



About Paradigm Equities, Inc.

JUNE 30, 2020



ABOUT US

Paradigm Equities, Inc. is an SEC Registered Broker-Dealer and a member of FINRA and SIPC. Paradigm Equities, Inc. is a wholly-owned subsidiary of MEA Financial Services. MEA Financial Services is an insurance agency which offers property and casualty insurance, long-term care insurance, life insurance and fixed annuity products. MEA Financial Services is a wholly-owned subsidiary of the Michigan Education Association. Paradigm Equities, Inc. also has an affiliate, Fairway Investment Group, LLC which is a Registered Investment Advisor with the State of Michigan.

This disclosure contains information about the business practices, compensation and conflicts of interest related to the brokerage business of Paradigm Equities, Inc. (referred to as “we,” “us,” “our,” or “Paradigm.”). Additional information about Paradigm Equities, Inc. and its financial professionals is available on FINRA’s website at <http://brokercheck.finra.org>. Information related to our affiliate Fairway Investment Group, LLCs advisory practices can be found in their Form ADV at <https://www.meafs.com/FairwayInvestments.aspx>. Information related to our parent, MEA Financial Services may be found at their web site at www.meafs.com.

ABOUT OUR SERVICES

Paradigm Equities, Inc. is a limited offerings introducing broker-dealer that offers for purchase or sale mutual funds, municipal fund securities and variable annuities. We do not hold custody of your funds. These accounts are held directly with the product sponsor company. For example, if you purchase an annuity account with Prudential, Prudential holds and releases your funds, delivers your statements and prospectus’ and offers you access to your accounts via phone and through their online platforms. We assist you with recommendations on your accounts and facilitate this access to Prudential’s account offerings.

When you open an account with Paradigm Equities, Inc. we are providing brokerage services to you. Your representative is providing you services as a Registered Representative for our company, not as an Advisor. If you need advisory services, those can be offered to you through our affiliate Fairway Investment Group, LLC. Some of our Registered Representatives are able to provide both types of services to you, but when opening an account through Paradigm they will be providing services as a Registered Representative, not as an Advisor.

There are important differences between brokerage and advisory services including the pricing structures for these services and the provision of ongoing monitoring of accounts.

[Brokerage relationships generate transaction-based compensation.](#) In brokerage relationships, investors may pay transaction-based fees for the products and services they receive, such as buying mutual funds and sometimes when selling mutual funds, municipal fund securities, annuity contracts and other investment products. These include commissions, transaction fees, loads and sales charges. Compensation to Paradigm Equities, Inc. includes these commissions, transaction fees, trail commissions, loads and sales charges that are embedded in the purchase price as well as in some cases compensation from third parties.

In a brokerage account, your total costs generally increase or decrease as a result of the frequency of transactions in the account and the type of securities you purchase; however, this is not the case in all of our accounts as Paradigm is paid as a percentage of the assets under management with Prudential. This presents a conflict in that the more you trade or invest, the more revenue we can generate from your account. When handling your brokerage account, we are obligated to ensure that our recommendations are in your best interest.

[No Ongoing Monitoring in Brokerage Accounts:](#) In brokerage accounts, our financial professionals do not provide ongoing monitoring of your account after the recommendation. Our representatives may voluntarily review your account for purposes of determining whether or not to make a recommendation to you and in order to make recommendations in your best interest. If you desire to have your account monitored on an ongoing basis, ask your financial professional about establishing an advisory account relationship.

[Limitations on Investment Recommendations](#)

Although many of our Registered Representatives are licensed to offer both brokerage and investment advisory services, some offer brokerage services only. When you are discussing services with a financial professional, you should ask what capacity the financial professional is acting or will be acting – as a broker-dealer registered representative and/or an investment advisor representative – when providing services to you. You should also ask if there are limitations on the products or services a financial professional may offer by virtue of any of the following:

Limited Product Shelf: There are literally tens of thousands of investment products on the market for recommendation and Paradigm Equities, Inc. does not offer all of them for sale to clients. Moreover, the scope of products and services we offer as an introducing broker-dealer may be limited relative to what is available through other financial service firms. We and our Registered Representatives offer and recommend investment products only from investment sponsors with whom we have entered into selling agreements. Other firms may offer products and services not available through Paradigm, which presents a conflict since you are not able to purchase those products or services through Paradigm. We disclose this conflict to you and mitigate it by maintaining a robust offering of products and services.

