

## Item 1 – Cover Page

### **Farris Capital Management Inc.**

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[www.farriscap.com](http://www.farriscap.com)

Date of Disclosure Brochure: January 2024

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This disclosure brochure provides information about the qualifications and business practices of Farris Capital Management Inc. (also referred to as we, us and Farris Capital Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Justin Farris at 214-525-2141 or [justin@farriscap.com](mailto:justin@farriscap.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Farris Capital Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Farris Capital Management Inc. or our firm's CRD number 169051.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our annual amendment filed in May 2023, we have made the following material changes to this brochure:

- Item 4 - Farris Capital Management adjustment to assets under management

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

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## **Item 4 – Advisory Business**

Farris Capital Management is an investment adviser registered with the Securities Exchange Commission and is a corporation formed under the laws of the State of Texas.

- Justin Farris is the Chief Compliance Officer (CCO) and Managing Member of Farris Capital Management. Justin Farris owns 100.00% of Farris Capital Management. Full details of the education and business background of Justin Farris are provided at *Item 19* of this Disclosure Brochure.
- Farris Capital Management filed its initial application to become registered as an investment adviser with the U.S. Securities Exchange Commission in February 2022, which was accepted on March 8, 2022.

### **Introduction**

The investment advisory services of Farris Capital Management are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of Farris Capital Management (referred to as your investment adviser representative throughout this brochure).

### **Description of Advisory Services**

The following are descriptions of the primary advisory services of Farris Capital Management. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Farris Capital Management before we can provide you the services described below.

#### ***Financial Planning & Consulting Services***

Farris Capital Management offers financial planning services, which involve preparing a written financial plan covering specific or multiple topics. We provide full written financial plans, which typically address the following topics: Investment Planning; Retirement Planning; Insurance Planning; Tax Planning; Education Planning; and Asset Allocation. When providing financial planning and consulting services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. Written financial plans prepared by us do not include specific recommendations of individual securities.

We also offer consultations in order to discuss financial planning issues when you do not need a written financial plan. We offer “as-needed” consultations, which are limited to consultations in response to a particular investment or financial planning issue raised or request made by you. Under an “as-needed” consultation, it will be incumbent upon you to identify those particular issues for which you are seeking our advice or consultation on.

Our financial planning and consulting services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of our investment recommendations through Farris Capital Management or retain Farris Capital Management to actively monitor and manage your investments, you must execute our written agreement with Farris Capital Management for our asset management services.

***Asset Management Services via Schwab Institutional Intelligent Portfolios Platform or Zoe Wealth Platform via Apex Clearing Corporation***

We offer automated investment programs through the Zoe Wealth Platform via Apex Clearing Corporation and by Charles Schwab & Co Inc., which clients are invested in a range of model investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds, stocks, or mutual funds and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co") or Apex Clearing Corporation.

We use the Institutional Intelligent Portfolios® platform, offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., or Zoe Wealth Platform to operate these programs. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., Zoe Financial, or their affiliates. We are the client's investment advisor and primary point of contact with respect to these programs. We are responsible for determining the appropriateness of the program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT and Zoe Financial to provide us with these platforms, which consists of technology and related trading and account management services for the programs. These offerings enable us to make these programs available to clients online and includes a system that automates certain key parts of our investment process.

Based on information the client provides to us, we will recommend a portfolio model that is built via these wealth platforms. The web platforms also include an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and we elect to do so).

Clients do not pay brokerage commissions or any other fees to CS&Co. as part of their Program. Schwab does receive other revenues, including (i) the profit earned by the cash position in Charles Schwab Bank, SSB, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution.

Clients do not pay brokerage commissions to Zoe Financial or Apex however platform fees are paid to Zoe Financial/Apex depending on assets under management which are included in each client's fee schedule and potential remuneration paid to Apex from market centers where it routes trade orders for execution as part of their program.

