



FORM ADV PART 2A: Item 1 - Cover Page

CLARAPHI ADVISORY NETWORK, LLC

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December 18, 2020

This Brochure provides information about the qualifications and business practices of Claraphi Advisory Network, LLC. If you have any questions about the contents of this Brochure, please contact us at (949) 215-0025. 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.

Claraphi Advisory Network, LLC is an SEC-registered investment adviser. Registration as an investment adviser does not itself imply any level of skill or training. The oral and written communications of an Adviser may assist in your analysis of whether to hire or retain a particular Adviser.

Additional information about Claraphi Advisory Network, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD number for Claraphi Advisory Network is 165868.

Item 2 – Material Changes

Between May and September 2020, a sponsor's fund was recommended to certain accredited investors of the firm. Subsequently, the firm discovered that the sponsor fund's lender affiliate provided a short-term mortgage loan in the amount of approximately \$750,000 to the firm's Chief Executive Officer which was not disclosed. The fund continues to perform as intended; however the firm has suspended all future recommendations of the fund pending completion of its review currently underway.

Update 12/18/20: The internal review has been completed in connection with the Chief Executive Officer's ("CEO") undisclosed short-term mortgage loan ("Loan") from a fund sponsor's lender affiliate. On December 2, 2020, the firm received confirmation that the CEO repaid the Loan in the amount of \$803,463.39 on November 25, 2020. The fund continues to operate as intended and no clients have been financially harmed, as a result of the Loan.

In addition, and separate from the Loan, the internal review revealed what appeared to be unrelated material financial issues at the Firm. Specifically, the financial issues involved undisclosed or unapproved compensation, loans, advances and expense reimbursements taken from the Firm's assets by the CEO. As a result the CEO was terminated from the firm. Importantly, no customer assets were involved and the Firm remains financially stable.

As noted herein (Item 18) and as a result of the Coronavirus Aid, Relief and Economic Security (CARES) Act, Claraphi availed itself to governmental funds in an effort to continue to timely meet its business needs uninterrupted.

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Item 4 - Advisory Business

Claraphi Advisory Network, LLC (“Claraphi”) registered as an investment adviser in 2012. Claraphi provides investment advisory services to individuals, corporations, trusts, and other entities.

Claraphi is a wholly-owned subsidiary of Pomegranate Holdings, LLC, a Washington limited liability company. Pomegranate Holdings, LLC is principally owned and controlled by Mark Roth and Pierre Gallant. Additional information regarding the ownership of Claraphi and of Pomegranate Holdings, LLC is presented in the Schedules to Claraphi’s Form ADV Part 1 which are available on the SEC’s website at www.adviserinfo.sec.gov. The searchable IARD number for Claraphi is 165868.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on our advisory services. As used in this Brochure, the words “we”, “our” and “us” refer to Claraphi and the words “you”, “your” and “client” refer to you as either a client or prospective client of our firm.

Also, you will see Investment Advisory Representatives, or “Representatives,” referenced throughout this Brochure. Claraphi’s advisory services are made available to clients primarily through individuals associated with Claraphi as Representatives. For more information about the Representative providing advisory services, you should refer to the Brochure Supplement for that Representative. The Brochure Supplement is a separate document that is provided by the Representative along with this Brochure before or at the time a client engages Claraphi. If you did not receive a Brochure Supplement for the Representative, you should contact the Representative or Claraphi at info@claraphi.com.

On June 5, 2020 Claraphi filed its Form CRS (aka Form ADV Part 3). Form CRS is intended to provide retail clients with additional transparency related to standards of conduct, fees, conflicts of interest and other details about Claraphi and its Representatives.

The Representative may be replaced by Claraphi if he or she is unable to render investment services to the account temporarily or permanently, terminates his or her relationship with Claraphi, is terminated by the client, or is no longer registered as an investment adviser representative.

Claraphi does not represent, warrant, or imply that the services or methods of analysis used by its Representatives can or will predict future results or insulate clients from losses due to market conditions. Clients are advised that all fees paid to Claraphi for investment advisory services are separate and distinct from the fees and expenses charged by custodians, variable annuities, ETFs and mutual funds (described in each fund’s prospectus) to their shareholders. Further, transaction charges may apply when purchasing or selling securities.

Claraphi offers advisory services described below to clients in its various Programs. Under such engagements, Clients authorize Claraphi to purchase and sell securities on a discretionary or non-discretionary basis (depending on the Program) pursuant to an investment objective chosen by the client. This authority is set out in an advisory agreement between Claraphi, Representative and the client.

We obtain the necessary financial data from our clients, assist our clients in determining the suitability of the advisory services and assist in setting the appropriate investment objective. We provide on-going investment advice and management that is tailored to the individual needs of the client based on the investment objective chosen by the client's response to specific questions. Depending on the specific engagement, the types of securities that may be purchased and sold in a client's account include mutual funds, ETFs (including inverse and leveraged ETFs), equities, options, fixed income securities, structured notes, interests in partnerships such as real estate, oil and gas, as well as management of variable annuity subaccounts.

Clients generally may impose reasonable restrictions on investing in certain securities or groups of securities. If the client's instructions are unreasonable or Claraphi believes the instructions are inappropriate for the client, we will notify the client that, unless the instructions are modified, we may cancel the client's account. A client will not be able to provide instructions that prohibit or restrict the investment adviser of an open-end or closed-end mutual fund or exchange-traded funds, with respect to the purchase or sale of specific securities or types of securities within the mutual fund.

The assets managed as part of a customized engagement are held at an unaffiliated, qualified custodian. Execution services are provided by broker-dealers/custodians unaffiliated with Claraphi, although in some cases the individual Representative may maintain a registration with a broker-dealer also providing execution services to Claraphi clients. If this applies, details are provided in the Representative's Brochure Supplement.

Following is a description of the firm's fee-based Programs:

Representative (Rep) as Manager Program

The Rep as Manager Program is a Program for individual management of accounts held with selected qualified custodians/broker-dealers. Under the Program, a Representative associated with Claraphi will act as portfolio manager. The Program is offered as either a non-discretionary or discretionary service. The minimum initial investment for the Program is \$25,000. The minimum account size requirements may be negotiable depending on the client household, relationship, type and size of the account.

Monitoring of Investments

Claraphi offers a Program pursuant to which Representatives associated with Claraphi provide asset-monitoring services with respect to variable annuity products, plans such as 401(k)s, 403(b)s, mutual funds, and accounts held at custodians with which Claraphi has no direct relationship. The Representative monitors the investment and reallocation of assets among sub-accounts offered by the insurance company that issues a variable annuity or among investment options in 401(k)s, 403(b)s, mutual funds and other plans or otherwise manages an account held at a custodian in accordance with a confidential client profile, which includes the client's investment objectives. Monitoring may be done on a discretionary or non-discretionary basis. If the discretionary service is selected, the Representative will be primarily responsible for making investment decisions with respect to the variable annuity, mutual fund or other plans, including allocations and reallocations among sub-accounts or investment options. If a non-discretionary service is elected, the Representative will provide investment advice regarding allocations and reallocations among

subaccounts or investment options, but the authority to make final investment decisions will remain with the Client.

Unified Managed Account Program

Claraphi offers a Unified Managed Account Program through an agreement with Folio Investments, Inc. Pursuant to the Program, a Representative associated with Claraphi provides ongoing investment advice to clients tailored to the individual needs of the client. As part of these services, the Representative obtains the necessary financial data from the client, assists the client in determining the suitability of the Program, assists the client in setting an appropriate investment objective and assists the client in opening an account with Folio Investments, Inc.. The Claraphi Representative also has trading discretion to allocate a client's account opened at Folio Investments, Inc. among models, as well as to mutual funds and exchange traded funds, and to rebalance the account from time-to-time among those alternatives. Claraphi makes available models of third-party investment advisors, as well as models developed by Claraphi. Under this scenario, Claraphi, through its Representatives, will help the client select a model portfolio of securities designed by Claraphi personnel or by a select portfolio management firm. This authorization will be set out in the Claraphi Investment Advisory Agreement. The minimum initial investment for the Program is \$25,000. The minimum account size requirements may be negotiable depending on the client household, relationship, type and size of the account.

