little or no taxable income we may recommend that they implement a number of **tax bracket maximization** strategies, which may include taking early distributions from an IRA account, or a partial Roth conversion, in order to create a certain amount of taxable income to fill up one or more of the lower tax brackets. *(Note: the tax planning examples provided herein are for illustrative purposes only and prospective clients are advised to consult with their tax advisors prior to implementing any of the strategies mentioned herein).*

Estate Planning: PFA's Comprehensive Wealth Planning services also include Estate Planning services that are designed to avoid probate and protect the assets that they leave to their family or other beneficiaries. We implement multigenerational estate planning strategies that help our high-net-worth clients maximize the amount of wealth that they transfer to their family and ensure that the assets will be protected for many generations to come. The following are examples of some of the advanced estate tax planning strategies that we implement for our clients: Dynasty Trusts, Family Limited Partnerships, Grantor Retained Annuity Trusts, Intentionally Defective Grantor Trusts, Asset Protection Trusts, Charitable Remainder Trusts and Charitable Lead Annuity Trusts.

- 4.4 SPECIALIZED FINANCIAL PLANNING SERVICES:** On a selective basis, PFA also offers specialized financial planning services for young doctors and other professionals that want to accelerate the time it takes to achieve their goals but may not currently meet our minimum assets under management requirement of \$500,000. We have created a special fee schedule for our specialized financial planning services that is described in Item 5 of this Brochure. We have been working with young doctors and other professionals for over 25 years and we understand the financial planning issues that they face, such as:

Specialized Financial Planning for Doctors	
Student loan consolidation & refinancing	Purchasing a home
Preparing a budget and financial statement	Asset Protection planning
Creating an emergency fund	Reducing income taxes
Cash flow & liquidity needs	Buying into a medical practice
Disability & Life insurance needs analysis	Investment Management
Getting an Estate Plan in place	College funding

4.5 COMPANY SPONSORED RETIREMENT PLAN FIDUCIARY SERVICES: PFA also provides the following fiduciary Investment Advisory services for retirement plan sponsors:

- (i) **3(38) Investment Manager:** If PFA is appointed as a 3(38) Investment Manager for a company sponsored retirement plan, we agree in writing to take **full fiduciary** responsibility for selecting the plan investments and for monitoring fund performance and fees.
- (ii) **3(21) Investment Advisor:** If PFA is appointed as a 3(21) Investment Advisor for a company sponsored retirement plan, we agree to serve as a **co-fiduciary** responsible for providing investment recommendations and the plan sponsor remains responsible for selecting the investments and for monitor fund performance and fees.

PFA provides the following services as 3(38) “full fiduciary”:

- **Select the investments for the plan** and create a diversified menu of low cost ETFs or mutual funds that reduce the risk of losses for participants.
- **Select the Qualified Default Investment Alternatives (“QDIAs”)** as required by ERISA for participants that do not make an investment election.
- **Create professionally managed investment portfolios** that participants can choose from based on their risk tolerance level.
- **Develop an Investment Policy Statement** for the plan that documents the process for selecting plan investments, monitoring fund performance and benchmarking fees.
- **Investment monitoring and quarterly fiduciary reporting** that compares the funds in the plan versus similar funds to compare performance and determine if the fees are reasonable.
- **Provide annual benchmarking reports** for the plan sponsor to compare all of the plan’s fees to the fees other plans are paying to determine if they are reasonable.

PFA helps Plan Sponsors reduce their Fiduciary liability:

Over the past ten years, there have been a large number of lawsuits filed by employees against their employer for breach of fiduciary duty for failing to monitor the performance and fees of the plan’s investments. In the case of *Tibble v. Edison International*, the Supreme Court ruled that plan sponsors have an ongoing fiduciary responsibility to put the financial interests of plan participants above their own. The Court also ruled that a plan sponsor is required to select the plan investments with the same skill, care and prudence that a person who is experienced and knowledgeable of investment management. The Court also made it clear that if the Plan Sponsor and its employees that administer their retirement plan don’t have the knowledge and experience required to select and manage the plan’s investments then the Plan Sponsor is required to hire a Registered Investment Advisor that is qualified to serve as a fiduciary and to select the menu of funds and monitor their performance and fees.