***Asset Management Services via Fidelity Institutional Wealth Services Platform, or Charles Schwab & Co., Inc.***

Farris Capital Management offers asset management services on the Fidelity Institutional Wealth Services Platform or Charles Schwab & Co., Inc., which involves Farris Capital Management providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account") on Charles Schwab and Co., Inc. or the Fidelity Institutional Wealth Services Platform. The Account consists only of separate account(s) held by Charles Schwab and Co., Inc, National Financial Services, LLC or Fidelity Brokerage Services, LLC, which are qualified custodians under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and can give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we can buy, sell or recommend for any other clients or for our own accounts.

Conflicts can arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

#### Retirement Plan Rollover Recommendations

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

Under this special rule's provisions, Farris Capital must act as a fiduciary to a retirement plan account or IRA under ERISA/IRC:

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

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

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

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

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

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

#### **Participation in Wrap Fee Programs (Asset Management Services)**

Farris Capital Management does not sponsor or manage a wrap fee program.

#### **Newsletters**

Farris Capital Management occasionally prepares general, educational and informational newsletters. Newsletters are always offered on an impersonal basis and do not focus on the needs of a specific individual.

#### **Seminars**

Farris Capital Management will occasionally provide seminars in areas such as financial planning, retirement planning, estate planning, college planning and charitable planning. Seminars are always offered on an impersonal basis and do not focus on the individual needs of participants.



### **Workshops**

Farris Capital Management can offer educational, informative and motivational workshops to the public as well as to associations, family foundations and employers. Workshops are always offered on an impersonal basis and do not focus on the individual needs of the participants.

### **Limits Advice to Certain Types of Investments**

Farris Capital Management provides investment advice on the following types of investments:

- Mutual Funds
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Warrants
- Corporate Debt Securities
- Municipal Securities
- Variable Annuities
- Variable Life Insurance
- US Government Securities
- Options Contracts on Securities
- Interests in Partnerships Investing in Real Estate
- Interests in Partnerships Investing in Oil and Gas Interests

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Tailored Advisory Services to Individual Needs of Clients**

Farris Capital Management's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information. Our financial planning and consulting services are always provided based on your individual needs. When providing financial planning and consulting services, we work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives are considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Client Assets Managed by Farris Capital Management**

The amount of client assets managed by Farris Capital Management totaled \$127,395,783 as of December 31, 2023, with \$126,051,771 managed on a discretionary basis and \$1,344,012 managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service can be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Farris Capital Management.

### **Financial Planning & Consulting Services**

Fees charged for our financial planning and consulting services are negotiable based upon the investment adviser representative providing advice, the complexity of the client's situation and other advisory services provided. The following are the fee arrangements available for financial planning and consulting services offered by Farris Capital Management.

#### ***Fees for Financial Planning Services***

Farris Capital Management provides financial planning services under an hourly fee arrangement. An hourly fee of \$150 per hour is charged by Farris Capital Management for financial planning services under this arrangement. Before commencing financial planning services, Farris Capital Management provides an estimate of the approximate hours needed to complete the requested financial planning services. If Farris Capital Management anticipates exceeding the estimated amount of hours required, Farris Capital Management will contact you to receive authorization to provide additional services. Any unpaid hourly fees are due immediately upon completion and delivery of the financial plan.

The financial planning services terminate upon delivery of the written financial plan or upon either party providing the other party with written notice of termination.

You may terminate the financial planning services within five (5) business days of entering into an agreement with Farris Capital Management without penalty or fees due. If you terminate the financial planning services after five (5) business days of entering into an agreement, you will be responsible for immediate payment of any financial planning services performed by Farris Capital Management prior to the receipt by Farris Capital Management of your notice. For financial planning services performed by Farris Capital Management under an hourly arrangement, you will pay Farris Capital Management for any hourly fees incurred at the rates described above. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by Farris Capital Management to you.

#### ***Fees for Consulting Services***

Farris Capital Management provides consulting services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for consulting services under this arrangement. There is a range in the amount of the fixed fee charged by Farris Capital Management for consulting services. The minimum fixed fee for consulting services will be \$1,500, and maximum fixed fee for consulting services will be Farris Capital Management Inc.

generally no more than \$10,000. The amount of the fixed fee for your engagement is specified in your consulting agreement with Farris Capital Management. The fixed fee will be considered earned by Farris Capital Management and immediately due from Client upon completion of the consulting services.