Restrictions Based on Licensing: A financial professional's ability to offer individual products and services depends on his/her licensing. A financial professional who holds a Series 6 license is limited to providing mutual funds, 529 plans, Unit Investment Trusts ("UITs") and variable annuity contracts. A financial professional holding a Series 7 license is licensed to be able to offer all of the investment products a Series 6 representative can offer as well as individual stocks, bonds, exchange traded funds ("ETFs"), and other investments. However, they can both only offer mutual funds, 529 plans and variable annuity contracts through Paradigm. A financial professional may also hold either the Series 65 or 66 licenses, which enables them to offer advisory services if they are approved by our company to do so. Not all representatives are able to offer this service even if they have the license due to our training requirements.

You should ask your financial professional about the investment products or services he/she is licensed or qualified to sell, and his/her ability to service investments that you transfer to Paradigm from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at <http://brokercheck.finra.org>. Licensing presents a conflict in that individuals have an incentive to offer you products or services that correspond to their licensing. We disclose this conflict to you and mitigate it by reviewing recommendations made to you by our financial professionals to ensure these recommendations are in your best interest.

Minimum Investment Amounts: Some products may impose minimum investment amounts, which precludes purchases under that amount. Purchase minimums can vary by issuer, but they are common in mutual funds. Please see the particular fund prospectus or offering statement for specific information about minimum investment amounts.

ABOUT OUR PRODUCTS, FEES, EXPENSES AND COMPENSATION

Our goal is to make sure our clients are informed about the costs of the various investment products that we offer, which is why we provide this overview of our fees and how we generate revenue.

The fees you will pay will vary depending on the products you and your representative determine are in your best interest. A summary of the types of fees that may be charged is included in the Customer Relationship Summary your representative has provided. A complete schedule of fees and charges is available on our website and upon request. Your representative will detail out the fees associated with your specific account when completing the appropriate disclosure documents with you. Please consider these costs carefully and speak to your Registered Representative about which option is most appropriate for you.

Our Products

Mutual Funds

Mutual funds are professionally managed portfolios of securities that pool the assets of individuals and organizations to invest toward a common objective, such as current income or long-term growth. All mutual funds are offered for sale through a prospectus, which you should read prior to investing in a fund. The prospectus describes the sales charges and expenses applicable to the fund and it describes the fund's investment objective.

All mutual funds charge investment management fees and ongoing expenses for operating the fund and these expenses can vary by the share class purchased. The most common types of mutual funds are Class A and Class C shares. Paradigm offers these two types of share classes in addition to some load-waived share classes, for example special share classes for qualified retirement plans. The key distinctions between share classes relate to costs: the sales charge and operating expenses. Your registered representative's compensation is determined by the type of share class purchased.

Class A Shares: For class A share mutual funds, you typically pay a front-end sales charge, called a sales load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. Sales charges for mutual funds investing predominantly in equities generally are higher than those of mutual funds investing primarily in bonds. Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts. At a certain level, typically \$1 million, you may stop paying sales charges. Annual operating expenses for class A shares are generally lower than for class C shares. Please refer to the prospectus for the specific sales charges and expenses.

Class C Shares: For class C share mutual funds, generally you are not charged a front-end sales charge or a contingent deferred sales charge (CDSC) unless you sell shares within a short period of time, usually one year. The operating expenses are usually higher than those of class A shares. Class C shares do not offer breakpoint discounts. Class C shares typically are more appropriate for investors with a shorter investment time frame.

Money Market Mutual Funds: A money market mutual fund contains short term debt and monetary investments and has an objective of maintaining a stable net asset value of \$1 per share. There are no sales charges when you buy a money market fund. There typically is no fee to redeem money fund shares unless the fund's board has determined to impose liquidity fees in certain circumstances. The fund's prospectus contains information regarding the fund's objectives, risks, investments, fees and expenses. Paradigm does not charge commissions or fees for the purchase or liquidation of money market funds. We do receive 12b-1 fees for distribution services we provide and share these with your registered representative.