4.6 ASSETS UNDER MANAGEMENT: As of **December 31, 2019**, PFA had **\$504,980,680** in assets under management, of which \$425,553,462 was discretionary and \$79,427,218 was non-discretionary.

ITEM 5: FEES AND COMPENSATION

5.1 OUR FEES: PFA does not receive commissions or any other fees from any third parties for recommending investments and we provide full disclosure of all fees to our clients. Our fees are calculated based on a percentage of the fair market value of each client's total assets under management at the beginning of each quarter. Our clients authorize us to deduct fees from their account(s) on a quarterly basis, in advance. Clients that open an account or deposit additional assets during the quarter are charged a prorated fee based on the number of days remaining in the quarter from the date the funds are deposited. Our minimum assets under management is \$500,000. However, we may waive our minimum on a case by case basis. PFA has different fee schedules for each type of service that we provide, as shown below.

5.2 INVESTMENT MANAGEMENT ONLY FEE SCHEDULE: Clients that engage us to provide investment management only (without our financial planning services) are subject to the fee schedule shown below:

Investment Management Fee Schedule		
From	To	Annual Fee %
\$0	\$1,000,000	0.90%
\$1,000,001	\$2,500,000	0.80%
\$2,500,001	\$5,000,000	0.70%
\$5,000,001	\$10,000,000	0.60%
\$10,000,001	\$20,000,000	0.50%
\$20,000,001	above	0.40%
Minimum annual fee is \$8,000		

5.3 INVESTMENT MANAGEMENT & COMPREHENSIVE WEALTH PLANNING FEE SCHEDULE: Clients that engage us to provide investment management and comprehensive wealth planning are subject to the fee schedule shown below:

Comprehensive Wealth Planning Fee Schedule		
From	To	Annual Fee %
\$0	\$1,000,000	1.15%
\$1,000,001	\$2,500,000	1.05%
\$2,500,001	\$5,000,000	0.95%
\$5,000,001	\$10,000,000	0.85%
\$10,000,001	\$20,000,000	0.75%
\$20,000,001	Above	0.65%
Minimum annual fee is \$10,000		

- 5.4 SPECIALIZED FINANCIAL PLANNING FEE SCHEDULE:** Our minimum annual fee for our specialized financial planning program for young doctors and other professionals is the **greater** of 1.25% of assets under management or the minimum annual fee that is shown on the schedule below:

Specialized Financial Planning Minimum Fee Schedule					
Year	1	2	3	4	5
Minimum Annual Fee	\$4,000	\$5,000	\$6,000	\$7,000	\$8,000

- 5.5 COMPANY SPONSORED RETIREMENT PLAN FEE SCHEDULES:** We have two separate fee schedules for company sponsored retirement plans:

- (a) **3(21) Investment Advisor & “Co-Fiduciary” Services Fee Schedule:**

3(21) Investment Advisor Fee Schedule		
From	To	Annual Fee %
\$0	\$1,000,000	1.00%
\$1,000,001	\$5,000,000	0.75%
\$5,000,001	\$10,000,000	0.50%
\$10,000,001	\$25,000,000	0.40%
\$25,000,001	higher	0.30%
Minimum annual fee is \$10,000		

- (b) **3(38) Investment Manager & “Full Fiduciary” Services Fee Schedule:**

3(38) Investment Manager Fee Schedule		
From	To	Annual Fee %
\$0	\$1,000,000	1.25%
\$1,000,001	\$5,000,000	0.90%
\$5,000,001	\$10,000,000	0.75%
\$10,000,001	\$25,000,000	0.60%
\$25,000,001	higher	0.40%
Minimum annual fee is \$10,000		