The “as-needed” consulting services will terminate upon either you or Farris Capital Management providing notice of termination to the other party.

You may terminate the consulting services within five (5) business days of entering into an agreement with Farris Capital Management without penalty or fees due. If you terminate the consulting services after five (5) business days of entering into an agreement with Farris Capital Management, you will be responsible for immediate payment of any consulting work performed by Farris Capital Management prior to the receipt by Farris Capital Management of your notice. For consulting services performed by Farris Capital Management under a fixed fee arrangement, you will pay Farris Capital Management a pro-rated fixed fee equivalent to the percentage of work completed by Farris Capital Management as determined by Farris Capital Management. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by Farris Capital Management to you.

#### ***Other Fee Terms for Financial Planning & Consulting Services***

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly (for example, by check) or having the fee deducted from an existing investment account.

If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to Farris Capital Management for such charge.

You should notify Farris Capital Management within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

All fees paid to Farris Capital Management for financial planning and consulting services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations.

It should be noted that lower fees for comparable services can be available from other sources.

#### **Asset Management Services via Schwab Institutional Intelligent Portfolios Platform or Zoe Wealth Platform via Apex Clearing Corporation**

Fees charged for our asset management services on these platforms are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a monthly basis and calculated based on the average daily balance of your account during the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

The asset management services continue in effect until terminated by either party by providing notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by Farris Capital Management to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our asset management services are negotiable based on the investment adviser representative providing the services, the complexity of the client's situation, the potential for additional account deposits, the total amount of assets under management for the client, and the actual services requested.

For our asset management services on the Schwab Institutional Intelligent Portfolios Platform and Zoe Wealth platform, clients will be charged the following annual fee based upon the amount of assets under management:

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0,000 – \$100,000	1.50%
\$100,001 - \$250,000	1.35%
\$250,001 – \$500,000	1.25%
\$500,001 – \$1,000,000	1.15%
\$1,000,00 and above	Negotiable

For asset management services on the Schwab Institutional Intelligent Portfolios Platform, there is a minimum account size of \$5,000. However, exceptions may be granted upon request based upon related family accounts or anticipated additional deposits within one year to meet the required minimum.

As described in *Item 4 Advisory Business*, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, SSB, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

**Asset Management Services via Fidelity Institutional Wealth Services Platform and Charles Schwab and Co., Inc.**

Fees charged for our asset management services on the Fidelity Institutional Wealth Services Platform and Charles Schwab and Co., Inc. are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a monthly basis and calculated based on the average daily balance of your account during the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

The asset management services continue in effect until terminated by either party by providing notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by Farris Capital Management to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our asset management services are negotiable based on the investment adviser representative providing the services, the complexity of the client's situation, the potential for additional

account deposits, the total amount of assets under management for the client, and the actual services requested.

For our asset management services on either the Fidelity Institutional Wealth Services Platform or Charles Schwab and Co., Inc., the exact fees and other terms will be outlined in the agreement between you and Farris Capital Management. A client will be charged no more than the following annual fee based upon the amount of assets under management:

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0.00 – \$100,000	1.50%
\$100,001 – \$250,000	1.35%
\$250,001 – \$500,000	1.20%
\$500,001 – \$1,000,000	1.000%
\$1,000,000 +	Negotiable

For asset management services on the Fidelity Institutional Wealth Services Platform, there is a minimum account size of \$5,000. However, exceptions may be granted upon request based upon related family accounts or anticipated additional deposits within one year to meet the required minimum.

#### *Other Asset Management Fee Terms For Fidelity and Schwab*

Farris Capital Management believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee can be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you can also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm. Our firm will send you a notification that your billing statement is available for review through your online portal access at the same time the fee deduction instruction is sent to the qualified custodian(s) of your account. The billing statement will detail the formula used to calculate the fee, the assets under management and the time period covered. See *Item 15 – Custody* for more details.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Under our Asset Management Services, Farris Capital Management will not receive a portion of such fees from you or the qualified custodian. In addition, you can incur certain charges imposed by third parties other than Farris Capital Management in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Farris Capital Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

### **Seminars**

We typically do not charge for attending one of our seminars. However, if we are hired by larger groups, such as corporations, we reserve the right to charge fees to cover the expenses incurred by us for presenting the seminars. In this case, all fees and payment provisions will be fully disclosed to you prior to the seminar being presented.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

### **Item 7 – Types of Clients**

Farris Capital Management generally provides investment advice to the following types of clients:

- Individuals
- High Net Worth Individuals
- Corporations or business entities other than those listed above

You are required to execute a written agreement with Farris Capital Management specifying the particular advisory services in order to establish a client arrangement with Farris Capital Management.

