

## CLARIS FINANCIAL, LLC

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Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and “Clariss” (us, we, our).

This Brochure provides information about the qualifications and business practices of Claris Financial, LLC (“Clariss”). If you have any questions about the contents of this Brochure, please contact us at (804) 935-3000 and/or [katy.oliver@clarisfinancial.com](mailto:katy.oliver@clarisfinancial.com), or by fax at 804-273-0262. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Clariss Financial, LLC is registered with the SEC as an Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Clariss Financial, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Claris Financial, LLC filed its last Annual Updating Amendment on March 30, 2023. The following is a summary of the material changes since our last annual update.

- On November 1, 2023 this brochure was updated throughout to reflect a change in preferred custodians from TD Ameritrade to Charles Schwab & Co., Inc. (“Schwab”). Schwab acquired TD Ameritrade in 2019 and all client accounts were transitioned to Schwab in September of 2023.

We may, at any time, update this Brochure and if a material change occurs, we may either send you a copy or offer to send you a copy, either by electronic means (email) or in hard copy form.

If you would like to view or obtain another copy of the Brochure, please download it from the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you may contact us at (804) 935-3000 or by email at [katy.oliver@clarisfinancial.com](mailto:katy.oliver@clarisfinancial.com).

## Item 3 – Table of Contents

Item 1 – Cover Page.....	1
<b>Item 2 – Material Changes.....</b>	<b>2</b>
<b>Item 3 – Table of Contents.....</b>	<b>3</b>
<b>Item 4 – Advisory Business .....</b>	<b>4</b>
<b>Item 5 – Fees &amp; Compensation .....</b>	<b>6</b>
<b>Item 6 – Performance-Based Fees &amp; Side by Side Management .....</b>	<b>8</b>
<b>Item 7 – Types of Clients.....</b>	<b>8</b>
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>8</b>
<b>Item 9 – Disciplinary Information .....</b>	<b>11</b>
<b>Item 10 – Other Financial Industry Activities and Affiliates.....</b>	<b>11</b>
<b>Item 11 – Code of Ethics .....</b>	<b>12</b>
<b>Item 12 – Brokerage Practices .....</b>	<b>14</b>
<b>Item 13 – Review of Accounts .....</b>	<b>17</b>
<b>Item 14 – Client Referrals and Other Compensation .....</b>	<b>17</b>
<b>Item 15 - Custody .....</b>	<b>18</b>
<b>Item 16 – Investment Discretion .....</b>	<b>18</b>
<b>Item 17 – Voting Securities .....</b>	<b>19</b>
<b>Item 18 – Financial Information.....</b>	<b>19</b>
<b>Privacy Policy    March 2024.....</b>	<b>20</b>

## Item 4 – Advisory Business

Claris Financial, LLC (“Claris” or “the Firm”) is a Registered Investment Adviser organized in the state of Virginia. Claris was founded in January 2009 by John F. Paxton, the principal owner, as a Limited Liability Company. John began his financial services career as an Adviser in 1996 with Wheat, First, Butcher, Singer, (“Wheat”) and he continues to employ the consultative approach with his clients. John also has a keen interest in long term trends in the financial markets, and he combines these two when helping his clients construct tailored investment plans. Before joining Wheat, John worked for a real estate developer and owned a business outside of the financial services industry. John received his Bachelor of Science in Commerce (Finance) from the University of Virginia.

Claris Financial, LLC specializes in managing financial assets for individuals, families, estates, and trusts. Claris is primarily focused on the selection and monitoring of specific non-proprietary investments, then using these investments inside actively managed accounts. Advisory services are typically performed in exchange for a fee which is calculated as a fractional percentage of assets managed (see item 5 for details on our fees).

At Claris we recognize that each client has individual objectives and goals, which are determined during the initial consultation, and reaffirmed periodically. Clients determine the level of risk they are willing to take with their assets and their estimated time horizon. The term “time horizon” refers to the amount of time clients feel they have before they think they will start spending the assets in their account, whether it be for their own retirement or some other financial objective. Our advice requires an understanding of your financial condition, goals and tolerance for risk.