5.6 FEE DIFFERENTIALS:

- **Negotiated Fees:** PFA, in its sole discretion, retains the right to waive its annual minimum fee, or negotiate a different percentage fee for certain clients based on a number of subjective factors, including, but not limited to: the total value of the client's assets under management, the complexity of the planning work that the client wants to accomplish, the estimated amount of time that it will take PFA's team of professionals to complete the client's planning work, the scope of the overall services that PFA will provide and the projected value added from PFA's planning expertise.
- **Grandfathered Clients:** PFA may "grandfather" certain clients under previous fee schedules.
- **Family Sponsored Accounts:** PFA may link the accounts of multiple family members that are clients (referred to as a "family-sponsored" accounts) which often reduces the fee paid by family members with smaller account balances.
- **PFA Employees:** PFA waives our investment management fees for our employees.

5.7 TERMINATION: The advisory agreement can be terminated by either party upon thirty (30) days written notice. Upon termination, PFA will refund any unearned fees based on the number of days remaining in the current quarter after the 30-day notice period. Any financial planning retainer fees paid by clients that are grandfathered under any previous fee agreement are deemed earned when paid and are not refunded after termination. After we receive notice of termination, PFA will not be responsible for taking any action on behalf of the client and shall not have any obligation to take any action related to any securities, cash or other investments in the client's account(s). PFA shall not have any obligation to complete any additional financial planning, tax planning, estate planning or other type of planning work after termination.

5.8 CUSTODIAN AND FUND FEES: In addition to the asset based fees that our clients pay each quarter, each client is responsible for paying the fees and expenses charged by their custodian and by the exchange-traded funds and/or mutual funds that the client owns. The fees charged by the client's custodian are described in the custodian's account agreement and the fees charged by any exchange-traded funds and/or mutual funds are described in each fund's prospectus.

5.9 INVOICES & PORTFOLIO REPORTS: Clients can elect to receive their quarterly invoice electronically or by mail. PFA also prepares a detailed portfolio analysis for each client at the end of each quarter that provides information related to their asset allocation, performance and the fees that they have paid for the quarter and year to date.

ITEM 6: PERFORMANCE FEES

PFA does not charge performance-based fees at the current time.

ITEM 7: TYPES OF CLIENTS

PFA provides investment management and comprehensive wealth planning services for successful individuals and their families, trusts, corporate executives, physicians and other professionals, charitable entities, company sponsored retirement plans and pension plans.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

8.1 PFA'S INVESTMENT PHILOSOPHY: Over the past 25 years, PFA has created a proprietary “Core + Tactical” portfolio management philosophy which combines the fundamentals of Modern Portfolio Theory and tactical asset allocation. We customize each client’s portfolio based on their circumstances, risk tolerance and goals. The “CORE” component of our portfolios consists of **low-cost exchange-traded funds** (“ETFs”) and mutual funds that provide broad diversification in 8 to 12 different asset classes. The “TACTICAL” component of our portfolios is comprised of **individual stocks and sector ETFs** that are selling at a discount to the overall market and offer exceptional long-term risk adjusted returns for our clients.

8.2 METHODS OF INVESTMENT ANALYSIS: We review institutional research reports, market analysis, newspapers, earnings reports, press releases and we conduct rigorous financial analysis to select the investments for our client’s portfolios. However, we cannot predict the future performance of any investment and our client’s portfolios may suffer losses during market declines.

8.3 Fundamental, Technical & Macro-economic Research: We analyze a number of financial metrics and economic factors, such as:

- historical stock valuations and various financial metrics;
- technical analysis that measures the relative strength of a stock versus other companies in the same industry and the S&P 500;
- investor sentiment, CEO confidence, employment, consumer spending, corporate spending, inflation, commodity prices, and other U.S. & global economic factors; and
- we also “stress test” our clients’ portfolios to determine the impact of certain events, such as rising interest rates, higher inflation, a recession or terrorist attack.