### **Minimum Investment Amounts Required**

For Asset Management Services on the Fidelity Institutional Wealth Services Platform or Charles Schwab and Co., Inc., Farris Capital Management requires a minimum of \$5,000. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted upon request based upon related family accounts or anticipated additional deposits within one year to meet the required minimum. Exceptions may be granted to this minimum for family members. There is no minimum fee for Asset Management Services on the Fidelity Institutional Wealth Services Platform or Charles Schwab and Co., Inc.

For Asset Management Services on the Schwab Institutional Intelligent Portfolios Platform, clients eligible to enroll in the Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open or convert an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

The minimum fee generally charged for financial planning services provided on an hourly basis is \$150. The minimum fixed fee for consulting services will be \$1,500 and maximum fixed fee for consulting services will be generally no more than \$10,000.

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

### **Methods of Analysis**

Our investment portfolios are generally allocated to our own investment ideas based on our proprietary research along with analysis of select Wall Street research and top hedge fund/institutional manager ideas. Depending on each client's risk tolerance, we structure the portfolio allocating to each investment accordingly. Portfolio holdings will generally include individual stocks, market indexes such as the S&P 500 ETF, Protective index ETFs, Accelerated outcome ETFs, options, and potentially mutual funds and ETFs (for fixed income exposure) to gain proper diversity.

To conduct analysis, Farris Capital Management gathers information from research materials prepared by others, annual reports, prospectuses and filings with the SEC, and company press releases. There are risks involved in using any analysis method.

### **Investment Strategies**

Farris Capital Management uses an Investment Policy Statement to determine risk and implement the following investment strategies when managing client assets and/or providing investment advice:

#### ***Individual stock investment strategy:***

The primary investment objective will be to purchase investments that meet "Attractive Valuation Criteria". To generate ideas, we screen top tier research from various firms such as Goldman Sachs, Merrill Lynch, Raymond James, JP Morgan, Wells Fargo, among others as well as our own internal ideas and screening process. Second, we screen securities to find attractively priced opportunities, either on a relative or absolute basis. Such traditional value criteria may include:

- Price-to-estimated earnings per share
- Price-to-book value
- Price-to-cash flow
- Price-to-sales
- Enterprise Value to EBITDA multiples
- Profit margins, leverage, etc...

#### ***Index Investment Strategy:***

We use index investments (via ETFs) as a core component of our portfolios. With an index investment, you get a diversified selection of securities in one easy, low-cost, tax efficient investment. Most index funds will provide exposure to hundreds if not thousands of securities in a single fund, which helps lower your overall risk through broad diversification. By investing in an index fund, we can generally create portfolio diversification and dial in the targeted risk tolerance with very few purchases.

***Protective ETF Strategy:***

The investment strategy of this part of our portfolio is to have an investment approach that seeks a specific amount of downside protection versus its benchmark and provide a specific risk/reward profile. In exchange for a maximum upside gain, these ETFs provide built in buffers against downside loss over 12-month periods. Buffers can range from 9%, 15% or up to 30% protection, allowing us to have a component of the portfolio assigned for risk mitigation and still provide equity like returns. Depending on client objectives, we incorporate these opportunities to provide a level protection that is associated with a risk tolerance seeking lower than traditional equity risk.

***Accelerated Outcome Strategy:***

Accelerated ETFs are designed to provide 2 to 3 times the upside return of the benchmark index up to a maximum upside cap, with approximately single exposure to the downside over a quarterly or annual outcome period.