### Investment Advisory/Portfolio Management Services

Claris provides discretionary and non-discretionary portfolio management. Claris offers active money management services for individuals, high net worth individuals, families, small businesses, trusts and foundations.

Claris offers a range of fee-based platforms, centrally managed or open architecture.

Claris also participates in Schwab Advisor Services™ (“Schwab” or “Custodian”) which is Schwab’s business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services are generally available at no charge to us. See Item 12 for a more detailed description of Schwab’s support services.

### Investment Philosophy

We believe that the investment mix should match the individual needs, risk tolerance, goals and time horizon of each client. We also believe investment results and the accumulation of wealth are best achieved through the compounding of reasonable gains and risk management. If we can help our

clients navigate the major market cycle downturns and up-trends, we should not only protect client assets, but the long-term value of those assets should grow over time.

### **Investment Strategy**

Claris employs a flexible investment strategy with the freedom to invest in a wide variety of asset classes. Claris generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, REITs, insurance products including annuities, and government securities. Claris may use other securities as well to help diversify a portfolio when appropriate. Claris combines fundamental and technical analysis in seeking to profit from market trends, biases and the future expectations of companies, industries, regions and countries. We may use a variety of no-load/load-waived/non-transaction fee mutual funds or exchange traded funds, stocks, bonds, as well as separate account managers in the management of client assets. Our driving objectives in investment strategies are diversification, discipline and consistent favorable and competitive returns.

Claris may select third party money managers to implement a client portfolio. Money manager selection is driven by your overall goals, objectives, tolerance for risk, tax status, and overall financial profile. These money managers may choose to bunch all of their orders together and “trade away” from Schwab. This practice will create additional costs that are not included in the advisory fee paid to Claris.

Item 8 further describes our Methods of Analysis, Investment Strategies and Risks of Loss.

### **401(k) and 403(b) Account Management**

Claris provides investment advisory services to 401(k) and 403(b) plan participants who want to engage Claris to manage their plan assets via a self-directed brokerage account. Plan participants seeking such assistance will execute an advisory services agreement and pay a fee for the asset under management.

### **Employer-Sponsored Retirement Plan Consulting – Not Accepting New Plan Sponsors Clients**

Claris provides consulting services to a limited number of ERISA plan fiduciaries. Services may include knowledge and expertise regarding investments, service providers, plan administration, and general ERISA compliance issues for a fee.

Claris has determined it will not be entering into any new Plan Sponsor Consulting relationships.

### **Wrap Fee Programs**

Claris does not participate in any Wrap Fee programs.

### **Assets Under Management**

As of December 31, 2023, Claris had approximately \$231,893,337 in assets under management. \$19,813,570 in non-discretionary assets and \$212,079,767 managed under discretion.

### **Client Restrictions**

Generally, clients may not impose restrictions on the securities invested or types of securities invested.

## Item 5 – Fees & Compensation

### Portfolio Management Service Fees

Our annual portfolio management fee is billed and payable quarterly in advance and is based on the closing value of the assets on the last day of the previous calendar quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is based the opening value of the account payable in proportion to the number of days in the quarter for which you are a client. Fees are negotiable based on many factors including the size, complexity and composition of the services to be provided. The maximum Claris fee schedule is as follows:

<u>Account Size</u>	<u>Annual Fee</u>
Up to \$499,999	2.50%
\$500,000 to \$999,999	2.25%
\$1,000,000 to \$4,999,999	2.00%
\$5,000,000 to \$9,999,999	1.50%
Over \$10,000,000	Negotiable

Claris uses money market/stable value funds and cash defensively and tactically in its management process, therefore assets invested in money market/stable value funds and cash are subject to Claris' management fee.

