

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 72393 / June 16, 2014**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 3857 / June 16, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15930**

**In the Matter of**

**PARADIGM CAPITAL  
MANAGEMENT, INC.**

**and**

**CANDACE KING WEIR,**

**Respondents.**

**ORDER INSTITUTING CEASE-AND-DESIST  
PROCEEDINGS PURSUANT TO SECTION  
21C OF THE SECURITIES EXCHANGE ACT  
OF 1934 AND SECTION 203(k) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against Paradigm Capital Management, Inc. (“Paradigm”) and Candace King Weir (collectively “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these

proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Section 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### **III.**

On the basis of this Order and Respondents’ Offer, the Commission finds that:

#### **SUMMARY**

1. These proceedings involve retaliation against a Dodd-Frank whistleblower who reported certain trading activity revealing that Candace King Weir (“Weir”) caused her affiliated investment adviser Paradigm Capital Management, Inc. (“Paradigm”) to engage in principal transactions with C.L. King & Associates, Inc. (“C.L. King”), an affiliated broker-dealer owned by Weir, without providing effective disclosure to, or obtaining effective consent from, PCM Partners L.P. II (“the Fund”), a hedge fund client advised by Paradigm. Upon learning that the whistleblower reported potential securities law violations to the Commission, Paradigm engaged in a series of retaliatory actions that ultimately resulted in the whistleblower’s resignation.

2. Weir is the majority owner of Paradigm, an investment adviser registered with the Commission. She exercises ultimate control and decision-making authority over Paradigm. Weir also controls and is the majority owner of C.L. King, a broker-dealer registered with the Commission.

3. From at least 2009 through 2011, Weir caused the Fund to engage in a trading strategy to reduce the tax liability of the Fund’s investors. As part of that trading strategy, Weir, as a portfolio manager for the Fund, directed Paradigm’s traders to sell selected securities at prevailing market prices from the Fund to a proprietary trading account (“Trading Account 1”) she controlled at her affiliated broker-dealer C.L. King. These sales were executed to realize trading losses for tax deduction purposes. Because Weir controlled both Paradigm and C.L. King, the transactions between the two entities were principal transactions that required written disclosure to, and consent from, the Fund. Paradigm, however, did not provide effective written disclosure to the Fund and failed effectively to obtain the Fund’s consent to the transactions. Paradigm established a review committee to approve the pricing of the trades in an attempt to satisfy the requirements of Section 206(3) of the Advisers Act, but the committee was conflicted.

4. By engaging in these principal transactions without providing effective disclosure to, and obtaining effective consent from, the Fund, Paradigm violated, and Weir caused violations of, Section 206(3) of the Advisers Act. In addition, Paradigm’s Form ADV omitted to state material facts concerning Paradigm’s process for obtaining consent to the principal transactions.

## RESPONDENTS

5. **Paradigm Capital Management, Inc. (“Paradigm”)** is a New York corporation headquartered in Albany, New York. Paradigm also has offices in New York, New York. Paradigm is a wholly owned subsidiary of Paradigm Capital Holdings, Inc. Paradigm has been registered with the Commission as an investment adviser since 1994 and advises affiliated hedge funds including, among others, PCM Partners L.P. II. Paradigm has total assets under management of approximately \$1.7 billion. Candace King Weir owns 73% of Paradigm and has ultimate control of and decision-making authority for Paradigm.

6. **Candace King Weir (“Weir”)** is the founder, Director, President, Chief Investment Officer, and a Portfolio Manager of Paradigm Capital Management, Inc. She is also the founder, Director, Chief Executive Officer, and President of C.L. King & Associates, Inc. Weir holds Series 7, 24, 53, and 63 securities licenses.

## RELEVANT ENTITIES

7. **C.L. King & Associates, Inc. (“C.L. King”)** is a New York corporation located in Albany, New York. C.L. King is a broker-dealer that has been registered with the Commission since 1972. Candace King Weir owns approximately 73% of C.L. King. C.L. King is the prime broker to PCM Partners L.P. II.

8. **PCM Partners L.P. II** is a Delaware limited partnership formed in June 2002. PCM Partners L.P. II is advised by Paradigm and has total assets of approximately \$275 million.

9. **PCM Ventures II LLC** is a New York limited liability company. PCM Ventures II LLC is the general partner of PCM Partners L.P. II. Weir owns approximately 99% of PCM Ventures II LLC.