[Our Fees and Expenses for Mutual Funds and 529s \(Fees are always subject to change, please visit our web-site for the most current fee schedule\)](#)

Mutual Fund Accounts (non - 529)			
Share Class	A	C	All other Share Classes (No Load and Load Waived)
Maximum Sales Charge Range for Equity Funds	4.25% - 5.75%	N/A	N/A
Maximum Sales Charge Range for Fixed Income Funds	2.50% - 4.75%	N/A	N/A
Maximum Sales Charge Range for Short Term Fixed Income Funds	1.00 - 2.50%	N/A	N/A
Maximum Contingent Deferred Sales Charge	N/A	1.00%	N/A
Annual 12 - b1 Fees	0.25%	1.00%	N/A
Total Annual Operating Expense Range	0.31% - 3.15%	0.39% - 3.92%	0.25% - 2.89%

Mutual Fund 529 Accounts Fees and Expenses		
Share Class	A	C
Maximum Sales Charge Range for Individual Fund Investments	2.50% - 3.50%	N/A
Maximum Sales Charge Range for Target College Year Funds	4.25%	N/A
Maximum Sales Charge Range for Short Term Fixed Income Funds	0.00% - 2.50%	N/A
Maximum Contingent Deferred Sales Charge	N/A	1.00%
Annual 12 - b1 Fees	0.25%	1.00%
Total Annual Operating Expense Range	0.48% - 1.29%	0.40% - 2.09%

Variable Annuities

Variable annuities are contracts issued by insurance companies into which the buyer makes a lump-sum payment or series of payments. In return, the insurer agrees to provide either a regular stream of payments beginning immediately (or at some future date) or a lump sum payout at a future time. The client pays premiums to the issuing insurance company. At the client's direction, the insurer allocates the client's 12 premium payments to investment options, or sub-accounts (which are similar to mutual funds) comprised of stocks, bonds, or other investments. When you invest in a variable annuity, any growth credited to your account is credited to your account but is not taxed until you take distributions, at which point you pay taxes on any gains. Withdrawals before the age of 59 ½ may also incur a federal tax penalty. Please refer to the prospectus for information specific to the variable annuity you purchase.

Fees and charges: Because variable annuities possess insurance features, they have fees and/or expenses that are not found in other investment products. The fees or expenses that you pay vary depending on the terms and share class of the annuity purchased. The most common fees are as follows:

- **Surrender charge.** Most variable annuities do not have an initial sales charge. However, insurance companies usually assess a surrender charge — often called a contingent deferred sales charge (CDSC) — to an annuity owner who liquidates a contract or makes a withdrawal in excess of the free withdrawal provision (typically 10%) during the surrender charge period specified in the prospectus. The CDSC typically decreases over several years. Please read the prospectus carefully with regard to the applicable surrender charges.
- **Mortality & Expense Risk charge (M&E).** The insurance company charges you this fee for the insurance risks it assumes by providing you guaranteed¹ future payments and basic death benefits. In addition, this fee helps offset the cost of commissions paid.
- **Administrative fees.** These fees cover administrative costs associated with servicing the annuity, including the cost of transferring funds, tracking purchase payments, issuing confirmations and statements, recordkeeping, and customer service.
- **Contract maintenance fee.** This is an annual flat fee — approximately \$25 or \$30 a year — to keep the contract active. This fee may be waived on variable annuity contracts with account values over a certain dollar amount (for example, \$50,000). See the prospectus for details.
- **Underlying fund expenses on subaccounts.** These fees cover the cost of managing the investments within the subaccounts.
- **Optional Rider costs.** Additional riders that provide protection for death and/or provide income may cost extra.

[*Our Fees and Expenses for Variable Annuities \(Fees are always subject to change, please visit our web-site for the most current fee schedule\)*](#)

Variable Annuity Fees and Expenses					
Product Type	Surrender Charge	Mortality, Expense, and administrative fees	Contract Administrative Charges	Optional Riders	Investment Costs of underlying sub accounts (net)
Variable Annuity	3, 4, 5, 6, and 7 years	0.00% - 1.30%	\$0 - \$50	0.20% - 3.90%	0.00% - 2.41%

Firm Sources of Revenue

Our firm earns revenue from the product sponsors we do business with. Each company provides us with either a commission or a percentage of the assets our clients hold with them.

Revenue from Clients

Our brokerage revenue from clients includes:

1. **Commissions:** We receive commissions you pay when you buy or sell equities and fixed-income investments. We share this revenue with your representative.
2. **Sales loads:** We receive sales loads (sales charges), commissions or concessions derived from the offering and sale of various managed investments such as mutual funds, insurance programs and annuities. If applicable, a commission, or sales load for mutual funds, is typically paid at the time of the sale and can reduce the amount available to

invest. For more information about other commissions that apply to a particular transaction, please refer to the applicable product disclosure form, investment prospectus, or offering document. We share this revenue with your financial professional. Sales charges range from 0 - 5.75% of the sale and depending on the amount you invest you may be eligible for reductions in sales charges. These are called breakpoints and are established by each investment company.