(a) **Individual Stock Analysis:** We review institutional stock research reports from many of the leading equity research firms and we build our own financial models to create a 3 to 5-year earnings growth forecast for each company that we select. We look at the track record of the company’s executive management team and we review quarterly earnings reports, conference calls, annual reports, SEC filings, press releases, government reports, newspaper and magazine articles for each company. We analyze the final metrics of the company compared to other companies in the same industry and the overall market to determine if the company’s current valuation is attractive. We look at how the sector that the company is in has performed in the past during similar economic conditions. We use technical analysis to determine the relative strength and trading patterns of the stock.

(b) **Mutual Fund & Exchange-traded Fund Analysis:** We analyze the long-term track record, expense ratios and holdings of each mutual fund and ETF and we analyze their performance in good and bad markets. We drill down on the holdings of each fund to analyze the financial metrics of each company and their earnings forecasts. We also look at the sector weightings of each fund compared to other funds to determine if they are over or underweighted in certain sectors of the economy that are likely to perform well in the current economic environment.

8.4 INVESTMENT RISK: We customize our investment recommendations for each client; we do not use “cookie cutter” models like many other firms. We conduct a Risk Tolerance Assessment for each client to help them determine how much risk they are willing to take to achieve their financial goals. However, current and prospective clients must understand that past performance may not be indicative of future performance. PFA cannot predict the future performance of any specific investment or investment strategy. PFA cannot identify market tops and we cannot prevent client’s portfolios from suffering losses during market declines. Clients should not invest in equities unless they have a long-term perspective and are capable of avoiding emotional decisions during periods of stock market volatility. Our clients are responsible for reviewing their investments and asset allocation on a monthly basis to make sure that the investments in their portfolio are acceptable for their risk tolerance. Clients are also responsible for notifying PFA promptly if their circumstance or risk tolerance has changed.

The risks related to each type of investment are described below:

- (a) **Individual Stocks:** When investing in individual stocks, there is always company and industry specific risk that is inherent in each investment. There is the risk that the company could be negatively impacted by new regulations or other factors that impact the industry that the company is in. The price of an individual stock may increase or decrease significantly over a short period of time due to changes in earnings forecasts and macroeconomic changes. Holding individual stocks carries a higher degree of risk than holding an ETF or mutual fund that owns a large number of stocks.
- (b) **Stock Options:** Stock options (puts, calls, etc.) are subject to significantly greater price fluctuations than the underlying stock or other security. Purchasing and writing put and call options are highly specialized activities and entail greater amount of risk for investors. We do not use stock options unless we are instructed to do so by a client.
- (c) **Margin Accounts:** If you intend to borrow funds in connection with your account, you will be required to open a margin account with your custodian. If you use margin, the securities that you own in the account are collateral for the custodian’s loan. If those securities in a margin account decline in value, the value of the collateral supporting the loan also declines, and the brokerage firm may issue a margin call and if you cannot deposit additional funds, the custodian may sell some or all of the positions in your account. PFA does not use margin unless requested by a client after they have signed a margin agreement with their custodian.
- (d) **Master Limited Partnerships:** Master Limited Partnerships (“MLP”) are subject to general stock market fluctuations and the price of the MLP may increase or decrease significantly based on changes in investor perception and expectation. MLPs also face unique risks specifically related to energy prices, inflation/deflation, regulatory action, interest rates and geopolitical events.
- (e) **Exchange-traded Funds and Mutual Funds:** The risk of owning an ETF or mutual fund generally reflects the risk of owning the underlying securities held by the ETF or mutual fund. Clients may also incur brokerage trading costs when buying or selling ETFs or mutual funds. A mutual fund may also have liquidity risk during the trading day if the price is not determined until the end of the day. An active mutual fund may also carry tax risk because it could distribute taxable capital gains in years when it has negative performance.