Claris offers programs which allow us to bring investment services to our clients by using third-party or separate account managers. Clients electing a separate account manager will be charged the fee described in the Claris advisory agreement. A portion (ranging from .30% to .65%) of the total fee paid to Claris will be allocated to the Separate Account Manager.

### Investment Advisory Agreement

Both the description of services offered and the specific manner in which fees are charged by Claris are established in the client's written "investment advisory agreement" with Claris. Claris bills its fees on a quarterly basis. Individual client accounts are billed in advance. The Claris Investment Advisory Agreement provides us with the written authorization to deduct the fees to be paid directly from client accounts held by the qualified custodian. The qualified custodian has agreed to deliver an account statement at least quarterly directly to the client indicating the amounts deducted from the account, including the advisory fee.

Either Claris or their clients may terminate advisory agreements for any reason with written notice. Upon receipt of written notice of termination (or communication by the Brokerage firm or custodian), Claris will cease all advisory work on the client's account as of that date and reimburse the client any prepaid fees based on the pro rata number of days left in the billing period.

### Additional Fees:

In addition to advisory and underlying investment fees, client accounts are also subject to various custodial or account administration fees. These fees vary with each custodian but are always fully disclosed to the client in advance.

Claris' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Claris management fee.

Claris shall not receive any portion of these charges, fees or commissions, but may receive benefits as a result of larger overall relationships.

### **Timing for Fee Billing**

Clients will pay Claris a fee for its investment management services. This fee is commonly referred to as the "advisory fee" or "management fee". Advisory fees are payable quarterly in advance.

With the exception of a new client account, the actual fee will be a fractional percentage of the closing value of the assets as of the last day of the calendar quarter. For new client accounts where the investment advisory agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is based the opening value of the account payable in proportion to the number of days in the quarter for which you are a client. Fees will subsequently be charged and deducted as described above following the end of the calendar quarter.

Account assets invested in shares of mutual funds or other investment companies will be included in calculating the value of the account for purposes of computing the advisory fees. These same assets will also be subject to any management fees and expenses as set forth in the prospectuses of those funds. Such fees and expenses are paid by the funds but are ultimately borne by the investor.

### **Billing Process**

Per the client's advisory agreement, fees are deducted from a client's account by the Custodian. As Custodian, Schwab does not verify the accuracy of the fee. It is the client's responsibility to verify the accuracy of the fee.

Clients who wish to terminate their advisory arrangement with Claris should notify us in writing to be refunded the pro rata portion of prepaid advisory fees. Claris does not have the ability to control the underlying management or administration fees charged by the custodians or by the investments offered or those held by the client.

### **Other Fees and Compensation**

There may be specific investments desired by the client which require the representative to be paid solely on a commission basis from the company offering the product. If and when this situation arises, the client will be informed of the situation, and any fees or commissions associated with such an investment purchase, as well as any potential conflict of interest, will be fully disclosed.

Not all investment products are available through all brokers or agents. Claris does not offer its own proprietary products. Therefore, depending on the investment product in question, Clients may have the option to purchase the same investment products we offer through other brokers or agents that are not affiliated with us.

To protect our clients from the inherent conflicts of interest involved in commission-based investment products, Claris makes every effort to select investments which can be managed under a fee arrangement. Approximately 5% of our firm's revenue is derived from non-advisory fees.

For clients with smaller account levels, it is sometimes difficult to fully diversify assets into low-cost investments. There are also situations in which clients want specific products which only pay commission compensation and charging a management fee on top of the commission would create a conflict of interest for Claris. However, investment product commission structures vary, and therefore we cannot adequately address every conceivable situation and remedy in this paragraph. Therefore, in those rare cases when we offer commission-based products, Claris will exclude those assets from the advisory fee calculation and subsequent billing.

Item 12 further describes the factors Claris considers in selecting broker-dealers for *client* transactions.

## **Item 6 – Performance-Based Fees & Side by Side Management**

Claris does not currently accept performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client. Our advisory fee compensation is charged only as disclosed above in Item 5. Additionally, Claris does not manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly, flat or an asset-based fee, also known as side-by-side management.