## FACTS

### Prohibited Principal Transactions

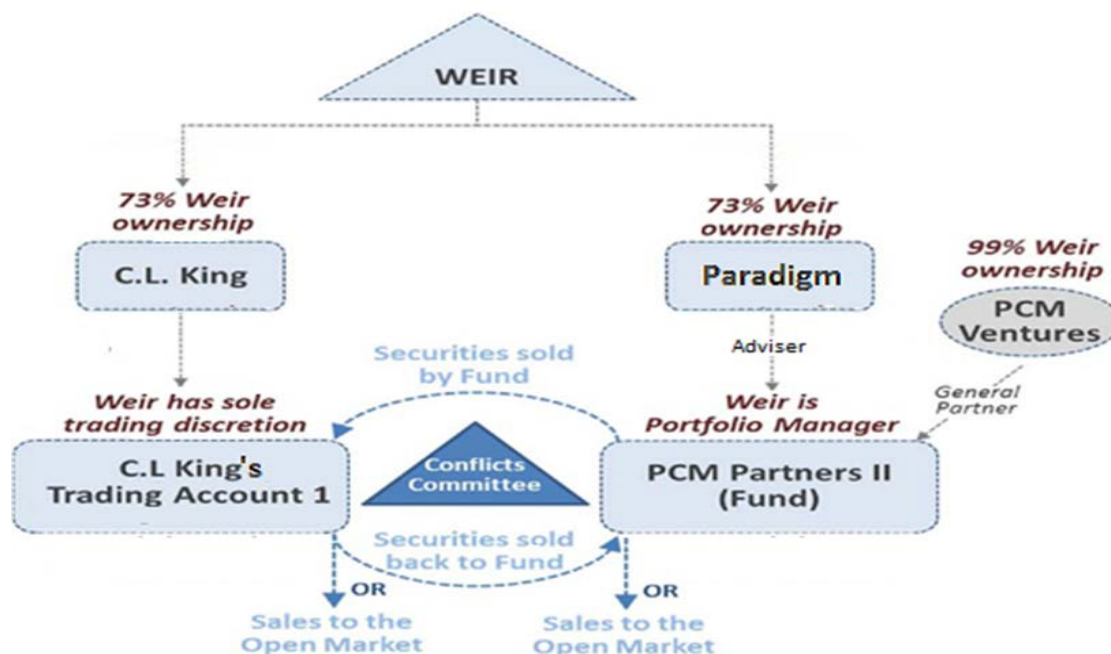
10. From at least 2009 through 2011, Paradigm sought to reduce the tax liability of the Fund’s investors by selling securities that had unrealized losses to the open market or to C.L. King Trading Account 1. These realized trading losses were used to offset the Fund’s realized gains.

11. When deciding whether to sell securities to the open market or to Trading Account 1, Weir, in her role as portfolio manager for the Fund, considered her views of the security, the need for efficient execution, and available cash positions. If Weir thought she might like to repurchase the security later for the Fund because she had a favorable view of the security and if it made execution more efficient, Weir would instruct Paradigm’s traders to sell the security to Trading Account 1.

12. When selling securities to Trading Account 1, Paradigm’s traders used C.L. King’s trading systems and generally crossed a large block of shares from the Fund to Trading Account 1. These trades were effected at the prevailing market price and C.L. King did not charge a markup or commission on the transactions.

13. Between 2009 and 2011, Paradigm engaged in at least 83 principal transactions with C.L. King. Paradigm sold 47 securities positions from the Fund to Trading Account 1, and then repurchased 36 of those positions for the Fund.

The following diagram highlights the flow of the principal transactions and Weir’s ownership interests in the relevant entities:



### The Conflicts Committee

14. Because Weir controlled both Paradigm and C.L. King, all of the transactions between the Fund and Trading Account 1 were principal transactions that required Paradigm (i) to provide the Fund with written disclosure of the transactions prior to the transactions’ completion, and (ii) to obtain the Fund’s consent to engage in the transactions.

15. Weir, however, owned and controlled the Fund’s general partner, PCM Ventures II LLC (“the General Partner”). She also shared in the trading profits and losses resulting from the principal transactions through her ownership in C.L. King. Accordingly, any written disclosure to her as the owner of the General Partner was insufficient, and for the same reason she also could not provide effective consent to the principal transactions.