- (f) **Real Estate Investment Trusts:** REITs rely heavily on borrowing money to purchase properties and if interest rates rise, their carrying costs increase which could reduce their distributions to investors. Refinancing risk is another major risk for any REIT. Valuation risk is the risk that the property values within the REIT drop during a crisis, which could cause them to breach certain loan covenants resulting in the loans becoming immediately repayable.
- (g) **Concentration Risks:** PFA recommends that clients invest in a diversified portfolio of exchange-traded funds, mutual funds, individual stocks and fixed income securities. If a client or prospective client chooses to have their investment portfolio heavily weighted in a small number of stocks, or a small number of asset classes or sectors, they will likely experience greater risk and volatility in their portfolio. Clients who have properly diversified portfolios typically incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. A concentrated portfolio may offer the potential for higher gains, but it may also result in larger losses.
- (h) **Corporate Bonds:** Risks associated with fixed income securities include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If interest rates rise, the price of longer-term bonds that have maturities of 10 years could fall significantly. For example, a 1% increase in long-term interest rates has historically caused the price of bonds with a 20 year or longer maturity to fall by over 20%. Bonds with shorter maturities will not be impacted as much as longer-term bonds if interest rates rise.
- (i) **Municipal Bonds:** Municipal bonds carry different risks than those of corporate, government and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally exempt from federal taxes, but they may be taxable at the state level.
- (j) **U.S. Government Securities:** U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities are one of the safest investments available to investors because they are backed by the full faith and credit of the taxing authority of the United States government.
- (k) **Commercial Paper and Certificates of Deposit:** Commercial paper and certificates of deposit are generally considered safe instruments, although their yields are impacted by interest rates and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

ITEM 9: DISCIPLINARY INFORMATION

As an SEC Registered Investment Advisor, we are required to disclose any legal or disciplinary actions or any other material facts that would impact a prospective client's evaluation of PFA or any of our Investment Advisor Representatives. Neither PFA nor any of our Investment Advisory Representatives have ever been subject to any legal or disciplinary action and we have not been involved in any criminal or civil actions or complaints.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

10.1 PFA is a Fee Only Registered Investment Advisor and we are not registered or affiliated with any broker dealer or insurance company because we do not sell insurance or annuities and we do not accept commissions.

10.2 Legal Services offered by the Reding Law Firm: Jim Reding owns PFA and he also owns the Reding Law Firm. Jim Reding and McCarthy Grewe are licensed attorneys and they are employed by PFA and the Reding Law Firm, LLC. PFA does not provide legal advice and any legal work performed for PFA clients is provided by Jim Reding and McCarthy Grewe on behalf of the Reding Law Firm. The Reding Law Firm waives the legal fees related to drafting a living trust and ancillary documents for PFA clients that have engaged us to provide Comprehensive Wealth Planning services. There could be a potential conflict of interest when we refer a PFA client to the Reding Law Firm. However, clients are not obligated to use the Reding Law Firm and they can use a different law firm if they chose.

ITEM 11: CODE OF ETHICS, INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

- 11.1 CODE OF ETHICS:** PFA has established, maintains and enforces a written Code of Ethics pursuant to the Investment Advisors Act of 1940 to protect the best interests of our clients. PFA's Code of Ethics requires advisory personnel to avoid any activities that might interfere with their ability to make decisions in the best interests of our clients. In addition, PFA requires that all supervised persons with access to our investment recommendations provide annual securities holding reports and quarterly transaction reports to the firm's Compliance Department. PFA's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. PFA requires that all individuals must act in accordance with all applicable federal and state regulations governing Registered Investment Advisor practices and any individual not in observance of the above is subject to discipline. PFA will provide a copy of our Code of Ethics and insider trading policy upon request to any current or prospective client.
- 11.2 INTEREST IN CLIENT TRANSACTIONS:** PFA does not engage in principal trading (the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, PFA does not recommend any securities to advisory clients in which we have any ownership interest.
- 11.3 PURCHASE OF RECOMMENDED SECURITIES:** PFA's supervised persons may buy and sell the same securities that we recommend to clients after any pending client trades in the same security are executed. This policy ensures that PFA's employee trades will not impact the execution of any client trades. PFA, our advisors, affiliates, employees and their families may execute securities transactions that are different from the securities recommended to our clients. PFA adopts and follows policies and procedures regarding securities transactions by our employees that are designed to ensure that we are acting in the best interest of our clients at all times. PFA requires that all supervised persons with access to our investment recommendations to provide report their securities holdings and transactions on a quarterly basis to our Compliance Department.