## **Item 7 – Types of Clients**

As described in Item 4, Claris offers advisory services for individuals, families, small businesses, trusts and a limited number of retirement plans. Our typical clients are those who are experienced and comfortable with saving and investing for their retirement and their family's future, board members and/or trustees acting on behalf of the trust for an organization they represent, and employers/business owners looking for an advisory group to assist them in making prudent decisions for their employees' retirement assets. In order to be able to offer our clients our most effective work, Claris Financial recommends (but does not require) that clients have at least \$100,000 in total manageable assets. This allows us to prudently diversify client accounts into lower cost investment vehicles and avoid conflicts caused by certain investment minimums.

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

### **Methods of Analysis & Investment Strategies**

Claris employs a flexible investment strategy in the management of client assets. We have the ability to use outside money managers through Schwab, or to develop portfolios tailored by each Claris Advisor for each client. Whether the advisor and client decide to use outside management or advisor- managed depends on a number of factors, including the size of the assets managed, the complexity of the client



holdings, the tax implications of each approach, and the needs and concerns of the client.

Clariss and its representatives may utilize open-ended, no-load, load-waived and/or non-transaction fee mutual funds, as well as domestic and foreign equity securities (common stock), exchange traded funds ("ETFs"), and fixed income securities.

The first step in developing portfolios involves determining a suitable investment mix for each client. Investment experience, time horizon, financial goals, and investor psychology are all factors when creating each asset allocation. Once the client and Clariss Advisor have established the investment plan, the Advisor will begin an economic analysis to determine the long term and short-term direction of the business cycles for various market segments. Examples of market segments include U.S. small, mid and large cap equities, international developed and emerging market equities, and domestic and foreign debt securities.

In making investment decisions, we use a range of fundamental and technical factors provided to us by various sources. Fundamental factors may include, but are not limited to, measures such as earnings growth rates, return on capital and dividend yield. Technical factors include measures such as price performance, volatility and trading volume.

Clariss and/or its representatives may invest all or a significant portion of a client's assets in mutual funds in order to employ the investment strategies described. We may also buy or sell individual securities or buy investments that employ inverse strategies if we believe the value of the security or market segment is likely to depreciate in value. Securities that employ inverse strategies seek to deliver the opposite of the performance of the index or benchmark that they track by engaging in short selling, swap agreements and/or futures contracts. An inverse strategy may offer leverage but generally is more volatile and risky than traditional investment strategies due to their exposure to leverage and derivatives including total return swaps and futures. These strategies are typically designed to achieve their desired exposure on a short-term basis. Holding these types of securities for longer periods of time potentially increases their risk due to the effects of compounding and the difficulty of timing the market. As a part of our investment strategy and during periods in which we want to have limited market exposure, we may invest in money market/stable value funds or other short-term interest-bearing instruments.

All investment strategies inherently expose our clients to various types and varying degrees of risk. Below we discuss those risks in greater detail.

### **Investment Risk**

Investing in securities involves exposing financial assets to various risks that clients should be prepared to bear. The first step is taking time to understand what those risks might be.

### **Mutual Fund & Exchange Traded Fund Risk**

There are specific risks involved in the management of mutual funds and Exchange Traded Funds which are described in detail in their prospectus. In general, ETFs and Mutual funds expose the investor to the strategy specific risk of the fund.

ETFs are subject to substantially the same risks as those associated with the direct ownership of the

securities comprising the index on which the ETF is based. Additionally, the value of the investment will fluctuate in response to the performance of the underlying index and may trade at a premium or discount to the index.

### **Market Risk**

Stock markets can be volatile. In other words, the prices of stocks can rise and fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. Investments may decline in value if the stock markets perform poorly. There is also a risk that the investments will underperform the securities markets or particular segments of the securities markets.