Financial Planning

Certain Representatives offer financial planning services for a flat fee or an hourly rate negotiated between the Representative and the client. The Representative provides personal financial planning tailored to the individual needs of the client. These services may include, as selected by the client on the Claraphi Financial Planning Agreement, information and recommendations regarding investment planning, retirement planning, estate needs, business needs, education planning, life and disability insurance needs, long-term care needs and cash flow/budget planning. The Representative may also conduct due diligence and product review of one or more tax mitigation strategies for clients. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. The Representative delivers to the Client a written financial plan. Claraphi and the Representative will not have any discretionary investment authority when offering financial planning. If the Client elects to engage the Representative, the planning services may include recommendations only as to general types of investment products or securities that may be appropriate for Client to consider. If a financial plan includes recommendations regarding investments, the Client will have a choice where to implement those recommendations and can use advisors other than Claraphi.

Participation in Wrap Fee Programs

Certain Representatives may also offer asset management services through wrap fee programs we sponsor. A wrap program is one in which a client is charged a specified fee not based directly on transactions in the client's account for investment advisory services and execution of client transactions.

Retirement Solutions

Claraphi delivers retirement solutions to plan providers, plan sponsors, and participants through FOLIO Institutional. Pursuant to the Program, Claraphi may recommend third-party administrators or clients can select their own.

Where Claraphi offers plan participants the option of using our discretionary investment management services, we will enter into a separate agreement with that participant, describing our services and fees for those services. We will also request financial data and other information from the participant that will help us understand their investment objectives.

In providing our retirement plan services to plan sponsors and participants, we are deemed to be a fiduciary. We may also agree to serve as investment manager as defined in ERISA Section 3(38); our serving in this capacity requires a separate acknowledgement and agreement between Claraphi and the plan sponsor.

Solicitors

Claraphi uses unaffiliated third parties to market Claraphi's advisory services. These third parties, or solicitors, will refer clients to Claraphi. Often these solicitors are themselves investment advisers, or representatives of an investment adviser. Claraphi pays solicitors a portion of the management fee that we charge to clients. Clients are not charged an additional fee when referred to Claraphi by a third party; however, in this instance Claraphi retains less of the fee since it is split with another party. Any client referred to Claraphi through a solicitor will receive and sign a Solicitor Disclosure Statement which explains our role, the solicitor's role, and the fees charged.

Solicitors do not provide investment advisory services to Claraphi's clients, and do not have discretion over or authority to make trades in clients' accounts. However, solicitors do often maintain a customer service role with clients they refer to Claraphi, including (but not limited to) those times when the solicitor has their own separate advisory agreement with the client through another investment adviser (not related to Claraphi). Claraphi receives updates to client information, including investment objectives, risk tolerance and liquidity needs, via the solicitor.

Assets Under Management

As of December 31, 2019, we managed approximately \$894 million on a discretionary basis and none on a non-discretionary basis.

Item 5 - Fees and Compensation

Claraphi's maximum annual advisory percentage fee is currently 2% of assets under management. Fee details specific to each Program we offer are described in the written agreement signed by the Client. The annual percentage fee is typically lower as the total account value increases. Fees are negotiable depending upon a range of factors including, but not limited to, account size, overall range of services provided, representative working with the account, and geographic location. Under certain circumstances the minimum monthly administrative fee may be waived, and account minimums may be lowered. Similar services may be obtained from other investment advisers for a lesser fee. The specific manner in which fees are charged by Claraphi

is established in a client's written agreement with Claraphi. Unless there is an alternative arrangement negotiated with the client, Claraphi deducts its fees on a monthly or quarterly basis in arrears depending on the Program and the client's election in its agreement with Claraphi. Clients may also elect to be billed directly for fees or to authorize Claraphi to directly debit fees from client accounts. Accounts initiated or terminated during a calendar month or quarter will be charged a prorated fee.

Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties, such as registered investment product 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. Variable Annuities, Mutual Funds and Exchange Traded Funds also charge internal management fees, which are disclosed in the product/fund's prospectus. Such charges and fees are in addition to Claraphi's fee.

Item 12 further describes the factors that Claraphi considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

Representative (Rep) as Manager Program

The Rep as Manager Program is a Program for individual management of accounts held with a selected qualified custodian, unaffiliated with Claraphi. Under the Program, a Representative associated with Claraphi will act as portfolio manager. The Program is offered as either a non-discretionary or discretionary service. The minimum initial investment for the Program is \$25,000. The minimum account size requirements may be negotiable depending on the client household, relationship, type and size of the account. Rep as Manager Program accounts are charged an assets under management ("AUM") fee. The amount of the fee agreed upon between Claraphi and the Client is negotiated between the Representative and the Client at a rate not to exceed 2% annualized, with the rate included in the Claraphi Investment Advisory Agreement. Representatives are located across the country and negotiate fees with clients.

The amount of the monthly or quarterly advisory fee is based upon the average daily value of the Client's account calculated as of the last day of the month or quarter. We also charge a monthly administrative fee of up to \$7.25 (or quarterly fee of up to \$21.75). These fee amounts describe a typical range for the monthly or quarterly administrative fee, but this fee is negotiable and often varies from client to client. This fee may be absorbed by the Representative, which results in a lower overall fee to the Representative. All fees are detailed in the advisory agreement signed by the Client.

This Program may be offered as a fee only program via Fidelity's asset-based platform, in which no ticket charges or commissions are charged to the client's account, or an AUM fee plus ticket charge, as negotiated with the client.

If the agreement with the client provides for an AUM fee plus ticket charge, the custodian will collect a ticket charge, which may be a flat fee per transaction or based on the size of the transaction. The advisory fee is calculated by Claraphi and deducted automatically from the account monthly or quarterly in arrears (as negotiated with the client). Costs and fees arising out of transactions effected by the custodian, including commissions, dealer mark-ups, mark-downs or "spreads," as well as margin interest, offering discounts, IRA fees or fees charged by mutual

funds, will also be separately borne by client. To the extent permitted by law, the custodian may act on an agency or principal basis. The custodian would retain any mark-ups, mark-downs or “spreads” associated with any such transaction in which it acts as principal. See Item 12.

Monitoring of Investments

Claraphi offers a Program pursuant to which Representatives associated with Claraphi provide asset-monitoring services with respect to variable annuity products, plans such as 401(k)s, 403(b)s, mutual funds, and accounts held at custodians with which Claraphi has no direct relationship. The Representative monitors the investment and reallocation of assets among sub-accounts offered by the insurance company that issues a variable annuity or among investment options in 401(k)s, 403(b)s, mutual funds and other plans or otherwise manages an account held at a custodian in accordance with a confidential client profile, which includes the client’s investment objectives. Monitoring may be done on a discretionary or non-discretionary basis. If the discretionary service is selected, the Representative will be primarily responsible for making investment decisions with respect to the variable annuity, mutual fund or other plans, including allocations and reallocations among sub-accounts or investment options. If a non-discretionary service is elected, the Representative will provide investment advice regarding allocations and reallocations among subaccounts or investment options, but the investment decisions will remain with the Client.

The amount of the advisory fee agreed upon between Claraphi and the Client is negotiated between the Representative and the client at a rate not to exceed 1.5% annualized, with the rate included in the Claraphi Investment Advisory Agreement. Representatives are located across the country and negotiate fees with clients.