16. Further, the Fund did not have a board of directors that could receive written disclosure of, and provide consent for, the principal transactions. In an attempt to satisfy the

written disclosure and consent requirements, Paradigm established a Conflicts Committee to review and approve each principal transaction on behalf of the Fund. The Committee consisted of two people: Paradigm's Chief Compliance Officer ("CCO") and Chief Financial Officer ("CFO"). Paradigm's CFO reported directly to Weir and Paradigm's CCO reported to Paradigm's board of directors, including Weir.

### **Conflicts Committee Was Conflicted**

17. Paradigm's CFO also served as C.L. King's CFO. As the CFO of both Paradigm and C.L. King, his presence on the Conflicts Committee created a conflict in the principal transaction approval process.

18. Specifically, each time that C.L. King Trading Account 1 purchased securities from the Fund there was a negative impact on C.L. King's net capital. The CFO was evaluating the principal transactions and acting on behalf of the Fund as a member of the Conflicts Committee, while at the same time monitoring the principal transactions' impact on C.L. King's net capital as its CFO. This placed him in a conflict situation.

19. The CFO's conflict was highlighted in early 2012 when C.L. King's net capital declined in part as a result of Trading Account 1 purchasing large blocks of securities from the Fund in late 2011. To improve C.L. King's net capital position, the CFO suggested that C.L. King begin selling securities worth more than \$20 million held in Trading Account 1 either to the open market or back to the Fund. He also suggested staggering future sales of securities from the Fund to Trading Account 1 for the benefit of C.L. King's net capital. The CFO's obligation to monitor C.L. King's net capital requirements was in conflict with his obligation to act in the best interests of the Fund as a member of the Conflicts Committee.

20. Because Weir had a personal interest in the principal transactions through her ownership of C.L. King and the Conflicts Committee was conflicted, Paradigm failed to provide effective written disclosure to the Fund and failed effectively to obtain the Fund's consent to the principal transactions.

21. As part of its fee structure, Paradigm charged the Fund an administrative fee for, among other things, compliance-related expenses, including the Conflicts Committee's administration of the principal transactions and complying with the written disclosure and consent requirements of Advisers Act Section 206(3).

### **Paradigm's Form ADV Omitted Material Facts**

22. In discussing the Conflicts Committee, Paradigm's Form ADV Part 2A stated that the Conflicts Committee acts on behalf of the Fund when approving principal transactions. The Form ADV failed to disclose the CFO's conflict as a member of the Conflicts Committee, namely that as CFO of C.L. King, he was also responsible for monitoring the principal transactions' impact on C.L. King's net capital. By omitting this fact in discussing the Conflicts Committee, the Form ADV discussion of the Conflicts Committee was materially misleading.

## **Whistleblower Retaliation**

23. On March 28, 2012, Paradigm's then-head trader ("Whistleblower") voluntarily made a whistleblower submission to the Commission that revealed the principal transactions discussed herein. The Whistleblower had been Paradigm's head trader since 2009.

24. Between March 28, 2012 and July 15, 2012, the Whistleblower, who had not yet disclosed to Paradigm his submission to the Commission, remained in his position as Paradigm's head trader. His duties and responsibilities were unchanged. He continued to execute orders and to supervise another Paradigm trader.

25. On July 16, 2012, the Whistleblower notified Weir and C.L. King's Chief Operating Officer that he had reported potential securities law violations to the Commission and identified the general conduct referenced in his submission to the Commission.

26. That day, the Whistleblower was questioned about his allegations and then returned to the trading desk and continued trading for the remainder of the day. At that time Paradigm retained outside counsel to advise the firm.

27. At the end of the day on July 17, the day after he revealed himself as a whistleblower, Paradigm informed the Whistleblower that he would be removed from Paradigm's trading desk and temporarily relieved him of his day-to-day trading and supervisory responsibilities. Paradigm informed him that, because he executed trades that were reported to the Commission, Paradigm needed to investigate his actions. Paradigm further directed the Whistleblower to work offsite at a different office building and instructed him to prepare a report that would detail all of the facts that supported the potential violations he reported to the Commission.

28. On July 17, the Whistleblower's employment counsel proposed that the Whistleblower be permitted to prepare his report from home rather than come into the office, which Paradigm allowed him to do. Paradigm and the Whistleblower's counsel also discussed the idea of the Whistleblower leaving the firm in exchange for a severance payment.