***Options Based Strategy:***

This investment strategy is a covered call writing strategy. This potentially favorable risk-return strategy can be expected to outperform the underlying investments held in three out of four market environments: declining markets, flat markets and modestly rising markets. Because both downside risk and upside return potential may be reduced, returns should be less volatile than the returns of the underlying investment. This strategy can be used to enhance portfolio returns, reduce volatility, and act as a hedge to portfolio holdings.

***Fixed Income Allocations:***

A combination of individual bonds, mutual funds, or ETFs may be used in structuring an income generating portfolio. Just as with the equity asset class, the objective in managing a bond portfolio is to maximize the potential total return while controlling risks. For taxable clients, an important factor in the total return is the client's marginal tax rate, which we consider when determining the fixed income investments that are most appropriate for maximizing the client's after-tax return. Where fixed income investments are appropriate, we will determine the appropriate mix between taxable and tax-free bonds. Maturity management will be based on the current time horizon, interest rate outlook, and need of the client.

**Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.



Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

## **Item 9 – Disciplinary Information**

*Item 9* is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

Farris Capital Management is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives can sell other products or provide services outside of their role as investment adviser representatives with us.

### **Insurance Agent**

You can work with your investment adviser representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser representative can sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent, can suggest that you implement recommendations of Farris Capital Management by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Farris Capital Management has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations and those of its supervised persons.

The Code of Ethics also requires compliance with federal securities laws. Farris Capital Management's Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Farris Capital Management requires its supervised persons to consistently act in your best interest in all advisory activities. Farris Capital Management imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Farris Capital Management. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Farris Capital Management or associated persons of the firm can buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a conflict of interest. It is the express policy of Farris Capital Management that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. Farris Capital Management and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of Farris Capital Management.

Any associated person not observing our policies is subject to sanctions up to and including termination.

## **Code of Ethics for CFP**

In addition to abiding by our Code of Ethics, some of our representatives are Certified Financial Planners™ (CFP®) and also abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner™ Board of Standards, Inc. The Code of Ethics and Responsibility Code requires CFP® designees to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP® designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from one of our representatives.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of Farris Capital Management. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

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

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

### **Brokerage Recommendations**

Fidelity (National Financial Services, LLC and Fidelity Brokerage Services, LLC)

If you elect to utilize our management services via the Fidelity Institutional Wealth Services Platform, you are required to establish a brokerage account held by National Financial Services, LLC or Fidelity Brokerage Services, LLC (collectively referred to as “Fidelity”). Fidelity provides Farris Capital Management with access to their institutional trading and custody services, which are typically not

available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available to Farris Capital Management other products and services that we benefit from but may not benefit your accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. Fidelity also makes available other services intended to help us manage and further develop our business. These services can include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing.

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to Farris Capital Management by independent third-parties providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at Fidelity is based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This creates a conflict of interest.

You are under no obligation to act on our recommendations. You can select a broker/dealer or account custodian other than Fidelity, although in this case we cannot assist you with asset management services.

### **Charles Schwab & Co., Inc.**

If you elect to utilize our management services via the Schwab Institutional Intelligent Portfolios Platform, or Charles Schwab and Co., Inc, you are required to establish a brokerage account held by Charles Schwab & Co., Inc. ("Schwab").

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Schwab or Fidelity, who are registered broker-dealers, members SIPC, as qualified custodians.

*How we select brokers/custodians:* We select a custodian/broker, to hold your assets and execute transactions. We take into account a wide range of factors, including:

- Combination of transaction execution services and asset custody services.
- 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.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security and stability

**Schwab Institutional Intelligent Portfolios:** Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a brokerdealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

**Zoe Financial via Apex Clearing Corporation:** Client accounts enrolled in the Program are maintained at, and receive the brokerage services of Apex Clearing Corporation registered with the Securities and Exchange Commission and a member of FINRA and SIPC. The client opens an account through the Zoe Wealth platform and enters into a brokerage account agreement directly with Apex. We do not open the account for the client. Apex may aggregate purchase and sale orders across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

### **Directed Brokerage**

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, Farris Capital Management may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers can cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, Farris Capital Management has decided to require our clients to use qualified custodians determined by Farris Capital Management.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

### **Handling Trade Errors**

Farris Capital Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Farris Capital Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client

does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by Farris Capital Management if the error is caused by Farris Capital Management. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. Farris Capital Management may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Farris Capital Management will never benefit or profit from trade errors.