Revenue from Third Parties

Our revenue from third parties includes:

1. *Trail Compensation and/or 12b-1 Fees*: Payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by Paradigm customers. The more assets you invest in the product, the more trails we earn. Therefore, we have an incentive to encourage you to increase the size of your investment. The percentage of assets received varies by product, which creates an incentive to recommend products paying higher trails. We share this revenue with your financial professional. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you.
 - a. *Mutual Funds and 529s*: The ongoing 12b-1 trail payment depends on the class of shares but is typically between 0.25% and 1% of assets annually.
 - b. *Annuities*: The amount and timing of trail payments varies depending on the issuer and type of policy purchased. The maximum trail payment for annuities is typically 1.5%.
2. *Prudential Asset Based Products*: We receive a percentage of the total Assets under Management held by Paradigm with Prudential. We share a percentage of this revenue with your representative.

Registered Representative Compensation

Our Registered Representatives that are not Supervisory Principals are compensated according to a Collective Bargaining Agreement (CBA). Described below are the compensation and other benefits that Registered Representatives receive from Paradigm.

Compensation from the Firm

1. *Benefits*: Depending on their CBA status or supervisor status, Registered Representatives may be eligible to receive other benefits such as but not limited to a resignation benefit, defined benefit plan, life insurance, healthcare and/or a 401(k). These benefits are not based on the revenue he/she generates from sales of products and services. These benefits present a conflict of interest because the financial professional has an incentive to remain a Registered Representative of Paradigm in order to maintain these benefits. We manage this conflict by disclosing it and have supervision over representatives.

2. *Prudential Asset Based Compensation* – Representatives who sell Prudential products are compensated by evaluating the representatives total average assets under management paying them a fixed percentage of that amount. This creates a conflict because the compensation structure is different from other companies that we work with and a representative may make more or less money by selling you a product from another company that we work with. We manage this conflict by disclosing it to you and having a Principal of Paradigm review of each application to make sure it is in your best interest.
3. *Cash Compensation*: When you buy or sell certain non-Prudential investments, you may pay to the Product Sponsor a commission or sales charge. Amounts differ depending on the investment and the amount of the transaction. Paradigm receives payment from the mutual fund or insurance company if you buy mutual funds, annuities or insurance policies. With the exception of home office and supervision staff, Paradigm pays your Registered Representative a portion of these charges and payments. Some investments provide more compensation to your financial professional than others, which creates a conflict in that it can influence the investment product recommendation. For information on the amount of the sales charge or commission applicable to your investment, please refer to either the product offering document (or prospectus) or statement, as applicable. We manage this conflict by reviewing each new application submitted to our office and by reviewing registered representative’s compensation and product concentrations.
4. *Trail Compensation and/or 12b-1 Fees*: As discussed above under the Firm Compensation section, the firm receives, and shares with financial professionals, payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by Paradigm customers. The more assets you invest in the product, the more trails your representative earns. Therefore, they have an incentive to encourage you to increase the size of your investment. The dollar amount of trails received varies by product, which creates an incentive to recommend products paying higher trails. This creates a conflict for your representative to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you and reviewing new applications for business.
5. *Finders Fee*: In many cases, Paradigm provides financial professionals financial incentives when they recommend an individual to join our firm and that person is hired, licensed and submits a compensable piece of business. This could incentivize a representative to recommend persons for hire that may not be appropriate in order to receive the finders fee. We manage this conflict by making sure that no representative is compensated unless they meet the requirements listed above and by having robust hiring, onboarding and training practices for new representatives.
6. *Expense Accounts*: Paradigm Registered Representatives that work outside the home office are provided an expense account equal to a percentage of their total W-2 income attributable to assets under management and sales-related commissions, including sales

and trails (representatives with larger territories may receive more). Supervision staff may be given a fixed expense as determined by the company budget. These expense accounts are to reimburse representatives for business expenses incurred. We want you to understand that the representatives that receive a percentage of their W-2 income may have an incentive to sell more in order to receive a larger expense account. We manage this conflict by disclosing this conflict to you and capping the total amount they are eligible to receive per year.