29. Between July 18 and July 20, Paradigm, on the advice of counsel, denied the Whistleblower access to certain Paradigm trading and account systems while he was at home. He previously had access to these Paradigm systems. Paradigm also denied the Whistleblower access to his existing email account and redirected the Whistleblower's trading and email accounts to its other trader so that he could continue receiving orders and making trades. Paradigm provided the Whistleblower with a new email address for the purpose of communicating internally and externally as necessary to complete his report. The Whistleblower worked remotely from home preparing the requested report and submitted it on Friday, July 20. On that same day, the Whistleblower notified Paradigm that he intended to return to work on Monday, July 23.

30. On July 21, Paradigm told the Whistleblower not to report to work on Monday, July 23, because Paradigm was continuing to evaluate the situation. The Whistleblower remained at home, and his salary and benefits remained the same.

31. On July 24, Paradigm informed the Whistleblower's employment counsel that the employment relationship between Paradigm and the Whistleblower was "irreparably damaged" and that Paradigm wanted to cooperate with the Whistleblower in his leaving employment with "as little difficulty or acrimony as possible."

32. After it became apparent that Paradigm and the Whistleblower were unable to agree on severance terms that would result in the Whistleblower's resignation or termination, the Whistleblower informed Paradigm that he was prepared to return to work, but only in continuation of his role as Paradigm's head trader.

33. On August 8, Paradigm requested that the Whistleblower return to work on August 13. Paradigm notified him that his compensation structure would remain the same and that he would be paid the same amount that he was paid as head trader. There was no indication by Paradigm, however, that he would return as head trader and resume the duties and responsibilities that accompany that position, including supervising another trader. Paradigm refused to specify his duties and merely noted that they would be "meaningful" to Paradigm.

34. In response, the Whistleblower again emphasized that he was prepared to return to work but that he intended to return to his position as Paradigm's head trader. Paradigm at that point made clear that the Whistleblower would not return to his position as head trader until Paradigm's investigation was complete. In the interim, Paradigm informed the Whistleblower that he would be asked to perform tasks that were "meaningful and, to some extent, parallel or overlap those of head trader" and that "[it] need not explain further."

35. Despite Paradigm's refusal to allow the Whistleblower to return as head trader, the Whistleblower returned to work as requested on August 13. Upon his return, he was no longer located on the trading desk and was placed instead in an office on a different floor. Paradigm informed the Whistleblower that his first assignment and top priority was to identify any potential wrongdoing by the firm so that it could further investigate his allegations.

36. As part of that assignment, the Whistleblower was asked to review more than 1,900 pages of hard-copy trading data, sorted by security. The Whistleblower suggested that, rather than reviewing 1,900 pages of trading data, specific reports could be generated in an electronic format that isolate the specific trades that were potentially violative. He requested that he be provided access to Paradigm's trading system so that he could generate the reports. Paradigm, after consulting with counsel, denied his request. The Whistleblower also suggested that someone else within Paradigm generate the reports, and while Paradigm agreed to this suggestion, it then informed him that it could not identify the reports based on the Whistleblower's description. Notwithstanding Paradigm's claim that it was a top priority for the Whistleblower to identify potentially violative trades and that the Whistleblower informed Paradigm that he believed there was a more efficient method for doing so, Paradigm insisted that

the Whistleblower review hard copy documentation of trades and refused to provide him with access to the reports he requested.

37. Paradigm maintained that the Whistleblower could not return to the trading desk because Paradigm needed the Whistleblower's top priority to be identifying specific conduct that could substantiate his claims of wrongdoing. Nonetheless, on August 15, in response to the Whistleblower's allegations that the firm's trading-related compliance policies were deficient, Paradigm tasked the Whistleblower with the additional task of consolidating multiple trading procedure manuals into one comprehensive document and proposing revisions to enhance the firm's trading policies and procedures.

38. Finally, during the period of time when the Whistleblower was working from home, he requested that Paradigm communicate with him using his personal home email address in connection with preparing the report detailing the basis for his claims. Paradigm consented to his use of his personal email address and informed the Whistleblower that it would use his personal email address for future communications.

39. Approximately one month after Paradigm approved the Whistleblower's use of his personal email address, the Whistleblower sent a confidential report from his personal email account to Paradigm's CCO. This caused Paradigm to believe that the Whistleblower previously removed confidential documents using his personal email address. Paradigm reprimanded the Whistleblower for emailing this confidential document to his personal email address. On August 16, Paradigm sent a memorandum to the Whistleblower accusing him of violating Paradigm's policies and his terms of employment by removing confidential business records from Paradigm's information network. Later that same day, Paradigm sent the Whistleblower an email reiterating that, by removing confidential and proprietary records from Paradigm to his personal email account, the Whistleblower had violated the terms of a confidentiality agreement he signed when he arrived at Paradigm.