ITEM 12: BROKERAGE PRACTICES/CUSTODIANS

12.1 CUSTODIANS FOR CLIENT ASSETS: We have entered into institutional custodial agreements with Charles Schwab Advisor Services (“Schwab”) and T.D. Ameritrade Institutional to provide brokerage and custodial services for our clients. We have also entered into an agreement with Vanguard to serve as custodian for certain 401(k) plans and other company sponsored retirement plans. These custodians offer various services to independent investment advisors that benefit PFA, including custody of securities, trade execution, duplicate statements, research reports, and trading software. PFA is independently owned and we are not affiliated with any custodian or broker dealer; we do not receive any portion of their ticket charges or other fees. Schwab and T.D. Ameritrade are compensated for their services by trading fees, margin interest and other transaction-related fees paid by clients and their fees are separate and distinct from PFA’s quarterly fees. Clients sign an account agreement directly with their custodian which describes their fees.

12.2 FACTORS CONSIDERED IN SELECTING A CUSTODIAN: We seek to recommend a custodian who will safeguard our client’s assets, keeps costs low and provides best execution on trades. We consider a wide range of factors, including:

- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Types of investments that they provide access to (stocks, bonds, mutual funds, exchange-traded funds, options, third party managers, etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services provided for our clients;
- Competitiveness of their costs for all of their services (ticket charges, commission rates, margin interest rates, other fees, etc.) and willingness to negotiate pricing;
- Reputation, financial strength, and stability;
- Prior service to PFA and our clients; and
- Value added industry research on best practices for RIA firms, etc.

12.3 ANNUAL REVIEW OF CUSTODIANS: PFA conducts an annual review of the custodians that we recommend to clients. Our review includes, but is not limited to, protection of our clients’ assets, range and quality of service, trading fees, money market and margin interest rates, and execution capability. We compare the services and costs of the custodians that we are currently using to other custodians to determine the competitiveness of the custodians. There may be other custodians that have lower commissions or better execution and clients can use any custodian that they chose. We take into account the availability of some of the foregoing services as part of the total mix of factors that we consider in selecting the custodians we recommend to clients, which could create a potential conflict of interest.

- 12.4 SOFT DOLLAR ARRANGEMENTS:** PFA does not participate in any “soft-dollar” arrangements, and we do not direct commission business to any broker-dealer in exchange for products or services.
- 12.5 BEST EXECUTION:** When a client uses Schwab or T.D. Ameritrade as custodian, we typically execute transactions with such firm because it would not be cost efficient to execute transactions directly with specialists and market makers at other firms due to additional transfer charges. In PFA’s judgment, Schwab and T.D. Ameritrade provide best execution of trades for our clients.
- 12.6 BLOCK TRADING:** The majority of trades that PFA makes are completed on an individual basis. However, we may use block trading when we are buying or selling the same security for a number of clients at the same time. Block trading enables us to aggregate all the individual trades of multiple clients into one order to reduce trading costs and obtain a better execution price. When we use block trading to aggregate client orders, we allocate the trades to all participating clients based on a pro-rata formula to ensure that the trades are allocated in a fair and equitable manner. PFA’s employees do not participate in block trades for our clients’ accounts.
- 12.7 TRADE ERRORS:** If a trading error is made in a client’s account, we will determine the source and cause for the error and if the error is the fault of the custodian then they will correct the error and bear any resulting costs. If the error was made by PFA, we will bear the costs of correcting the error. Trade errors resulting in a gain will be credited to an error account and distributed to charity. The details of each error will be documented by our trading manager, submitted to the CCO for review and saved in our Error Account file.