The amount of the quarterly monitoring fee is based upon the average value of the assets in the account during the prior quarter, plus a quarterly administrative fee of up to \$7.25. Claraphi may also impose an additional \$25.00 per quarter for those account relationships where assets are held away and not reportable through Claraphi’s reporting systems. The assets are valued by independent pricing services, whenever available, or obtained in good faith through other customarily acceptable sources and reflected on the Client’s statement by the applicable insurance company, mutual fund or other plans. In unusual instances, an arrangement for a flat fee, or a monthly AUM fee (instead of quarterly) may be negotiated. All transaction costs and other fees charged by an insurance company that issues a variable annuity, mutual fund or other plan accounts for plan transactions are in addition to the monitoring fee.

See below for important information on Representatives dually licensed as insurance agents or broker-dealer representatives.

Some insurance companies and mutual funds may charge fees if investments are reallocated among sub-accounts and/or mutual fund family allocations more than a certain number of times during a specified period. The Client’s accounts would bear any such fees.

Unified Managed Account Program

Claraphi offers a Unified Managed Account Program through an agreement with Folio Investments, Inc. Investments, Inc. Pursuant to the Program, a Representative associated with Claraphi provides ongoing investment advice to clients tailored to the individual needs of the

client. As part of these services, the Representative obtains the necessary financial data from the client, assists the client in determining the suitability of the Program, assists the client in setting an appropriate investment objective and assists the client in opening an account with Folio Investments, Inc. The Claraphi Representative also has trading discretion to allocate a client's account opened at Folio Investments, Inc. among models, as well as to mutual funds and exchange traded funds, and to rebalance the account from time-to-time among those alternatives. Claraphi makes available models of third-party investment advisors, as well as models developed by Claraphi. Under this scenario, Claraphi, through its Representatives, will help the client select a model portfolio of securities designed by a select portfolio management firm, or using models developed by Claraphi. This authorization will be set out in the Claraphi Investment Advisory Agreement. The minimum initial investment for the Program is \$25,000. The minimum account size requirements may be negotiable depending on the client household, relationship, type and size of the account. Unified Managed Account Program accounts are charged an assets under management ("AUM") fee. The amount of the fee agreed upon between Claraphi and the client is negotiated between the Representative and the Client at a rate not to exceed 2% annualized, with the rate included in the Claraphi Investment Advisory Agreement.

The amount of the monthly or quarterly fee is based upon the average value of the assets in the account during the prior month or quarter, plus a monthly administrative fee of up to \$7.25. These fees cover asset allocation, investment management, execution, custodial and reporting services. The fee is calculated by Claraphi and ordinarily deducted automatically from the Client's account monthly or quarterly in arrears, whichever is selected by the client. Folio Investments, Inc. charges Claraphi 20 basis points on all Client assets under management but waives the fee on assets for which Folio Investments, Inc. received sales compensation, such as mutual fund commissions or trail commissions. Folio Investments, Inc. may receive trail commissions, typically 25 basis points per year, assessed as part of the fund's internal expenses, however Claraphi does not pay Folio on those accounts. Fund expenses reduce overall return and are therefore indirectly borne by the Client. This creates a conflict of interest for Claraphi in that we have a financial incentive to recommend securities that reduce our operating costs, rather than recommending securities solely in response to Client needs. Our relationships with other custodians do not involve this conflict. That means Claraphi also has a financial incentive to recommend programs other than the Unified Management Program, to the extent we are not responsible for any custodial or execution costs in other programs and are therefore able to reduce the firm's costs by recommending those other programs.

Claraphi believes this arrangement with Folio Investments, Inc. results in lower overall costs for clients, whether the Client is charged in the form of lower overall returns or if Claraphi pays the custodial and execution costs on behalf of Client and the Client pays only the management fee to Claraphi. Paying separate fees for advisory services, custodial services, and execution services may cost Clients more or less than the dual expense arrangement offered by Folio Investments, Inc. to Claraphi. See Section 12 for more information on this arrangement.

Financial Planning

Certain Representatives offer financial planning services for a flat fee or an hourly rate negotiated between the Representative and the client. Hourly rates are set by the individual Representative and are typically between \$200 and \$400 per hour. Fees will be explicitly disclosed to and agreed on by the Client prior to Claraphi's providing services. Claraphi may also provide financial plans

for a flat fee that typically ranges between \$2,500 and \$7,500, depending on the complexity of the plan and the needs of the Client. Both hourly rates and flat fees are negotiable.

The Representative provides personal financial planning tailored to the individual needs of the client. These services may include, as selected by the client on the Claraphi Financial Planning Agreement, information and recommendations regarding investment planning, retirement planning, estate needs, business needs, education planning, life and disability insurance needs, long-term care needs and cash flow/budget planning. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. The Representative delivers to the Client a written financial plan. Claraphi and the Representative will not have any discretionary investment authority by virtue of offering financial planning. If the Client elects to engage the Representative, the planning services may include recommendations only as to general types of investment products or securities that may be appropriate for Client to consider. If a financial plan includes recommendations regarding investments, the client has a choice where to implement those recommendations and can use advisors other than Claraphi.

Compensation Received by Representatives for Transactions Outside of Claraphi

Some Representatives are also licensed as insurance agents. The Representative's brochure supplement (ADV Part 2B) provides information about any outside business activities, including being insurance licensed, and the conflicts that may exist with that role. A conflict of interest exists where the Representative is insurance-licensed and receives a commission or trail compensation, in addition to the asset-based fee assessed by Claraphi for advisory services. Clients have the option to purchase insurance products recommended by their Representative through other insurance agents not affiliated with Claraphi.

A Representative associated with Claraphi may also be registered with a securities broker-dealer or commodities trading firm not affiliated with Claraphi, and may render securities or commodities trading services, through that firm under a commission arrangement. As noted above, the Representative's brochure supplement discloses any such activities and the conflicts that may exist in that role.

Dual registration presents a conflict of interest and gives Representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs. However, if a client establishes both an advisory account (advised by Claraphi) and a transaction account (through an unaffiliated firm where the Representative functions as broker or trader and could receive transaction-based compensation), the client and the Representative will establish the types of transactions that will be made in each account. Clients have the option to purchase investment products that Representatives recommend through other broker-dealers or commodities trading firms. Clients will sign a Claraphi account agreement indicating the services to be received by the Representative.

Clients may elect to effect transactions through a Claraphi Representative in his respective individual capacities as representatives of an unaffiliated broker-dealer or commodities trading firm. Those firms may charge commissions to effect these transactions and thereafter, a portion of these commissions may be paid to the Representative in his/her capacity as a registered

representative or broker of that firm. A client who wishes to obtain such services would be required to enter into an account agreement directly with that firm. The commissions charged by these broker-dealers with which a Representative may be affiliated may be higher or lower than those charged by other broker-dealers or commodities firms and from which Claraphi's Representative does not receive commissions.

Dually-registered Representatives may receive, through the broker-dealer with which they are registered, compensation from the sale of mutual funds, including ongoing 12b-1 fees (trails), as well as commissions from the sale or exchange of variable annuities. In accord with the SEC Share Class Initiative, 12b-1 fees received by an adviser have the potential to reduce a client's returns and a conflict of interest exists for investing client funds in a 12b-1 fee-paying share class when a lower-cost share class is available for the same fund.

No sales commission or special compensation is received by Claraphi for the firm's services and recommendations, other than its customary advisory fees. Clients are hereby advised that all fees paid to Claraphi and/or selected sub-advisers for investment advisory services are separate and distinct from the fees and expenses charged to clients by custodians and mutual funds (described in each fund's prospectus) to their shareholders. Further, transaction charges may apply when purchasing or selling securities. Claraphi does not share in any portion of the fees charged by sub-advisers, nor in brokerage fees/transaction charges imposed by the custodian holding the client's funds or securities.

Claraphi tries to use institutional or advisory shares and does not generally permit front-end or back-end load mutual funds or variable annuities to be purchased in its advisory program, or any other class of mutual funds or annuities that have 12b-1 (trail fees). Claraphi will take into account the overall fees charged when determining the asset-based advisory fee to be assessed by Claraphi. Claraphi will reduce its advisory fees as appropriate. The aim is to reduce the Representative's financial incentive to recommend products based on the Representative's compensation rather than the Client's needs.