### **Block Trading Policy**

We elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Farris Capital Management believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Farris Capital Management uses the rotation of accounts method for transaction allocation.

It is necessary during our block trading efforts to choose a custodian to begin our block trading executions. Under our procedure, we typically initialize our block trading with Charles Schwab first and complete those block orders before Fidelity block orders. This practice may result in price differentials between custodian orders and therefore client accounts. While Charles Schwab generally will execute orders first, there is no assurance that client accounts at Charles Schwab will benefit or negatively be impacted by trade prices versus Fidelity.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Farris Capital Management or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

For investment advisory clients, we monitor our investment strategies as part of an ongoing process while regular client account reviews are conducted on at least an annual basis. In addition, clients are contacted at least annually to inform the Firm if there are any changes to their investment objectives or financial situation by their respective investment advisor relationship.

For those clients to whom we provide financial planning and/or consulting services, reviews are conducted on an “as needed” basis or as agreed to within the terms of the agreement. Such reviews are conducted by one of our investment advisors. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with us and to keep us informed of any changes thereto.

Our financial planning services terminate upon the presentation of the written plan. Our financial planning and consulting services do not include monitoring the investments of your account(s), and therefore, there is no ongoing review of your account(s) under such services.

### **Statements and Reports**

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by Farris Capital Management.

You are encouraged to always compare any reports or statements provided by us, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

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

### **Client Referrals**

We have entered into and are currently a party to numerous referral agreements whereby we pay a referral fee to Promoters/Solicitors, in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and any corresponding state securities law requirements. We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm may receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires.

### **Fee for referral: Smart Asset**

Farris Capital has entered into an agreement with Smart Asset to receive referrals generated from Smart Asset's online marketing efforts. This is a paid arrangement whereby we have agreed to pay Smart Asset a fee for each individual referred to us in geographical areas where Farris Capital maintains physical office locations. Individuals that contact Smart Asset either directly or online will be connected with up to three advisors in their local area and will then decide which financial services provider to work with.

Smart Asset does not proactively call or speak to individuals about Farris Capital but if an individual contacts Smart Asset for a recommended financial provider in geographical locations in which Farris Capital maintains a physical office location, the individual may be connected to Farris Capital. At that time, Smart Asset will provide the individual a Solicitor Disclosure Statement (detailing among other things, the fee we pay to Smart Asset) along with a copy of our Form ADV brochures.

Farris Capital is given the individual's name and contact information that they provide and that have expressed interest in hearing from a qualified investing professional. Farris Capital will attempt to contact them directly to answer any question they have and if necessary, schedule an appointment with an Investment Advisor Representative.



Our payment to Smart Asset is based on the number and asset level of referrals provided and not based on the number of new clients attained. We simply pay a per referral fee for the service.

Individuals referred to Farris Capital by Smart Asset are not required or obligated in any way to work with Farris Capital. The selection of an investment adviser is important and should not be based solely on marketing or referrals, including referrals from Smart Asset. Individuals that find us through Smart Asset are free to work with any investment adviser or financial professional of their own choosing.

Fees for clients attained: Zoe Financial

Farris Capital may receive client referrals from Zoe Financial. Zoe Financial is not affiliated with Farris Capital and there is no employee relationship between them. Farris Capital pays Zoe Financial an on-going fee for each successful client referral. This fee is usually a percentage of Farris Capital's fee that the client pays to Farris Capital ("Solicitation Fee"). Farris Capital does not pay a fee for each referral.

We receive an economic benefit from custodians in the form of the support products and services it makes available to us. You do not pay more for assets maintained at any of our custodian relationships as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by these custodians, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices.

*Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.*

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Farris Capital Management is deemed to have custody of client funds and securities whenever Farris Capital Management is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Farris Capital Management will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Farris Capital Management is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Farris Capital Management. When clients have questions about their account statements, they should contact Farris Capital Management or the qualified custodian preparing the statement.