40. Paradigm had no legitimate reason for removing the Whistleblower from his position as head trader, tasking him with investigating the very conduct he had reported to the Commission, changing his job function from head trader to a full-time compliance assistant, stripping him of his supervisory responsibilities, and otherwise marginalizing him. Paradigm engaged in each of these adverse employment actions immediately after learning that the Whistleblower reported potential securities violations to the Commission.

41. The Whistleblower resigned on August 17, 2012.



## **VIOLATIONS**

42. As a result of the conduct described above, Paradigm violated Section 21F(h) of the Exchange Act, which prohibits an employer from discharging, demoting, suspending, threatening, harassing, directly or indirectly, or in any other manner discriminating against, a whistleblower in the terms and conditions of employment because of any lawful act done by the whistleblower in, among other things, providing information to the Commission.

43. As a result of the conduct described above, Paradigm violated, and Weir caused Paradigm's violations of, Section 206(3) of the Advisers Act, which prohibits an investment adviser from, directly or indirectly, "acting as principal for his own account, knowingly to sell any security or to purchase any security from a client ... without disclosing to such client in writing before the completion of such transaction the capacity in which he is acting and obtaining the consent of the client to such transaction."

44. As a result of the conduct described above, Paradigm violated Section 207 of the Advisers Act, which makes it unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed under the Advisers Act or willfully omit to state in any such application or report any material fact which is required to be stated therein.

## **UNDERTAKINGS**

Respondents have undertaken to:

### **Payment to the Fund Investors**

45. Respondents undertake, jointly and severally, to distribute, within 60 days of the date of entry of this Order, a total payment in the amount of \$1,700,000 (the "Distribution") to compensate certain investors in the Fund between 2009 and 2011. This amount represents an approximation of certain administrative fees the Fund paid in connection with the principal transactions discussed herein. No portion of the Distribution shall be paid to any account in which either Respondent has a financial interest.

46. If Respondents do not distribute or return any portion of the Distribution for any reason, including an inability to locate an investor in the Fund or any factors beyond Respondents' control, Respondents shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury after the final accounting provided for in paragraphs 49-50 is approved by the Commission. Any such payment shall be made in accordance with Section IV.C below.

47. Respondents shall be responsible for administering the payment of the Distribution to certain current and former investors in the Fund. Respondents shall:

a. deposit the amount of the Distribution into an escrow account (the “Distribution Account”) within 30 days of the date of entry of this Order and provide Commission staff with evidence of such deposit in a form not unacceptable to the Commission staff;

b. submit to the Commission staff, within 30 days of the date of entry of this Order, a distribution plan (“Distribution Plan”) that identifies (i) each current and former investor in the Fund that will receive a portion of the Distribution (“Eligible Investors”); (ii) the exact amount of that payment as to each Eligible Investor; and (iii) the methodology used to determine the exact amount of that payment as to each Eligible Investor; and

c. within 60 days of the date of entry of this Order, complete payment of the Distribution to all Eligible Investors pursuant to the Distribution Plan.

48. Respondents shall be responsible for any and all tax compliance responsibilities associated with the Distribution and shall retain any professional services necessary. The costs and expenses of any such professional services shall be borne by Respondents and the payment of taxes applicable to the Distribution Account, if any, shall not be paid out of the Distribution funds. Respondents shall not be responsible for payment of any income taxes investors owe on the portion of the Distribution they receive.

49. Within 90 days after the date of entry of this Order, Respondents shall submit to the Commission staff for its approval a final accounting and certification of the disposition of the Distribution not unacceptable to the Commission staff. The final accounting and certification shall include, but not be limited to: (i) the amount paid to each payee; (ii) the date of each payment; (iii) the check number or other identifier of money transferred or proof of payment made; (iv) the date and amount of any returned payment; (v) a description of any effort to locate a prospective payee whose payment was returned; (vi) an affirmation that the amount paid to the current and former investors in the Fund represents a fair calculation of the Distribution; and (vii) any amounts to be forwarded to the Commission for transfer to the United States Treasury. Respondents shall submit proof and supporting documentation of such payments to the Commission staff upon request. Respondents shall cooperate with reasonable requests for information in connection with the accounting and certification.