Claraphi requires each Representative to disclose his or her broker-dealer and insurance affiliations, as well as other conflicts of interest, on the Representative's 2B Brochure Supplement. The 2B is provided to all Clients at the time they establish an account with Claraphi, and updated 2Bs are provided to Clients whenever there is a material change.

Mark Roth, the firm's President, receives only salary from Claraphi, and receives no cash or any economic benefit from a non-client in connection with giving advice to Clients. Further, he does not accept compensation for the sale of securities or other investment products, including asset-based charges or service fees from the sale of mutual funds.

Andrew Tang, Claraphi's Chief Investment Officer, serves on the firm's Investment Committee. He is compensated through a salary.

Item 6 - Performance-Based Fees and Side-By-Side Management

Claraphi does not currently charge any performance-based fees.

Item 7 - Types of Clients

Claraphi provides investment advisory services to individuals, high net worth individuals, trusts, estates, charitable organizations, corporations or other business entities, and to qualified/pension/profit sharing plans.

All advisory accounts have minimum account size requirements of \$25,000, which may be negotiable, depending on the client household, relationship, type and size of the account.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

The Representative has access to various research reports and model portfolios to which he or she may refer to in determining investment advice provided to clients. The Representative chooses his or her own research methods, investment style, and management philosophy. It is important to note that no methodology, investment style, or investment strategy is guaranteed to be successful or profitable or can guarantee a client against loss. The investment strategies and advice may vary depending upon each client's specific financial situation. As such, Representatives determine investments and allocations based upon clients' predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Clients' restrictions and guidelines may affect the composition of client portfolios. Claraphi Representatives use a variety of investment analysis techniques to analyze the securities they purchase or sell on behalf of Clients, primarily including:

Fundamental Research, which is analysis of industries and companies based on factors such as sales, assets, earning, products and services, markets and management. Fundamental analysis of economic trends includes interest rates, unemployment, inventories, consumer savings and gross national products(s). The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Charting, which is the graphic tracking of price movements and other trends to determine typical movement. When a trend deviates from its norm, that can be an indicator of an impending upturn or downturn. The risk of market timing based on analysis of charts is that it may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in the market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Technical Analysis, which involves analysis of stock prices, also takes into account internal market factors that reflect investor psychology. This style of analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis, which reviews securities in industries that are particularly sensitive to swings in general economic conditions. Economic/business cycles may not be predictable and may have

many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Asset Allocation, which is an attempt to identify an appropriate ratio of securities and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected will no longer be appropriate for the client's goals.

Claraphi reviews and conducts due diligence on illiquid alternative assets, including but not limited to private equity offerings, real estate, oil and gas, and credit instruments. As part of this process we rely on third party reports when available as well as third party consultants with specific expertise to analyze such products. We recommend certain alternative investments to individual clients for whom we believe the investment is suitable, or we may include alternatives as part of a strategy.

The firm often collects fees from issuers of alternative investments for performing due diligence and/or participating in marketing efforts. The due diligence fee is usually a flat fee that is meant to reimburse the firm for the costs it incurs in undertaking a due diligence analysis of an issuer's investment product. The marketing fee is meant to reimburse the firm for costs it incurs in arranging and sponsoring marketing seminars. These fees are never calculated as a percentage of clients' investments. However, the existence of these fees could be viewed as a conflict of interest because of the potential that Claraphi might only recommend managers who pay the fees. The firm mitigates this potential conflict by having a well-defined investment process and by reviewing the alternative investment issuers and managers chosen and rejected to detect any favoritism and ensure that decisions to approve an alternative investment is made in the best interest of the client.

Investment Strategies

In the implementation of its analysis, Claraphi Representatives use some or all of the following strategies at any given time:

Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Short-term gains in taxable accounts are subject to federal income tax at higher rates than long-term gains. This difference in tax treatment is a disadvantage of short-term trades for taxable clients.

Trading – Representatives may use short-term trades (in general, selling securities within 30 days of purchasing the same securities) when managing your account(s). A Representative may sell a security soon after purchasing it on occasions when they determine that there is a reasonable basis for the sale and it is suitable given a client's stated investment objectives and tolerance for risk. Short-term gains in taxable accounts are subject to federal income tax at higher rates than long-term gains, while losses realized on securities held 30 days or less are generally not tax deductible.

These differences in tax treatment are disadvantages of short-term trades for taxable clients. There is also risk in that high velocity trading creates substantial transactions costs that in aggregate could negatively impact account performance.

Short Sales – securities transactions in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price. The risk associated with a short sale is the potential of unlimited loss should the underlying value of the short position increase in value instead of the anticipated decline. Another risk is buy-in risk. Once borrowed, the shares are subject to buy-in at any time, which could force the client to cover the short position at a disadvantageous time or price. Short sales require the use of margin, which may increase cost and risk. Additional costs include interest on the value of borrowed securities. Risks also include additional margin calls in response to market fluctuations or at the discretion of the custodian.

Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. This allows the client to purchase more stock than they would otherwise be able to, based on the account's available cash, and would allow the Representative to purchase stock without selling other holdings, which is therefore a higher risk strategy. Securities purchased on margin are subject to liquidation, additional margin calls, and interest on the funds borrowed. Should the value of the securities decline, clients may be forced to deposit additional margin with limited notice, or to liquidate their securities at substantial losses.

Option Purchases and Option Writing – Purchasing a long option gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor writes (or sells) an option, he or she is obligated to deliver to the buyer of the option a specified number of shares (or the calculated money difference) if the buyer exercises the option. Claraphi does not permit uncovered option writing in its Rep as Manager programs. The seller receives a premium in exchange for writing the option. Options are wasting assets and expire at pre-determined dates. Commission charges for options transactions may be higher than the charges assessed for other assets, such as individual equities.

Investing in securities involves risk of loss that clients should be prepared to bear.

Risk of Loss

Claraphi can recommend many different types of securities, including mutual funds, closed end funds, ETFs (including inverse and leveraged ETFs), allocation on variable annuity subaccounts, equities, warrants, fixed income securities, options, hedge funds, private placements and structured products. Investing in these securities and alternative investments involves the risk of loss that clients should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication or guarantee of future performance.

Described below are some particular risks associated with some types of investments Claraphi may recommend. Risk is inseparable from return. Every investment involves some degree of risk, and both the degree of risk and the type of risk varies depending on the investment. For example, the risk of loss to principal can be very close to zero in the case of a US Treasury security, or very high for something such as a concentrated exposure to one specific foreign security. On the other hand, purchasing power risk for a US Treasury security may be higher than the purchasing power risk of a higher-yield corporate bond or an equity. An understanding of risk in different forms can help clients to understand the opportunities, trade-offs and costs involved with different investment approaches. The principal risk of any investment is that despite any comprehensive analysis, the security or instrument will not perform as expected. This can be due to, among other things:

Market Risk: the success of client's portfolio activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barriers, currency fluctuations and controls, and national and international political circumstances. These factors may affect the level of volatility of securities prices and the liquidity of investments in client portfolios. Such volatility or illiquidity could impair profitability or result in losses;

Equity Risk: investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. In addition to, or in spite of, the impact of movements in the overall stock market, the value of investments may decline if the particular investments within the portfolio do not perform well in the market. Prices of growth stocks may be more sensitive to changes in current or expected earnings than prices of other stocks. Prices of stocks may fall or fail to appreciate regardless of movements in securities markets. A higher turnover rate, or increased trading may result in higher transactions costs and higher taxes in taxable accounts and may also affect the strategies' overall performance;

Management Risk: the strategies utilized by Claraphi may not work in some market conditions; management risk could also influence mutual fund and ETF portfolio management teams;

Fixed Income Risks: investments in fixed income securities represent numerous risks such as credit, interest rate, reinvestment, and prepayment risk, all of which affect their price/value. These risks represent the potential for a large amount of price volatility. In general, securities with longer maturities are more sensitive to price changes. Additionally, the prices of high-yield, fixed income securities fluctuate more than high-quality debt issues. Prices are especially sensitive to developments affecting the company's business and to changes in the ratings assigned by rating agencies. Prices are often closely linked with the company's stock prices. High-yield securities can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default, or other factors. In the event of a default, the investment may suffer a partial or total loss;

Increased Regulations: events during the past several years and adverse financial results have focused attention upon the necessity to maintain adequate risk controls and compliance procedures. These events have led to increased governmental and self-regulatory authority scrutiny of the financial industry. Various national governments have also expressed concern regarding disruptive effects of speculative trading and the need to regulate the markets in general.