7. *Noncash Compensation*: As part of our process to keep our representatives in compliance with training requirements as well as to continue their education, we provide reimbursement to representatives for training and expenses related to training. We do conduct events to provide necessary training to our representatives.
8. *Recognition and Awards*: We strive to recognize the success of our financial professionals with awards and recognition, which may be interpreted as a type of incentive. At our training events we recognize representative's achievements with small tokens of our appreciation, meals and entertainment. This may incentivize a representative to sell more for the recognition or an award. We manage this conflict by disclosing it to you as well as recognizing them for not just sales but for exceptional compliant behavior. In addition we have policies and procedures to supervise product sales.
9. *Mentoring Program*: Our outside sales representatives may be compensated for being a mentor to a new representative but only receive this compensation if their mentee is employed for a 12 month period. This creates a conflict because the representative serving in the role of mentor may be incentivized to try to keep a representative who may not be doing their job well in order to receive the payment. We address this conflict by disclosing this and having supervision over both the mentee and the mentor by registered principals.
10. *Compensation to Supervisory Principals and Home office staff*: Compensation to Supervisory Principals and Home Office Staff is based on a salary schedule and is not based on sales performance of those they supervise or business they generate. Supervisory Principals and Home Office Staff do not receive commissions and are compensated only on their salary schedule.

Compensation from others

1. *Revenue from a Financial Professional's Outside Business Activities (OBAs)*: Registered Representatives are permitted to engage in certain Paradigm-approved business activities other than the provision of brokerage services through Paradigm. Registered Representatives may receive compensation and benefits from these activities and in certain cases they may earn more compensation from their OBAs than they earn through Paradigm. Examples of common OBAs in which our financial professionals participate include:
 - a. Insurance product sales (e.g., fixed life insurance, property & casualty) for MEA Financial Services
 - b. Advisory Services for Fairway Investment Group, LLC. (this activity is supervised as a private securities transaction)
 - c. Union Representatives for their Financial Services Representative Union

- d. Public School District Employee
- e. Landlord for Rental Properties

A Registered Representative's OBAs are separate and distinct from their Paradigm activities. Your Registered Representative may work for another company or own the company through which the OBA is conducted. By engaging in OBAs, your Registered Representative may have an incentive to recommend you purchase products or services through the OBA and away from Paradigm, for example advisory business through Fairway Investment Group, LLC. If you engage with a Registered Representative for services separate from Paradigm, you may wish to discuss with him/her any questions you have about the compensation he/she receives from the engagement. Additional information about your Registered Representative's outside business activities is available on FINRA's website at <http://brokercheck.finra.org>. We manage this conflict of interest by disclosing it to you as well as having policies and procedures that require representatives to receive prior approval from our compliance department before engaging in a new OBA. Activities may have limitations put on them or may be denied based upon the conflicts of interest that the activity may pose. Investment business through Fairway Investment Group, LLC. is treated as a private securities transaction and is supervised as such. All of these activities are reviewed annually by both the representative and a registered principal of the firm.

2. *Noncash compensation from third parties*: Third-party providers may also give financial professionals gifts up to a total value of \$100 per provider per year, consistent with industry regulations. Third parties may occasionally provide financial professionals with meals and entertainment of reasonable value or help to sponsor trainings that we provide. We want you to understand that this creates a potential conflict of interest to the extent that this may cause financial professionals to prefer those Product Partners that provide these noncash incentives. Registered Representatives' receipt of non-cash compensation such as occasional gifts, meals or entertainment and/or their attendance and participation in educational or training forums, and the increased exposure to vendors who sponsor these events. We address these conflicts of interest by and by disclosing our practices to ensure you make a fully informed decision, maintaining policies and procedures regarding the sale and supervision of the products and services we offer to you, as well as procedures regarding acceptance of non-cash compensation.

ABOUT OUR CONFLICT POLICY

A Conflict of Interest as defined by Regulation Best Interest means an interest that might incline a broker, dealer or a natural person who is an associated person of a broker or dealer – either consciously or unconsciously – to make a recommendation that is not in your interest. Paradigm Equities, Inc. is committed to identifying and managing or avoiding potential conflicts

of interest in its business. In dealing with these potential conflicts, we require integrity and the use of good judgment and discretion exercised in a manner expected by our policies, and our values. The Firm values ethical treatment of customers, fair handling of conflicts and making recommendations consistent with the best interest of the customer. In selecting employees for hire, ethical, financial and regulatory history is reviewed. In training employees, ethical treatment of customers is emphasized.