ITEM 13: REVIEW OF ACCOUNTS

- 13.1 PORTFOLIO REVIEW PROCESS:** Jim Reding and the Investment Advisor Representative that is assigned to each client review the client's accounts on a regular basis. We meet with clients based on a schedule that is determined by each client. All investment advisory clients are encouraged to let us know if their circumstances, goals or risk tolerance changes.
- 13.2 ACCOUNT STATEMENTS & REPORTING:** Our clients receive trade confirmations and monthly account statements directly from their custodian. PFA sends each client a portfolio analysis report at the end of each quarter. We advise our clients that they should compare the account statements they receive from their custodian with the quarterly reports they receive from us to verify the accuracy thereof.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

14.1 SCHWAB & T.D. AMERITRADE: PFA is not affiliated with Schwab or T.D. Ameritrade. We do not participate in their client referral programs and we do not receive a portion of any ticket charges or other fees charged to our clients. PFA benefits from the technology, investment research and support services that Schwab and T.D. Ameritrade provide because it helps us operate more efficiently and may help us reduce our costs for investment research, so there is a potential conflict when we recommend them as custodians for our clients. However, the services provided by Schwab and T.D. Ameritrade are not contingent upon us bringing them more business and similar services are available at many of the other custodians.

14.2 CLIENT REFERRALS TO OUTSIDE PROFESSIONALS: PFA may also recommend outside professionals such as attorneys, accountants, insurance agents, real estate agents and mortgage brokers, etc. PFA clients are under no obligation to engage the services of any professional that we recommend. PFA does not receive any compensation from any outside professional that we may refer a client to but there could be a conflict of interest if they refer clients to PFA. The outside professionals that we refer clients to are not required to provide referrals back to us in return. PFA recommends outside professionals solely based on their qualifications and the quality of their past work.

ITEM 15: CUSTODY

15.1 ANNUAL CUSTODY AUDIT: Pursuant to Rule 206(4)-2 under the Investment Advisers Act, PFA undergoes a surprise audit by an independent CPA firm each year for any accounts that we are deemed to have custody of under the following circumstances:

- **Trustee Services:** Jim Reding is a licensed attorney and owner of the Reding Law Firm, LLC, which provides independent trustee services. A number of PFA clients have appointed Jim Reding to serve as trustee of their trust.
- **Online Access to Outside Accounts:** Clients often grant PFA authorization to use their password to log into their outside accounts that are not held at Schwab or T.D. Ameritrade in order to view their account and make changes in their investment allocation.
- **Transferring Money for Clients:** Our clients often authorize us to move money between their various accounts on their behalf to process required minimum distributions and to move money to their checking account.

15.2 ANNUAL SURPRISE EXAMINATION: PFA is deemed to have custody in certain circumstances and we are therefore required to have an annual surprise examination conducted by an independent registered public accounting firm. PFA has entered into a written agreement with Brown, Smith & Wallace LLC, located at 6 Cityplace Drive, Suite 900, Creve Coeur, MO 63141, to conduct our annual surprise exam. The date of our last surprise exam was October 2019. PFA files an annual report with the SEC attesting that we have complied with the annual surprise examination requirements.

15.3 CLIENT ACCOUNTS MAINTAINED SEPARATELY: All client funds and securities, including funds and securities of trust clients, are maintained in separate accounts for each client by qualified custodians that are not affiliated with PFA. PFA notifies each client of the custodian's name and address and of the manner in which the funds and securities are maintained.

15.4 ACCOUNT STATEMENTS: Each client receives trade confirmation and monthly account statements directly from the custodian where their securities are held. Statements are sent to the email address or mailing address that the client has provided to their custodian. We advise our clients to review the custodian's statements carefully and compare them to PFA's quarterly portfolio reports.

ITEM 16: INVESTMENT DISCRETION

PFA provides investment advice on a discretionary and non-discretionary basis.