Any regulations that restrict the ability to employ, or broker-dealers and counterparties to extend credit or restrict trading activities could adversely impact profit potential;

Market Liquidity Risks: the value of securities held in client accounts that are traded on exchanges and the risks associated with holding these positions vary in response to events that affect asset markets in general. Market disruptions such as those that occurred in 1987, in September 2001, and more recently the “Flash Crash” in May 2010 (the biggest one-day point decline, 998.5 points, on an intraday basis in Dow Jones Industrial average history) could lead to violent price swings in securities held within client portfolios and could result in substantial losses;

Small Capitalization Companies: a portion of assets may be invested in smaller and less established companies. Both debt and equity securities of such issuers tend to be more volatile than larger, more established companies. Such volatility could adversely impact client portfolios;

Large Company Risk: large cap stocks can perform differently from other segments of the equity market or from the equity market as a whole. Large capitalization companies may be less flexible in evolving markets or unable to implement change as quickly as smaller capitalization companies;

Short Sales, Leverage and Derivatives: short sales, leverage and derivatives all represent substantial risks given their inherent heightened risk of loss. Leverage and derivatives imply borrowing capital. When such borrowing is deployed, losses can escalate quickly should investment suffer even small losses. Short sales involve a finite opportunity for appreciation, but a theoretically unlimited risk of loss. Short positions can also be subject to a “short squeeze” that could lead to accelerating losses for those short that particular security;

Leverage Risk: which may increase volatility of the portfolio;

Price and Interest Rate Risk: when interest rates change, the price of a bond is likely to adjust up or down so that its yield, based on the new price, is in line with the new level of interest rates. Interest rate risk is probably the most significant risk facing clients in fixed income securities because it affects all bonds similarly.

Credit Risk: the market’s perception of the bond issuer’s ability to pay interest and repay principal.

Convertible Arbitrage Risk: if interest rates on the convertible security rise, its value usually falls;

Short Sales Risk: if the value of a security sold short increases prior to the scheduled delivery date, the account must pay more for the security than it has received from the purchaser in the short sale;

Options and Futures Risk: the risk that the counter-party that wrote the option will be unable or unwilling to perform its obligations under the option contract, or the options may become illiquid and difficult to close. Options are a derivative of stocks. An option derives its value from the price of the underlying stock;

Tax Risk: Claraphi in some cases may not manage client accounts with tax consequences in mind; some strategies, including transactions in options and futures contracts, can be subject to special tax rules, which may have adverse tax consequences for the account holder.

Exchange Traded Funds (ETFs): ETFs are a type of exchange-traded investment product that must register with the SEC as either an open-end investment company (generally known as “funds”) or a unit investment trust. ETFs have become increasingly popular as investment vehicles for both retail and institutional investors. Like mutual funds, ETFs offer investors a way to pool their money in a fund that makes investments in stocks, bonds, or other assets and, in return, to receive an interest in that investment pool. Unlike mutual funds, ETF shares trade like a stock and are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs may trade for less than their net asset value.

Some ETFs may have underlying investment strategy risks similar to directly investing in commodities, bonds, real estate, international markets or currencies, emerging growth companies, or specific sectors. When investing in bonds, as interest rates rise, bond prices will fall. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Special considerations associated with international investing include the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance. The risk of loss in trading commodities and futures can be substantial. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. You should therefore carefully consider whether trading in ETFs involving these types of investments or strategies is suitable for you in light of your financial condition. Investors should consider any ETF's investment objective, risks, charges, and expenses carefully before investing by referring to the ETF's prospectus for a more detailed discussion of its specific risks and considerations.

Private Placements: these instruments are exempt from registration under federal securities laws, have limited or no transparency as to the underlying investments, and are generally available only to “accredited” or “qualified investors,” who are assumed to be sophisticated purchasers who have little or no need for liquidity from such investments, and are able to withstand the loss of some or all of their investment. Limitations on withdrawal rights and non-tradability of interests create higher liquidity risk and such investments should be viewed as long-term investments. Clients do not have access to public information, and the securities purchased are deemed restricted, are not traded on a secondary market or exchange and the instrument is thus illiquid. Partnership and fee expenses may be a higher percentage of net assets than traditional investment strategies and may include performance or incentive fees. The duration of private fund investments with longer-term securities are more sensitive to interest rates and include the possibility of more volatility than other investments. This is not an exclusive list of potential or actual risks in any particular private placement. Potential investors should review the particular private offering memorandum for more complete risk and strategy information;

Extraordinary Events: global terrorist or pandemic activity (as experienced in 2020), Acts of God and the United States' involvement in military conflict may negatively affect general economic fortunes, including sales, profits, and production, and may lead to depressed securities prices and problems with trading facilities and infrastructure;

Non-US Investments: Client funds may be invested in securities (e.g., debt, equity, currencies, derivatives, etc.) of issuers domiciled outside the United States. Such investments expose a portfolio to a number of risks that may not exist in the domestic market alone. Such risks include, among other things, trade balances and imbalances and related economic policies, currency exchange rate fluctuations, imposition of exchange control regulation, withholding taxes, limitations on the removal of funds or other assets, possible nationalization of assets or industries, political difficulties, and political instability in foreign nations;

Potential Concentration: Client portfolios may have highly concentrated positions in issuers engaged in one or a few industries. This increases the risk of loss relative to the market as a whole.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that would be material to a Client's evaluation of the adviser or the integrity of the adviser's management. Claraphi's Executive Officers, detailed on our ADV Part 1A, have no information to disclose applicable to this Item.

Please refer to the individual's Form ADV Part 2B for any disclosures with respect to your Representative.

Item 10 - Other Financial Industry Activities and Affiliations

Broker-Dealer Affiliation

Claraphi is not affiliated with any broker-dealers and does not receive brokerage compensation. However, certain Claraphi Representatives may be a registered representative of an unaffiliated broker-dealer. As described elsewhere in this Brochure, dually-registered Representatives may receive, through the broker-dealer with which they register, transaction-based commissions, and compensation from the sale of mutual funds and variable annuities, including ongoing 12b-1 fees (trails). Dual registration presents a conflict of interest and gives those Representatives an incentive to recommend investment products based on the compensation received, rather than on a client's needs. However, if a client establishes both an advisory account (advised by Claraphi) and a brokerage account (through an unaffiliated broker-dealer where the Representative functions as broker and could receive transaction-based compensation), the client and the Representative will establish the types of transactions that will be made in each account. Clients have the option to purchase investment products that Representatives recommend through other broker-dealers.

Natural Futures Association Member Affiliation

Claraphi is not affiliated with any futures or commodities firms and does not receive compensation related to transactions in these products. However, should certain Claraphi Representatives become

associated with a National Futures Association (“NFA”) firm, including commodity trading advisors. Dual association presents a conflict of interest and gives those Representatives an incentive to recommend investment products based on the compensation received, rather than on a client’s needs. However, if a client establishes both an advisory account (advised by Claraphi) and a futures or commodities account (through an unaffiliated firm where the Representative could receive transaction-based compensation), the client and the Representative will establish the types of transactions that will be made in each account. Clients have the option to purchase investment products that Representatives recommend through other firms.