### **Portfolio Turnover Risk**

Portfolio turnover refers to the rate at which the selected investments are replaced. This type of turnover also occurs in mutual funds where the individual securities are traded by the fund management teams. Turnover costs (transactional and brokerage costs) may be directly affected by the rate that underlying securities are bought and sold, which may reduce the return. This cost can be mitigated if the underlying securities can be bought and sold without corresponding commission costs. Active trading of securities may also increase your realized capital gains or losses, which may affect the taxes you pay.

### **Foreign Risk**

Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market. Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards.

### **Small and Medium-Size Company Risk**

Small and medium size companies may have narrower markets and more limited managerial and financial resources than do larger, more established companies. As a result, their performances can be more volatile, and they may face a greater risk of business failure.

### **Issuer-Specific Risk**

The value of a specific security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers. The value of certain types of securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market, or economic developments. With Bonds there is also the risk of default by the issuer.

### **Short-Selling Risk**

Positions (purchases) in shorted securities are speculative and more risky than "long" positions (purchases) because the cost of the replacement security is unknown. Therefore, the potential loss on the short sale is unlimited, whereas the potential loss on long positions is limited to the original purchase price. Any strategy that includes selling securities short could suffer significant losses. Short selling will also result in higher transaction costs (such as interest and dividends), which reduce return, and may result in higher taxes.

## **Derivatives Risk**

Investments in futures and options are considered "derivative" investments. A small investment in derivatives could have a potentially large impact on performance. The use of derivatives involves risks different from or possibly greater than the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that the hedging technique will fail if changes in the value of a derivative held do not correlate with the portfolio securities being hedged.

## **Put and Call Options Risk**

There are risks associated with the sale and purchase of call and put options. A seller (writer) of a covered call option assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the option is uncovered, and the seller must purchase the security at the current market price because the option is exercised, the loss could be significant. The buyer of a put or call option risks losing the entire premium invested in the option.

## **Inflation Risk**

For some investors, the fear of loss of their account value may drive them to opt for lower returns with less market risk. However, even when an investment promises to provide steady respectable returns, there is still a risk that inflation will chip away at the client's purchasing power, possibly nullifying some of the gains.

## **Risk of Loss**

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). As you know, stock and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

Claris does not represent, warrant or imply that the services or methods of analysis used by Claris can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that clients' goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Claris will provide a better return than other investment strategies.

## **Item 9 – Disciplinary Information**

We do not have any legal, financial or other "disciplinary" item to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us. This statement applies to our Firm, and every employee.

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

Claris does not have any undisclosed relationship or arrangement that is material to our advisory business or to our clients.

### **Professional Business Relationships**

You should be aware that persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents the potential for a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Claris also maintains professional business relationships with various legal, accounting, recordkeeping, third-party administrators (TPAs) and other investment advisory and consulting firms, both locally and around the country. These informal relationships are created to share industry information and insight. Claris does not receive any compensation or shared revenue with any of these entities; therefore, these relationships hold no conflict of interest for our clients.

### **Separate Accounts Relationships**

Claris offers clients third party investment management programs made available through Schwab for our clients. These third-party managers are referred to as “separate account managers”. Claris receives no direct or indirect compensation from the third-party managers or sub- advisers for these arrangements. Third party managers do occasionally absorb the cost of certain marketing and client-appreciation events, but there is no direct compensation to Claris.

### **Third Party Advisory Consulting Services**

For an asset-based fee, Claris contracts directly with third party firms, including broker-dealers, to provide advisory consulting services to the clients of those contracted firms. Those services do not include any assumption of discretionary authority over any brokerage accounts and do not include the monitoring of securities positions.

### **Solicitation Arrangements**

Claris does not participate in any solicitation arrangements.

## **Item 11 – Code of Ethics**

The Claris Financial, LLC Code of Ethics will be provided to any client or prospective client upon request.