Conflicts Review

In order to manage conflicts, the Firm will take inventory of its conflicts on an on-going basis reviewing them in light of changes to the business. In addition, the firm maintains a Conflict Matrix which contains a list of all conflicts of interest that will be reviewed as part of the CCOs internal audit of the firm to assess if changes are necessary. Conflicts are considered as part of the new product review process, the review/approval of outside business activities and review/approval of gifts and entertainment. The COO/POO is responsible for maintaining the list of firm approved products. The firm will mitigate conflicts where possible and in cases where the Firm decides that a conflict cannot be successfully mitigated, efforts will be made to eliminate the conflict.

Conflict Escalation Procedure

Should a registered person identify a conflict that may be important, it should be reported to the CCO or President immediately. Upon reporting of a conflict of interest, the CCO and/or President will review the conflict, determine the severity of the conflict, decide whether to mitigate or eliminate the conflict and add the conflict to the Conflict Matrix if necessary. It is the responsibility of all employees to identify and report conflicts and it is the responsibility of all principals of the firm to manage and identify conflicts. The CCO will be responsible for maintaining the Conflict Matrix.

Mitigation of Conflicts

In order to mitigate conflicts the firm will use the following methods: design of policies and procedures, implementation of monitoring of conflicts, training of employees, disclosure of conflicts and risks to clients and attestations of understanding from clients.

Training

The Firm will provide training on Ethics as part of continuing education at a minimum of every two years. This training may be offered in a group setting or on an individual basis. In addition, training to recognize conflicts of interest and the expectations of the Firm relative to the treatment of customers is done at the onset of employment as well as each year at the annual compliance meeting.

ABOUT OUR CONFLICTS

As with all financial services companies, conflicts exist in our firm. Paradigm Equities, Inc. takes great care to utilize the policies explained in the section above to manage, mitigate and where necessary eliminate the conflicts that exist but it is necessary for you to know and understand the conflicts we have that could influence the recommendations made to you. Therefore we will acknowledge the conflicts we are aware exist and explain how we handle those conflicts.

Conflicts Related to Compensation

As disclosed in the Firm Sources of Revenue and the Registered Representative Compensation sections, the way the firm and our representatives are compensated creates conflicts of interest. Since some of these conflicts such as finders fees, expense accounts, recognition and awards, mentoring program, benefits, non-cash compensation, non-cash compensation from third-parties, and revenue from outside business activities were addressed in the referenced sections we will begin to address only our other conflicts relative to compensation here.

Rollovers from an employer-sponsored retirement plan into a Paradigm Equities, Inc. IRA

When, based on the recommendation of a Paradigm Equities, Inc. Registered Representative, you roll over assets of an employer-sponsored retirement plan (such as a 401(k), 403(b), 457(b), profit sharing or defined benefit pension plan) to a Paradigm Equities, Inc. IRA, a conflict of interest exists for the representative to recommend transferring the plan assets to a Paradigm IRA. There may be some instances when this is suitable and in your best interest. However, you should know that the firm and your representative has an incentive to make a recommendation like this to you. Since most firms in many cases may not be able to offer you the same plan that is available at your employer's workplace, the only way for our firm to service your assets is to roll these over to an IRA. We address this conflict by having disclosures on our forms about the other options that may be available to you when performing a rollover such as the following: leave it in the plan/current account, take a cash distribution, rollover to your new employers plan or rollover to an IRA. We also disclose in our forms that if you are choosing to complete a rollover you could lose benefits such as: the ability to take early withdrawals without penalty from your account, the ability to delay distributions past age 70 ½, appreciated employers stock, and creditor and legal judgment protection. We are required and committed to analyzing your situation and based on this information make decisions in your best interest. However, you should carefully consider your options and the potential lost benefits.

Commission Based Business vs. Fee Based Business

As disclosed previously, we have some representatives who are able to offer both advisory and brokerage accounts. The compensation structure for these two different account types are different and a representative may be incentivized to offer one over the other because they may make more money by doing so. We address this conflict by requiring a disclosure form each time a recommendation is made by one of our representatives to help us determine whether or not the recommendation is in your best interest. A licensed, registered principal reviews every application that is submitted for suitability and to determine if it is in your best interest.

Conflicts related to Licensing

Reverse Churning

Representatives who are licensed to offer both brokerage and advisory accounts may have an incentive to open one type of account and then move it to the other type in order to earn another fee. This is called reverse churning. We address this conflict by disclosing this to you and requiring a form anytime an account is being switched from one type of account to another. We also have a licensed, registered principal review every application that is submitted for suitability and to determine if it is in your best interest.