Other Business Products

Claraphi assisted in the development of a product through its third-party service provider, Orion Advisor Services, LLC (“Orion”), that allows its investment adviser representatives to customize certain features to assist in servicing their clients’ needs. The product: (a) can be branded individually for the firm, creating a client proposal, including asset allocation, possible models and managers; (b) includes a program through which the firm can create its own models; (c) creates new account forms with a methodology to populate and print the forms for client signature; (d) generates quarterly performance reports; (e) performs billing functions; (f) includes a trading module that supplies trade data conforming to the selected models; (g) performs data retrieval and aggregations; and (h) displays product offerings available through the platform. Orion is an unaffiliated technology party and its parent company owns Series B shares in Pomegranate Holdings, LLC. This creates a conflict of interest in that Claraphi utilizes Orion as its CRM system, however no special benefits are afforded. Further, Orion services more than 1,900 advisory firms throughout the United States which are all unaffiliated with Claraphi.

Other Potential Conflicts of Interest

In addition to the various programs/accounts/private funds listed above, Claraphi may in the future participate in or sponsor other investment vehicles, and service additional advisory accounts or clients. We may also decide to engage in other businesses. The existence of such present and future multiple investment vehicles and accounts, or other businesses, may create material conflicts of interest, described below.

Claraphi’s President, Mark Roth, is a licensed attorney. Additionally, Mr. Roth is a manager of ECC Management, LLC, the sponsor of Luna Azul Development Fund, LLC (“Luna”), and of LA Management, LLC, Luna’s entity manager. Luna and its affiliated companies are engaged in developing real estate for the intended benefit of adults with intellectual, developmental and acquired disabilities, and in raising equity investments for that purpose. In early 2016, Luna commenced efforts to sell equity interests and thereby raise up to \$5 million for this purpose. That offering was formally closed in March 2017 and no current investments are being offered directly by the issuer, though additional sales on the secondary market occurred after March 2017. Representatives of Claraphi may have chosen to recommend Luna as an investment for one or more client portfolios as deemed suitable. No affiliate, employee, agent or solicitor of Claraphi received any special compensation as a result of any investment in Luna. As an affiliate of ECC and Luna, Mr. Roth will receive financial benefit by virtue of his relationship with the issuer of this offering. To lessen his influence with Representatives and Claraphi clients, Mr. Roth did not participate in the analysis or determination of whether Luna was suitable for a particular client, was not involved in the due diligence assessment of the offering and did not personally solicit

any Claraphi advisory client to invest in Luna. He did participate in certain conference calls with representatives to answer questions about the investment.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Claraphi has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes 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 gratuities, and the initial, quarterly, and annual reporting of personal securities holdings and trading activity, and avoidance of other potential conflicts of interest, among other things. All supervised persons at Claraphi must acknowledge the terms of the Code of Ethics annually, or as amended. Claraphi's Representatives and persons associated with Claraphi are required to follow Claraphi's Code of Ethics.

Claraphi does not permit any of its supervised persons to borrow monies from any client, sponsor, sponsor affiliate or any other entity or individual that has a business relationship with Claraphi without the prior written approval by Claraphi's President or Chief Compliance Officer.

Subject to satisfying the Code of Ethics and applicable laws, officers, directors and employees of Claraphi (Representatives) may trade for their own accounts in securities which are recommended to and/or purchased for Claraphi's Clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the Representatives of Claraphi will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing Representatives to invest for their own accounts. Generally, the Code of Ethics is applied on an individual representative basis rather than firm-wide. This is consistent with the fact that Claraphi does not maintain a central investment committee charged with making recommendations to all clients. The primary trading requirements are:

Representative personal trading must be consistent with recommendations made to Clients. For example, if the Representative recommends buying a particular security, the Representative cannot sell that security while the buy recommendation is in effect. An exception to this occurs where the Representative has invested his or her assets in specific models that require ongoing rebalancing to retain the model's allocation targets. In this case, the model rebalancing may result in the Representative buying or selling shares to reach the target allocation whereas Client(s) did not trade or made trades on the opposite side of the market to reach their own target allocations.

Representatives will generally trade after client trades are executed, or Representatives' trades will be aggregated with client orders and all parties will be allocated shares at the same price. Claraphi does not typically permit a Representative to receive a better price than any of that Representative's Clients if the Representative's orders were entered prior to Client order(s). While it is possible that aggregating Representatives' orders with Client orders could disadvantage the Client (e.g., in cases where the firm is not able to fill the entire order), Claraphi believes that this is unlikely given the volumes and liquidity of securities most often traded for client portfolios. See Section 12, Block Trades, below, for more information.

Under the Code certain types of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Claraphi's clients. In addition, the Code requires pre-clearance of limited offerings and IPO transactions, and restricts trading in close proximity to client trading activity. 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 Representatives might benefit from market activity by a client in a security held by a Representative. Representative trading is reasonably monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Claraphi and its Clients.

Claraphi does not purchase securities from or sell securities to its clients. Claraphi's employees, agents and advisors may also invest personal assets in securities recommended to Claraphi's clients. Claraphi expects to be recommending securities with sufficiently large public floats and trading volumes such that personal trading by Claraphi's employees, agents and advisors will not adversely impact the prices at which clients' transactions are accomplished.

Claraphi's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting info@claraphi.com or calling 949-215-0025.

Even though Program contracts and applicable law may permit them, as a matter of policy Claraphi does not generally permit cross transactions or principal trades in its advisory programs. In case-by-case exceptions, cross transactions will be permitted in advisory accounts, but only if they comply with applicable regulations, and Claraphi determines the transactions are in the client's best interest. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. Claraphi does not have an affiliated broker-dealer and does not otherwise conduct principal trades. A cross transaction is defined as a transaction where Claraphi arranges for one client to sell a security directly to another client. The transaction is not executed in the open market.

Where a Representative recommends that one client purchase a security that another of his or her clients is selling (or vice versa) (a "cross transaction"), Claraphi will review the terms of the transaction and ensure applicable disclosure is made to both parties. In most cases, one side of the transaction (buy or sell) will be unsolicited. Exceptions require review of the underlying rationale for recommending both a buy and a sale, as well as approval of the Representative's supervisor.

Item 12 - Brokerage Practices

The Custodians and Brokers We Use

As part of its fiduciary duty to clients, Claraphi endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Claraphi or its related persons in and of itself creates a conflict of interest and may indirectly influence Claraphi's choice of custodian for custody and brokerage services. For a list of custodians we use, please refer to Schedule D of our Form ADV Part 1A which is publicly available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD number for Claraphi Advisory Network is 165868.

Soft Dollar Arrangements

Claraphi has entered into an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Claraphi with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Claraphi in conducting business and in serving the best interests of their clients but that may also benefit Claraphi.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Claraphi to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to Claraphi, at no additional charge to Claraphi, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Claraphi (within specified parameters). These research and brokerage services are used by Claraphi to manage accounts for which Claraphi has investment discretion. Without this arrangement, Claraphi might be compelled to purchase the same or similar services at its own expense which could be more costly.

As a result of receiving such services for no additional cost, Claraphi may have an incentive to continue to use or expand the use of Fidelity's services. Claraphi examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of Claraphi's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Claraphi determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Claraphi will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by Claraphi will generally be used to service all of Claraphi's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Claraphi and Fidelity are not affiliates, and no broker-dealer affiliated with Claraphi is involved in the relationship between Claraphi and Fidelity.

Block Trades

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute the shares to participating accounts in a fair and equitable manner. We do this to ensure to the extent possible that our Clients receive optimal execution and consistent results across our Client base. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. When

Claraphi Representatives combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by Representatives associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment. Block trades are not available for clients electing to direct trades through a custodian or broker with which Claraphi does not have a custodial arrangement.