In accordance with the Advisers Act, Rule 204A-1, Claris has adopted a Code of Ethics. This Code of Ethics outlines all who are deemed to be access persons and mandates their compliance with applicable regulations and federal laws. Additionally, these employees must engage in high ethical standards at all times and place the client's interest above their own. The Code of Ethics includes, but

is not limited to, provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons at Claris must acknowledge the terms of the Code of Ethics annually, or as amended.

At the heart of this code is a requirement to always act in the best interest of our client and to fully disclose all fees, expenses and any conflicts or potential conflicts in interest. A copy of this Code of Ethics will be provided to any client or prospective client upon request. Claris Financial' Code of Ethics mandates that Claris Advisors act in the best interest of our clients. As such, if Claris or its representatives offer any investment with which we have a conflict of interest, it must be disclosed in advance.

### **No Proprietary Investments**

At present, Claris does not offer any investments in which our members, our representatives or any person related to us, have a partnership or act as a general partner. Furthermore, Claris does not offer any investments in which our members, our representatives or any person related to us act as an investment adviser for the investment company.

### **Oversight of Trading Processes**

Claris' employees and persons associated with Claris are required to follow Claris' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Claris may trade for their own accounts in securities which are recommended to, and/or purchased for, Claris' clients. In addition, a related person may have an interest or position in a certain security or securities which may also be recommended to the clients. All access persons are required to report all personal securities transactions at the onset of being classified an access person and for all subsequent personal transactions in order to prevent "Front-Running".

Records will be maintained for all securities or insurance products bought or sold by the firm, associated persons of the firm and related entities. A principal of Claris, or qualified representative of the firm, reviews these records on a quarterly basis.

In certain instances, Claris Advisor's trading in their own accounts or for related persons may create either actual or perceived conflicts of interest. As such, Claris has established the following restrictions:

- A director, officer or advisor shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with Claris, unless the information is also available to the investing public on reasonable inquiry. No person shall prefer his or her own interest to that of the advisory clients.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- Claris and its employees generally may not participate in private placements without pre-clearance from the Firm's Chief Compliance Officer.
- Claris respects the right of clients to specify investment objectives, guidelines, and conditions or restrictions on the overall management of their accounts.
- Any individual not in observance of the above may be subject to termination.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored to reasonably prevent conflicts of interest between Claris and its clients. As an adviser to our clients, our clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the client's favor.

## **Item 12 – Brokerage Practices**

Claris will recommend the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). We believe that Schwab provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Schwab, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Under certain circumstances, Claris will provide investment advisory services for assets held at other qualified custodians.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts when selecting your custodian.

### **Client Directed Brokerage**

If the client directs that trades be executed through another Broker-Dealer, the client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by that Broker-Dealer. This practice may result in less favorable execution prices. Depending on the terms negotiated by the client, when combined with custodial fees this could result in higher costs to the client.

### **Trade Aggregation**

Transactions for each client account generally will be executed independently unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. Claris may (but is not obligated to) combine or "batch" such orders in an effort to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among its client's differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among Claris' clients in proportion to the purchase and sale orders placed for each client account on any given day. If Claris cannot obtain execution of all the combined orders at prices or for transactions costs that it believes are desirable, the Firm will allocate

the securities that it does buy or sell as part of the combined orders by following Claris' order allocation procedures.

### **Research and Other Benefits**

Claris does not maintain soft dollar accounts. However, as described earlier in the document, Schwab provides Claris with certain research and technology. Schwab may provide such services without cost or at a discount. Claris receives the software and support because it renders investment services to clients that maintain assets at Schwab. Schwab provides certain research services to the Claris without monetary cost. This practice creates an economic benefit that creates a conflict of interest since these benefits can influence Claris' choice of Schwab's broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services. These benefits may or may not benefit our advisory clients.

Additionally, Claris receives the following benefits from Schwab: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its RIA participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Your Brokerage and Trading Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it execute or that settle into your Schwab account. Certain trades (for example, many mutual funds, and U.S. exchange-listed equities and ETFs) may not incur Schwab commissions or transactions fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above. By using another broker or dealer you may pay lower transaction costs.