- 16.1 DISCRETIONARY CLIENTS:** Discretionary clients agree to establish an account with an independent, qualified custodian (the “**Custodian**”) and to deposit cash and/or securities to be managed by PFA into the account (the “**Portfolio**”). After notification by the Custodian that the Portfolio has been funded, PFA will assist in developing the client’s investment strategy. PFA will not be responsible for changes in market value of the Portfolio prior to the time that we commence management of the Portfolio. After the client has approved the investment strategy, we will commence managing the Portfolio and have exclusive authority on a fully discretionary basis to buy, sell, and otherwise trade in stocks, bonds, open-end and closed-end mutual funds, exchange-traded funds, REITs, commodities funds and other securities or assets, and to invest, reinvest, or hold cash, on behalf of the Portfolio.
- 16.2 NON-DISCRETIONARY CLIENTS:** For non-discretionary clients, PFA will advise the client regarding investment transactions and, with the client’s consent, we will implement recommended transactions on their behalf. We shall only be responsible for implementing financial planning advice to the extent that the client accepts our recommendations and grants the Advisor a limited power of attorney for trading purposes with respect to their accounts. The client has ultimate responsibility for accepting or rejecting our recommendations.

ITEM 17: VOTING CLIENT SECURITIES

It is currently PFA's policy not to exercise proxy voting authority over client securities. PFA does not have authority to vote proxies for its clients on any matters regardless of whether PFA's investment authority is discretionary or non-discretionary. Each client retains sole and absolute authority and responsibility to vote proxies with respect to investments owned by the client.

In cases where James T. Reding is the Investment Advisory Representative and is also serving as trustee of client trusts, the client signing the Advisory Agreement on the account is responsible for voting proxies.

ITEM 18: FINANCIAL INFORMATION

- 18.1** PFA does not require prepayment of fees of \$1,200 or more, six months or more in advance, and we are therefore not required to file a balance sheet with the SEC.
- 18.2** PFA does not believe there are any financial conditions that are reasonably likely to impair our ability to meet contractual commitments to clients.
- 18.3** Neither PFA nor any of our Investment Advisors have ever been involved in a bankruptcy filing.

ITEM 19: MISCELLANEOUS

19.1 ANTI-MONEY LAUNDERING: PFA has implemented an Anti-Money Laundering Policy setting forth procedures to detect and potentially report suspicious activity. We will obtain, verify, and record information that identifies each person who opens an account. When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We will also ask to see your driver's license or other identifying documents.

19.2 BUSINESS CONTINUITY PLAN AND SIGNIFICANT BUSINESS DISRUPTION: PFA has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. It is reasonably designed to allow the firm to continue serving clients and provide them with access to their funds and securities in the event of a Significant Business Disruption ("**SBD**").

- (a) **Anticipated Disruptions:** Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption.
- (b) **Disruption Response:** In the event of an Significant Business Disruption, we are prepared to move our staff from to a remote location where we will obtain access to our cloud-based backup server and we will post updates on our website and email each client. For those clients that do not have computer access, we will call them directly or use regular mail to keep them informed. PFA can access client account information and trading capabilities securely on-line via the internet and we can perform day to day activities, such as check requests, withdrawals, trading and retrieving historical information. However, our ability to trade securities may be impacted by severe market disruptions that are outside of PFA's control, such as during time periods where trading is suspended, such as during the September 11th terrorist attack.
- (c) **PFA Emergency Contact:** If a disaster occurs and you are unable to reach our office, please call our emergency contact person: **JAMES T. REDING at (314) 805-9346 or jredingpfa@gmail.com**
- (d) **Custodian Emergency Contact:** Our clients also have the ability to contact their custodian directly to process limited trade related transactions and cash disbursements:

Schwab Institutional
Central Team
P.O. Box 628290
Orlando, FL 32682-8290
1 (877) 648-4711

T.D. Ameritrade Institutional
Midwest Team
5010 Wateridge Vista Drive
San Diego, CA 92121
1 (800) 669-3900

19.3 BUSINESS SUCCESSION PLAN: In addition, James T. Reding has executed a written Business Succession Plan to provide for continuity of service to PFA clients in the event of his death or disability.