How Claraphi Selects Brokers/Custodians

Claraphi does not have discretion to select which broker-dealers are used to execute trades. However, Claraphi works with a selected group of custodians/broker-dealers from which its clients can choose, and clients who select a particular Program must use particular broker/dealers and custodians. If a client wishes to use a custodian not recommended by Claraphi, they can do so through the Monitoring Program. Based on the client's selection, all trades for their accounts are then placed through their selected custodian/broker-dealer. Relationships with the custodian/broker-dealers we recommend may include benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). As a condition to doing business with Claraphi, Clients must open an account with custodians with which it has agreements in place, however the Client may direct the opening of a custodial account of its choosing. Each Client will open an account with the applicable custodian/broker dealer by entering into an account agreement directly with them. Not all advisers require clients to direct brokerage. By directing brokerage, you may be unable to achieve the most favorable execution of client transactions and this practice could cost clients more money.

We believe that recommended broker-dealers provide quality execution services for our Clients at competitive prices. In recommending brokers, Claraphi considers and continues to monitor a number of factors, with price not being the sole factor in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of research provided, the firm's reputation, financial strength, stability, execution capabilities, commission rates, and responsiveness to our Clients and our firm.

Claraphi uses the services of several different custodians. When recommending broker-dealers/custodians for Client transactions and determining the reasonableness of compensation, Claraphi considers a number of factors. All custodians we recommend are independent from Claraphi; they are not affiliates of our firm. We describe below the factors we considered in our three primary custodians.

Folio Investments, Inc.

In the Unified Managed Account Program, execution services are provided through Folio Investments, Inc. Investments, Inc., member FINRA/SIPC. Folio Investments, Inc. was selected for the Program because it allows fractionalized share trading, which enables smaller accounts to take advantage of models provided through outside management firms. Transactions may also be directed to another broker-dealer if legal execution obligations so require. Costs and fees assessed by other broker-dealers are separately borne by the Client.

Claraphi may invest Clients' assets in mutual funds that pay a trail commission or other compensation to Folio Investments, Inc. Such trail commissions are typically 25 basis points per year to Folio Investments, Inc., included in each fund's internal expenses. Internal expenses reduce the overall

return of the mutual fund and therefore become an expense indirectly borne by each Client. Where Claraphi selects investments that do not pay a trail commission or other compensation to Folio Investments, Inc., that custodian typically charges Claraphi a custodial fee of 20 basis points on all applicable client assets. This expense is borne by Claraphi, not by the individual Client.

This dual expense arrangement presents a conflict of interest in that Claraphi has a financial incentive to recommend securities that will reduce Claraphi's costs, and to refer clients to Folio Investments, Inc. based on the availability of this cost savings. Claraphi has reviewed the list of products Folio Investments, Inc. excludes from its fee calculation and, whenever it purchases such products on behalf of clients, has determined that the products are appropriate for those clients and serve important allocation needs, separate from the economic benefit Claraphi receives.

Folio Investments, Inc. *and other unaffiliated third parties* may pay the costs of sponsorship fees for Claraphi conferences from time to time. Claraphi may have an incentive to recommend Folio Investments, Inc. based on its interest in receiving this benefit instead of our clients' interest in receiving most favorable execution.

Claraphi's selection of Folio Investments, Inc. as custodian and broker is in the best interests of our clients. This is based on the scope, quality and price of Folio Investments, Inc.'s services and access to fractionalized share trading and not Folio Investments, Inc.'s services that benefit Claraphi.

Charles Schwab & Co., Inc.

Claraphi may recommend that clients establish brokerage accounts with the Schwab Advisor Services, a division of Charles Schwab & Co. ("Schwab"), an unaffiliated registered broker-dealer, member FINRA/SIPC, among others, to maintain custody of the client's assets and to effect trades for their accounts. Clients are advised that there may be transaction charges involved when purchasing or selling securities. Claraphi does not share in any portion of the brokerage fees/transaction charges imposed by Schwab. Additionally, the commission/transaction fees charged by Schwab may be higher or lower than those charged by other broker-dealer/custodians. Schwab provides Claraphi with access to its institutional trading and operations services, which are typically not available to Schwab retail clients. Schwab services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional clients or would require significantly higher minimum initial investments. Schwab also makes available to Claraphi other products and services that benefit Claraphi but may not benefit its clients' accounts. These include technology that provide access to client account data, facilitate trade execution, provide research, pricing information and other market data, facilitate payment of Claraphi's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Further, Schwab may provide various incentives to Representatives, including marketing provided by vendors paid for by Schwab, and waiver of ticket charges and availability of systems

which may be contingent on the quantity of business directed to Schwab. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel. For certain Representatives, the availability of the foregoing products and services is not contingent upon Claraphi committing to Schwab any specific amount of business (assets in custody or trading). However, certain Representatives don't have to pay for Schwab's services or receive other benefits described above so long as they maintain client assets at a stated level. The availability of these services from Schwab benefits Claraphi's Representatives because they do not have to produce or purchase them. Any commitment level may give the Representative an incentive to recommend that clients maintain their accounts with Schwab based on the Representative's interest in receiving Schwab's services that benefit their business rather than based on client interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that Claraphi's selection of Schwab as custodian and broker is in the best interests of our clients. This belief is based on the scope, quality and price of Schwab's services and not Schwab's services that benefit only Claraphi or Representatives.

Fidelity Institutional

Claraphi may recommend that Clients establish brokerage accounts with Fidelity Institutional, an unaffiliated registered broker-dealer, member NYSE/SIPC, among others, to maintain custody of the Client's assets and to effect trades for their accounts. Clients are advised that there may be transaction charges involved when purchasing or selling securities. Additionally, the commission/transaction fees charged by Fidelity Institutional may be higher or lower than those charged by other broker-dealer/custodians. Fidelity Institutional provides Claraphi with access to its institutional trading and operations services, which are typically not available to Fidelity retail clients and access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts). Fidelity Institutional services may include research, brokerage, custody, and access to mutual funds and other investments that are otherwise available only to institutional clients or would require significantly higher minimum initial investments or with no transaction fees. Fidelity Institutional also makes available to Claraphi other products and services that benefit Claraphi but may not benefit its Clients' accounts. These include technology that provides access to Client account data (such as trade confirmations and account statements) facilitates trade execution, provides research, pricing information and other market data, facilitates payment of Claraphi's fees from its Clients' accounts, and assists with back-office support, recordkeeping and Client reporting. The availability to Claraphi of the foregoing products and services is not contingent upon Claraphi's committing to Fidelity Institutional any specific amount of business (assets in custody or trading). Further information may be obtained by contacting your Representative.

National Financial Services LLC and Fidelity Brokerage Services LLC

Claraphi has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Claraphi with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Claraphi in conducting business and in serving the best interests of their clients but that may also benefit Claraphi.

As part of the arrangement, Fidelity also makes available to Claraphi, at no additional charge to Claraphi, certain software and marketing services. These software and marketing services are used by Claraphi to manage accounts for which Claraphi has investment discretion. Without this arrangement, Claraphi might be compelled to purchase the same or similar services at its own expense which could be more costly.

As a result of receiving such services for no additional cost, Claraphi may have an incentive to continue to use or expand the use of Fidelity's services. Claraphi examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of Claraphi's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Claraphi determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Claraphi will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Claraphi and Fidelity are not affiliates.

Limitations of Jointly Registered Representatives

Certain Representatives in their respective individual capacities are registered with an unaffiliated broker-dealer. These Representatives are subject to FINRA Rules which restrict registered representatives from conducting securities transactions away from their broker-dealer unless those broker-dealers provide written consent. Therefore, clients are advised that certain Representatives may be restricted to conducting securities transactions through the broker-dealer with which they are registered unless they first secure written consent from that broker-dealer to execute securities transactions through a different broker-dealer. Absent such written consent or separation, these Representatives may be prohibited from executing securities transactions away from their broker-dealer under their firm's internal supervisory policies.