### **Products and Services Available to us from Schwab**

Schwab Advisor Services<sup>TM</sup> is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available at no charge to us. Following is a more detailed description of Schwab's support services:

**Services that benefit you.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that do not directly benefit you.** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocation aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, record keeping, and client reporting

**Service that generally benefit only us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conference and events
- Consulting on technology and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third-party's fees. Schwab also provides us with other benefits, such as occasional business entertainment for our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to request the use of Schwab rather than making such decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our selection of Schwab as custodian and broker is in the best interest of our clients. Our selection is primarily supported by the scope, quality, and price



of Schwab's services and not Schwab's services that benefit only us.

There is no direct link between Claris' participation in the program and the investment advice it gives to its clients. As part of its fiduciary duties to clients, Claris endeavors at all times to put the interests of its clients first.

### **Item 13 – Review of Accounts**

Accounts will be reviewed internally on a regular basis, not less than annually, and client accounts will be rebalanced as necessary. Reviews are conducted by Claris Advisors. Claris may also provide clients with quarterly performance reports of their managed accounts.

Changes in a client's situation, such as investment goals, financial position, unusual economic, industry or individual investment developments may trigger a review. Marriage, divorce, death, change in employment, birth of a child, retirement, etc. may also trigger the need for additional reviews. Additionally, more active accounts and/or larger accounts may be reviewed more often as situations dictate.

Accounts will be reviewed by the designated principal, John F. Paxton, or other designees selected by Mr. Paxton, for suitability. System alerts will be used to drive reviews based on client activity. At a minimum, the client's risk tolerance and investment objectives must conform to the portfolio's investment allocation.

Clients will receive monthly statements from the custodian detailing all transactions made on their behalf. If the client's account has no activity, the custodian will provide a quarterly statement. This statement will include all deposits, withdrawals, as well as entries showing the associated management fees and expenses charged/debited from the client's accounts. These reports will show the current market values and transactions during the past month or quarter as well as interest, dividends and capital gains for the reporting period.

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

Claris receives economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisor whose clients maintain their accounts at Schwab. We benefit from the products and services provided because the cost of these services would otherwise be borne directly by us, and this creates a conflict. You should consider these conflicts when selecting a custodian. These products and services, how they benefit us, and the related conflicts of interest are described above (see item 12 – Brokerage Practices).

Claris Financial, LLC does not accept any compensation other than advisory fees from our clients per the contracted arrangements.

Currently Claris has not entered into any referral arrangements, however at any time in the future Claris may enter into a referral arrangement and elect to compensate certain third parties for such referrals. No compensation will be paid to such persons without first ensuring the person is properly

registered or exempt from registration. Clients whose accounts are the subject of such referral fees will receive full disclosure of the terms of the referral arrangement. In no case will any referral payment reduce the value of the investment or reduce the assets in the client account, or violate the terms of Claris' Code of Ethics.

Occasionally, Claris will send a "thank you" gift, such as a gift basket or similar item, to an individual or company for an advisory client referral. The value of this gift will not exceed \$100.

## **Item 15 - Custody**

The majority of accounts are held at Schwab which maintains actual custody of your assets. Claris will not maintain custody of clients' funds or securities, with the exception of the deduction of Claris' fees from clients' accounts that are authorized in the advisory agreement between clients and Claris.

Under certain circumstances, Claris will provide investment advisory services for assets held at other qualified custodians.

Clients will receive account statements from the custodian at least quarterly detailing all transactions made on their behalf. The statement will be sent to the email or postal mailing address you provided to the custodian. You should carefully review these statements promptly when you receive them. Claris urges you to carefully review such statements and compare such official custodial records to the account statements you may receive from us. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

Claris manages money on a discretionary and non-discretionary basis. In most circumstances, clients grant Claris complete discretion. Clients who open discretionary accounts are required to execute an Investment Advisory Agreement which, among other things, grants Claris Advisers the authority to manage their assets on a discretionary basis, meaning we have the authority to select the identity and amount of securities to be bought or sold in the clients' account without obtaining specific client consent. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objective for the particular client account. For non-discretionary accounts, Claris will contact the client prior to executing any transaction.