50. After Respondents have submitted the final accounting to the Commission staff, the staff shall submit the final accounting to the Commission for approval.

### **Independent Compliance Consultant**

51. Respondent Paradigm shall retain, within 30 days of the issuance of this Order, the services of an Independent Compliance Consultant (“Consultant”) not unacceptable to the staff of the Commission. The Consultant’s compensation and expenses shall be borne exclusively by Paradigm.

52. Respondent Paradigm shall require the Consultant to conduct a comprehensive review of Paradigm's supervisory, compliance, and other policies and procedures designed to prevent and detect prohibited principal transactions including, but not limited to, Paradigm's use of any committees, advisory boards, or other groups that are involved in reviewing and approving principal transactions.

53. Respondent Paradigm shall provide to the Commission staff, within 30 days of retaining the Consultant, a copy of an engagement letter detailing the Consultant's responsibilities, which shall include the reviews described above in paragraph 52.

54. At the end of the review, which in no event shall be more than 180 days after the date of the entry of this Order, Respondent Paradigm shall submit a report approved by the Consultant (the "Report") to the staff of the Commission. The Report shall address the issues described above in paragraph 52, and shall include a description of the review performed, the conclusions reached, the Consultant's recommendations for changes in or improvements to Paradigm's policies and procedures, a procedure for implementing the recommendations or changes in or improvements to those policies and procedures, and the Consultant's approval of the foregoing.

55. Respondent Paradigm shall adopt all recommendations contained in the Report. Within 210 days after the date of the entry of this Order, Paradigm shall, in writing, advise the Consultant and the staff of the Commission of any recommendations for changes or improvements to Paradigm's policies on which Paradigm and the Consultant did not agree and the resolution of such disagreement. In the event that Paradigm and the Consultant are unable to agree on a resolution, Paradigm will abide by the recommendations of the Consultant.

56. Respondent Paradigm shall cooperate fully with the Consultant and shall provide the Consultant with access to files, books, records, and personnel as reasonably requested for the Consultant's review.

57. To ensure the independence of the Consultant, Paradigm: (i) shall not have the authority to terminate the Consultant or substitute another independent compliance consultant for the initial Consultant without the prior written approval of the Commission staff; and (ii) shall compensate the Consultant and persons engaged to assist the Consultant for services rendered pursuant to this Order at their reasonable and customary rates.

58. Respondent Paradigm shall require the Consultant to enter into an agreement providing that for the period of the engagement and for a period of two years from completion of the existing engagement, the Consultant shall not enter into any new employment, consultant, attorney-client, auditing, or other professional relationship with Respondent Paradigm, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Consultant in the performance of his/her duties under this Order shall not, without prior written consent of the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other

professional relationship with Respondent Paradigm, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the existing engagement.

59. Recordkeeping. Respondent Paradigm shall preserve for a period of not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record of their compliance with the undertakings set forth above.

60. Deadlines. The staff of the Commission may extend any of the procedural dates set forth above for good cause shown. The procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday the next business day shall be considered to be the last day.

61. Respondent Paradigm shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission's staff may make reasonable requests for further evidence of compliance, and Paradigm agrees to provide such evidence. The certification and supporting material shall be submitted to Anthony S. Kelly, Assistant Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-5010 with a copy to the Office of Chief Counsel of the Enforcement Division, no later than 60 days from the date of the completion of the undertakings.

#### IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Section 21C of the Exchange Act and Section 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Paradigm cease and desist from committing or causing any violations and any future violations of Section 21F(h) of the Exchange Act, and Sections 206(3) and 207 of the Advisers Act.

B. Respondent Weir cease and desist from committing or causing any violations and any future violations of Section 206(3) of the Advisers Act.

C. Respondents shall pay, jointly and severally, disgorgement of \$1,700,000, prejudgment interest of \$181,771, and a civil penalty of \$300,000, for a total payment of \$2,181,771. The disgorgement amount of \$1,700,000 shall be deemed satisfied by the payment described above in paragraphs 45-50. The remaining balance of \$481,771 shall be paid within 10 days of the entry of this order to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. 3717. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Paradigm and Weir as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Julie M. Riewe, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5010.

D. Respondents shall comply with the undertakings enumerated above in paragraphs 45-61.

By the Commission.

Jill M. Peterson  
Assistant Secretary