Limited Licenses

Representatives who are licensed to offer brokerage accounts only may be incented to sell a brokerage product even though an advisory account may be more appropriate for you because that is what they are able to sell. Regulations require that a representative may only offer a brokerage account to you if it is in your best interest. We address this conflict by disclosing it to you, by having the representative consider reasonably available alternatives and by having the representative attest in writing that they are making the recommendation without placing the financial interests of themselves or the firm or other interests ahead of your interests. We also have a licensed, registered principal review every application that is submitted for suitability and to determine if it is in your best interest.

Conflicts Related to Limited Product Shelf

Please note that your Registered Representative may only recommend or refer you to investments and products that are offered for sale by Paradigm. Please review the copy you receive of paperwork you complete with us and your account statements promptly to ensure they are accurate and consistent with your instructions and investment objectives. If you do not receive a copy of your paperwork or have any questions or concerns about whether a recommended product or service is offered by Paradigm, please contact a member of your Registered Representative's management team by calling 800-292-1950 and pressing 1 for the investment division. As disclosed previously, as an introducing broker-dealer, the scope of products and services we offer may be limited relative to what is available through other financial service firms. We and our Registered Representatives offer mutual funds, municipal fund securities and variable annuities and recommend investment products only from investment sponsors with whom we have entered into selling agreements. Other firms may offer products and services not available through Paradigm, which presents a conflict since you are not able to purchase those products or services through Paradigm. We disclose this conflict to you and mitigate it by maintaining a robust offering of products and services. We also reviewing our representative's written communications with you for any offerings outside of Paradigm Equities, Inc.

Conflicts Related to Minimum Production Requirements

Our representatives are subject to a minimum production requirement on an annual basis as outlined in their CBA. These requirements could cause a representative who is at risk of not meeting requirements to attempt to open accounts quickly in order to achieve the minimum standard. We address this conflict by disclosing it to you and by considering these requirements during the application approval process when the end of a qualification period is near. As stated previously, we have a licensed, registered

principal review every application that is submitted for suitability and to determine if it is in your best interest.

Conflicts Related to Products

Product offerings through various vendors

Due to Paradigm being an introducing broker-dealer we are compensated by the third-party vendors we work with based on their compensation schedule, therefore the compensation the firm receives from each vendor is different. Some vendors provide higher compensation to the firm and therefore your representative as well. This difference in compensation, may incentivize the firm and/or your representative to recommend a vendor that provides a higher compensation level. We address this conflict by disclosing this to you, by monitoring product concentration and by having a licensed, registered principal review every application that is submitted for suitability and to determine if it is in your best interest.

Similar Investment Options with Varied Cost

There are some options available at Paradigm that are similar but have a different cost structure. For example you may purchase a 403(b) A or C share direct as well as a 403(b) R Share which could be invested in in the same funds. The cost structure for these is different and whether or not you have access to both options depends on your school district's plan document. A 403(b) A or C share direct with the company in most cases will be more expensive and the firm and your representative will earn a higher commission, however if you are eligible for breakpoints there are some cases in which it could be the less expensive option. In order to address this conflict, we disclose it to you. In addition, the principals that review applications for suitability are aware of this conflict. An investment direct in a 403(b) A or C share is only allowed in those situations where the Principal of the firm determines it to be in your best interest. Our Representatives are also trained to be aware that a sale not in your best interest will not be approved.

There are products that are only available to school employees and therefore we offer similar products at other companies for those that are not school district employees. However, these products are more expensive and the firm and your representative may earn more by selling these options. In order to address this conflict, we disclose it to you. In addition, the principals that review applications for suitability are aware of this conflict. An investment in a product where there is a similar option exclusive to school employees would only be allowed in situations where you are not eligible for the less expensive option and it is in your best interest.

Variable Annuities offer Higher Compensation

Because of their complexity, some of the variable annuities that are offered by the firm are compensated by the vendor at a higher level than for example a mutual fund product. This could incentivize the firm and your representative to offer these products to you. We address this conflict by having a very detailed application process for variable annuity sales to disclose important information to you and to determine that the sale is in your best interest. Representatives receive a higher level of compensation at the vendor level, however percentage they receive from the firm is a flat percentage of the amount paid to the firm across all product offerings.