As mentioned above, clients generally cannot impose restrictions on investing in certain securities or types of securities. When selecting securities and determining amounts, Claris observes the investment policies, limitations and restrictions of the clients for which it advises, if any. For registered investment companies, Claris' authority to trade securities may also be limited by certain federal securities and tax laws.

## **Item 17 – Voting Securities**

Clariss does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Proxies are mailed to each client directly by the respective custodian.

From time to time, securities held in the accounts of clients may be the subject of class action lawsuits. Clariss offers no legal services, and therefore has no ability or obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Clariss also has no duty to evaluate a client's eligibility or any duty to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Clariss has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct or negligence by corporate management of issuers whose securities are held by clients. Clariss will not be obligated to provide advice or take any action on behalf of Client with respect to securities formerly held in the account(s), or the issuers thereof, which become the subject of any legal proceedings, including but not limited to bankruptcies.

Where Clariss receives written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms and other materials to the client. Electronic mail is acceptable where appropriate when the client has authorized contact in this manner.

## **Item 18 – Financial Information**

Registered Investment Advisers are required in this Item to provide clients and prospective clients with certain financial information or disclosures about their firm's financial condition. Clariss has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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At Claris Financial, LLC ("Claris"), our relationship with you is our most important asset. We are privileged that you have entrusted us with your financial affairs and are committed to safeguarding the privacy of the information we collect. As an SEC-regulated financial institution, Claris is required to obtain certain personal, nonpublic information about you. The following Privacy Policy demonstrates our commitment to the confidentiality of your personal information.

## HOW AND WHY WE OBTAIN PERSONAL INFORMATION

Claris may collect this nonpublic personal information about you in any of the following ways:

- New Account Application (i.e., Social Security number, date of birth, income and assets)
- Transaction activity (types of transactions, balances)
- Information about your transactions and account experience with Claris Financial, LLC
- Information from consumer reporting agencies (for example, to verify your identity, to assess your creditworthiness)
- Information from other outside sources regarding your employment, credit, or other relationships relevant to the services provided by us
- Demographic and other general information we obtain that allows us to develop new services that we can offer you; Claris limits the collection, use, and retention of your personal information to the extent of assisting us to properly administer our business, service your account and to continue to improve our services to you.

## HOW CLARIS PROTECTS THE COLLECTION OF YOUR INFORMATION

Claris recognizes the importance of protecting your personal information and therefore we take the responsibility of handling both your trust and personal information extremely seriously. Claris does not sell client information to anyone. Claris does not disclose any nonpublic personal information about you, whether you are a current client or a former client, to anyone, except as permitted by law or as authorized by you. We may share your personal information that we collect "*on a strictly limited, confidential basis*" with the following entities:

- Affiliates such as service providers;
- Unaffiliated third parties such as the custodian;
- Regulatory agencies such as the SEC along with federal and state law enforcement agencies;
- Governmental agencies such as the IRS;
- Credit reporting and verification resources;
- In connection with a subpoena or similar legal process, a fraud investigation, or an audit.

Claris restricts access to your personal and account information to those associates who need to know that information to provide products or services to you or to assist you with the ongoing maintenance of your account. We maintain physical, electronic, contractual and procedural safeguards to guard your nonpublic personal information. Claris reserves the right to make changes to this policy and in so doing, we will notify you in writing before we make changes that affect the way we collect or share your information.

If you are a former client of Claris, your information will be treated in the same manner as that of our current clients.

You can obtain a written copy of our Privacy Policy by emailing us at [katy.oliver@clarisfinancial.com](mailto:katy.oliver@clarisfinancial.com) or by calling us at (804) 935-3000.