Item 13 - Review of Accounts

Claraphi's supervisors or a designee are charged with reviewing all new client account applications for completeness, unacceptable accounts, potential improper addresses, reviewing the customer personal data and determining that the recommendation of the particular advisory service appears to be appropriate to the customer's personal and financial situation, risk tolerance, and investment objectives. The firm's Portfolio Analyst signs off on all new client applications. A Claraphi supervisor as identified on the Form ADV 2B or a designee conducts periodic reviews of a sample of customer accounts through the firm's internal data management system to detect and prevent irregularities, as well as to ensure portfolios are on target with the client's objectives, risk tolerance, and liquidity needs.

All Clients are provided statements of activity and account holdings directly from the asset custodian(s). Statements are provided monthly. Clients may receive periodic reports or information directly from the fund/alternative investment company. Claraphi may provide Clients with quarterly evaluation reports which will disclose an inventory of account holdings and the performance of the securities in the Client's account in order to assist the Client in determining whether to re-allocate investment of account assets among available securities. Clients are urged to carefully compare any statement provided as a courtesy by Claraphi to official statements provided by the account custodian, and to promptly notify Claraphi of any discrepancy. See Item 15 – Custody, below, for further information.

Item 14 - Client Referrals and Other Compensation

Compensation for Client Referrals

Claraphi has arrangements wherein compensation is paid to unaffiliated third parties. Such compensation may serve as an inducement to refer clients to Claraphi, and therefore may present a conflict of interest. The general circumstances for such payment are as follows:

Claraphi pays compensation to unaffiliated third parties (solicitors) for referring Clients to Claraphi, as permitted under Rule 206(4)-3 of the Investment Advisers Act of 1940 and under applicable state law. Such arrangements are disclosed in writing to the Client at the time the referral is made. Appropriate disclosure would be provided to the Client in any such case in accordance with SEC rules and the solicitor will be compensated by Claraphi according to the specific terms of the compensation arrangement contained in the Claraphi Solicitation Agreement.

Solicitors do not provide investment advisory services to Claraphi's clients, and do not have discretion over or authority to make trades in clients' accounts. However, solicitors do often maintain a customer service role with clients they refer to Claraphi, including, but not limited to those times when the solicitor has their own separate advisory agreement with the client through another investment adviser (not related to Claraphi). Claraphi often receives updates to client information, including investment objectives, risk tolerance and liquidity needs, via the solicitor.

Folio Investments, Inc., a custodian recommended by Claraphi, offers a dual expense arrangement to Claraphi that presents a conflict of interest. Claraphi may select for Clients' portfolios mutual funds that pay a trail commission or other compensation to Folio Investments, Inc. Such trail commissions are typically 25 basis points per year, included in each fund's internal expenses. Internal expenses reduce the overall return of the mutual fund and therefore become an expense indirectly borne by each Client. Where Claraphi selects investments that do not pay a trail commission or other compensation to Folio Investments, Inc., the custodian charges Claraphi a custodial fee of 20 basis points on all applicable client assets. This expense is borne by Claraphi, not by the individual Client.

This dual expense arrangement presents a conflict of interest in that Claraphi has a financial incentive to recommend securities that will reduce Claraphi's costs, and to refer clients to Folio Investments, Inc. based on the availability of this cost savings. Claraphi has reviewed the list of products Folio Investments, Inc. excludes from its fee calculation and has determined that the products are appropriate for clients and serve important allocation needs, separate from the

economic benefit Claraphi receives. The firm's Investment Committee reviews the list to confirm that the investment selection criteria are consistent with client needs and that the firm's continued recommendation of these investment choices is appropriate and aligned with Claraphi's fiduciary obligations to its Clients.

Introduction to Other Managers

Claraphi has entered into referral agreements with unaffiliated third-party investment advisers whereby Claraphi will introduce clients to the other managers when Claraphi deems it appropriate in light of the requirements of a client.

These referral arrangements create a conflict of interest for Claraphi because Claraphi may have an incentive to refer clients to the third-party managers. The client does not incur a higher fee for such an arrangement. In addition, Client assets being managed by third-party managers are included in the calculation of Claraphi's management fee.

Additional Compensation

Claraphi participates in the Institutional programs of some unaffiliated broker-dealers, such as Schwab and Fidelity Institutional, collectively the "Custodians." While there is no direct link between the investment advice given and participation in the programs, economic benefits are received. These benefits include receipt of duplicate confirmations; access to a trading desk serving adviser participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate share to Client accounts; access to an electronic communication network via the Clearing Agent's web portal for Client order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional clients. To the best of Claraphi's knowledge, the benefits received through participation in the program do not necessarily depend upon the proportion of transactions directed to the respective broker-dealer.

Item 15 – Custody

As described in the "Fees and Compensation" section (Item 5) of this Brochure, Claraphi directly debits advisory fees from client accounts unless otherwise instructed, which gives Claraphi technical custody. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from the client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. In no event should a statement provided by Claraphi be relied upon by clients as a replacement for the statement provided by the qualified custodian. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact Claraphi directly if they believe that there may be an error in their statement, or in the calculation of their advisory fee.

We also have custody when we have signed Standing Letters of Authority (SLOAs) on file for a client account that allows us to send money to a specified third party without getting written

permission from the client each time. Claraphi is in compliance with the conditions set forth by the SEC relating to SLOAs.

Although we do not generally have custody of Client funds or securities outside of the authority to deduct advisory fees or SLOAs, we have a single advisory representative acting in an outside business role that triggers custody for some client accounts. When the advisory representative has authority to control advisory client funds and securities through authorization under another role, that gives Claraphi custody as well and we must take extra steps to help protect those Client assets. On an annual basis we engage the services of an independent auditor to perform a surprise audit of those accounts where we have been deemed to have custody. The auditor uploads a report to Claraphi's ADV Part 1, available to the public at www.adviserinfo.sec.gov.

Item 16 - Investment Discretion

Whether Claraphi, its Representatives or third-party managers have investment discretion depends on the Program selected by the client. Discretionary authority will be explicitly authorized through the completion of the Claraphi Investment Advisory Agreement and the Custodian's trading authorization or limited power of attorney forms, if applicable, and may be limited by the client. In most Claraphi programs, the Claraphi Investment Advisory Agreement and the Custodian's Account Application provide authorization to Claraphi's Custodian partners to provide brokerage services related to the advisory services offered. Claraphi will receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Claraphi observes the investment policies, limitations, and restrictions of the clients it advises.

Investment guidelines and restrictions must be provided to Claraphi in writing per the Claraphi Investment Advisory Agreement or an Investment Policy Statement. Claraphi has discretion over private fund assets (which includes the authority to select a custodian and, if applicable, broker-dealers for the funds), provided in accordance with the terms of the operating agreement as accepted by each investor through its subscription in the fund.

Item 17 - Voting Client Securities

Claraphi does not have authority to vote client securities. All client securities are held at the custodian the client selects and the client is responsible for voting all of their own proxies. If client assets are invested in with third party managers, those managers may vote the proxies for client securities, which will be detailed in the respective Brochure of that manager. Clients should review the information that is provided from third party managers concerning their proxy voting policies.

Item 18 - Financial Information

Claraphi is required in this Item to provide you with certain financial information or disclosures about Claraphi's financial condition. Claraphi does not require or solicit prepayment of more than \$1200 in fees per client, six or more months in advance. Claraphi 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.

On May 5, 2020 Claraphi received a Payroll Protection Plan (PPP) loan through the Small Business Association (SBA) in conjunction with the relief afforded from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Claraphi used the PPP funds to continue its payroll to its employees and did not suffer any interruption of service and continues to timely meet its financial obligations.