When fees are deducted from your account, Farris Capital Management is responsible for calculating the fee and delivering instructions to the custodian. Our firm will send you a notification that your billing statement is available for review through your online portal access at the same time the fee deduction instruction is sent to the qualified custodian(s) of your account. Itemization will include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

## Item 16 – Investment Discretion

When providing Asset Management Services, Farris Capital Management maintains trading authorization over your Account and provides management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Farris Capital Management so long as the limitations are specifically set forth or included as an attachment to the client agreement.

## Item 17 – Voting Client Securities

### Proxy Voting

Farris Capital Management does not vote proxies on behalf of Clients. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

### Class Action Lawsuits

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. Farris Capital Management does not initiate such a legal proceeding on behalf of clients and does not provide legal advice to clients regarding potential causes of action against such a security issuer and whether the client should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Upon your specific instruction, we may provide assistance to you regarding an investment history related to the security underlying the individual, or class-action, lawsuit and may provide assistance with the completion of this portion of certain class-action paperwork. At no time should such assistance be deemed as a substitute for consulting with legal counsel.

## Item 18 – Financial Information

Item 18 is not applicable to this brochure. We are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Farris Capital Management has not been the subject of a bankruptcy petition at any time.

Farris Capital Management Inc.

**PRIVACY POLICY NOTICE**

**Our Commitment to your Privacy**

As a client or prospective client of Farris Capital Management Inc., you share both personal and financial information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information.

**Information Provided**

In the normal course of business, we typically obtain nonpublic personal information about our prospective and current clients, which may include but is not limited to:

- Personal identity such as name, address and social security number;
- Information regarding securities transactions effected by us or others;
- Information reported on applications or other forms provided by the client, including but not limited to net worth, assets, income, accounts and balances;
- Information developed as part of financial plans, analysis and other advisory services.

**How We Manage and Protect Your Personal Information**

In order to protect current, prospective and former clients' nonpublic, personal information, we maintain physical, electronic and procedural safeguards. The Firm also limits access to personal information to individuals who need to know that information in order to service your account.

Our Privacy Policy restricts the use of your information and requires that it be held in strict confidence.

Specifically:

- We do not share any of the above referenced non-public personal information about current, prospective and/or former clients to third parties, other than to our affiliates, nor is it our practice to disclose such information to third parties unless necessary to administer, manage, service, and provide related services for client accounts or as permitted to do so by law.
- In the event we deem it necessary to share information with outside companies that perform administrative services for the Firm, our contractual arrangements with these service providers require them to treat current, prospective and/or former client information as confidential.
- Except as otherwise stated above, we will only release non-public personal information if a client or client representative directs us to do so, or if we are compelled by law to disclose personal information, such as to government entities, credit bureaus or in response to subpoenas.

## How We Use Information:

Information may be used among companies that perform support services for us, such as data processors, technical systems consultants and programmers, or companies that help us provide products and services to you for a number of purposes, such as:

- To protect your accounts from unauthorized access or identity theft;
- To process your requests such as securities purchases and sales;
- To establish or maintain an account with an unaffiliated third party, such as a clearing broker-dealer providing services to you and/or Farris Capital Management Inc.
- To service your accounts, such as by issuing checks and account statements;
- To comply with Federal, State, and Self-Regulatory Organization requirements;
- Regulation S-AM: In situations where a financial institution does disclose customer information to non-affiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt out or prevent such disclosure.

As described herein, the Firm does not share or disclose current, prospective and/or former clients' nonpublic, personal information to non-affiliated third parties except where permitted or required by law. Should the Firm determine to change its privacy policy to permit disclosure of non-public information not covered under applicable law, we will allow our clients the opportunity to opt out of such disclosure.

Our Security Policy: We restrict access to nonpublic personal information about you to those individuals who need to know that information to provide products or services to you and perform their respective duties. We maintain physical, electronic, and procedural security measures to safeguard confidential client information.

Closed or Inactive Accounts: If you decide to close your account(s) or become an inactive customer, our Privacy Policy will continue to apply to you.

## Changes to This Privacy Policy:

If we make any substantial changes in the way we use or disseminate confidential information, we will notify you. If you have any questions concerning this Privacy Policy, please contact us at: Farris Capital Management Inc., 15400 Knoll Trail Dr. Suite 350 Dallas, TX 75248