



## **Claraphi Advisory Network, LLC**

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### **Form ADV Part 2A – Disclosure Brochure**

**Effective: March 31, 2023**

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This Part 2A of Form ADV (“Brochure”) provides information about the qualifications and business practices of Claraphi Advisory Network, LLC (“Claraphi” or “us” or “we” or the “Firm”). 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 (“SEC”) or by any state securities authority. Registration does not imply a certain level of skill or training.

Additional information about Claraphi also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The site may be searched by a unique identifying number known as a CRD number. Claraphi Advisory Network, LLC’s CRD number is 165868.

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## ITEM 2: MATERIAL CHANGES

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This version of Claraphi Advisory Network, LLC's Disclosure Brochure, dated March 31, 2023, is our annual amendment brochure. It contains information regarding our qualifications, business practices, nature of the advisory services we provide, as well as a reasonable disclosure of any known and potential material conflicts of interest relating to our advisory business that could affect a client's account with us. You should rely on the information contained in this document or other information that we have referred you to. We have not authorized anyone to provide you with information that is different. We encourage all current and prospective clients to read this Disclosure Brochure and discuss any questions you have with us. Should you have any additional questions or concerns regarding Claraphi or the contents of this Brochure, please contact Leila Shaver, Chief Compliance Officer by phone at (949) 215-0025.

### MATERIAL CHANGES SINCE THE LAST UPDATE

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Since our last Annual Amendment brochure, filed [date], the following material changes have occurred:

- On or about March 2022, Tradability, LLC acquired full ownership of Pomegranate Holdings, LLC ("Pomegranate Holdings") from former Chief Executive Officer, Pierre Gallant, who resigned all roles in both Pomegranate and Claraphi in March. Claraphi is a wholly owned subsidiary of Pomegranate Holdings, both of which as of April 29, 2022, are now Delaware limited liability companies. Pomegranate Holdings is now principally owned and controlled by Tradability, LLC with its owner, Mr. Diallo serving as Chairman of Pomegranate Holdings, as well as in various roles with Claraphi.
- As of December 31, 2022, Logan Varela resigned as Claraphi's President.
- As of October 1, 2022, Leila Shaver took over as Chief Compliance Officer.

### FULL BROCHURE AVAILABLE

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We will provide a new version of the Brochure as necessary when updates or new information are added, at any time, without charge. To request a complete copy of our Brochure, contact us by telephone at (949) 215-0025.

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## ITEM 4: ADVISORY BUSINESS

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### A. FIRM DESCRIPTION

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Claraphi Advisory Network, LLC (“Claraphi” or the “Firm” or “us” or “we”) is a Delaware limited liability company that was founded in October 2012. Claraphi is a SEC registered investment advisor based in Aliso Viejo, California.

On or about March 2022, Tradability, LLC acquired full ownership of Pomegranate Holdings, LLC (“Pomegranate Holdings”) from former Chief Executive Officer, Pierre Gallant, who resigned all roles in both Pomegranate and Claraphi in March. Claraphi is a wholly owned subsidiary of Pomegranate Holdings, both of which as of April 29, 2022, are now Delaware limited liability companies. Pomegranate Holdings is now principally owned and controlled by Tradability, LLC with its owner, Mr. Diallo serving as Chairman of Pomegranate Holdings, as well as in various roles with Claraphi.

Additional information regarding the ownership of Claraphi and of Pomegranate Holdings, 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](http://www.adviserinfo.sec.gov). The searchable CRD number for Claraphi is 165868.

Claraphi offers a variety of investment advisory and related financial services to our clients. We provide investment advisory services and retirement plan consulting services, all of which are discussed below in further detail. The products discussed throughout this Brochure are all available on a non-wrap fee basis. Our clients consist of individuals, high net-worth individuals, families, business owners and corporations.

### B. TYPES OF ADVISORY SERVICES

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#### OVERVIEW OF SERVICES

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Our investment advisory services consist primarily of: (1) assessing client needs and goals; (2) financial planning designed to meet those goals; (3) developing an appropriate portfolio asset allocation to achieve the client’s objectives; (4) implementing the asset allocation by recommending or otherwise assisting in the client’s selection of: (a) particular investment strategies (i.e., active, passive, alternative strategies); and (b) specific investment managers or passive investment vehicles that employ those strategies; and (5) reviewing and reassessing the client’s needs and goals, their investment portfolios, and repeating the process on a regular, ongoing basis.

Claraphi dedicates itself to understanding the intricacies of each client. For all investment advisory and related services described below, we tailor our products in accordance with the client-specific needs obtained from documented discussions, a financial plan and/ or risk assessment. Before providing investment advisory services, Claraphi takes multiple factors into consideration, including, but not limited to, investment objectives, investment horizon, risk tolerance, as well as any reasonable guidelines and restrictions a client may need or impose.

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#### INVESTMENT MANAGEMENT SERVICES

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We offer discretionary and non-discretionary investment advisory services to individuals, high net worth individuals, and families, based on the specific needs and objectives of such persons and the suitability of products and services. We reserve the right to decline to offer our services to a client or potential client if

we deem it to be in the best interest of the client, potential client, or the Firm. For discretionary accounts, we are authorized to perform various functions without further approval from the client, such as the determination of securities to be purchased or to be sold for the client's account without permission from the client prior to each transaction. For non-discretionary investment advisory services, we will obtain client approval prior to taking any action in the account, including but not limited to, executing trades. We do not act as a custodian of client assets, and the client will always maintain control of their assets.

We require an executed investment management agreement ("IMA") between the client and Claraphi prior to us providing our services to the client. The IMA outlines the services and fees the client will incur pursuant to an agreement with Claraphi.

Upon signing the IMA, we will then gather pertinent information on the client about their financial and personal circumstances and objectives. For investments, we will also complete a risk assessment which will help us identify, quantify, and understand our client's unique risk tolerance. The information gathered in the risk assessment will be used to identify the appropriate investments and portfolio construction and specify any restrictions or prohibitions expressed by the client for their portfolio and / or assets.

Claraphi's investment advisory services include, but are not limited to, the following:

- Investment Strategy
- Asset Allocation
- Regular Portfolio Monitoring
- Personal Investment Policy
- Security Selection

Claraphi's investment advisory services are designed to offer ongoing management of accounts with defined investment strategies to meet the client's personal investment goals and objectives. Claraphi is responsible for providing ongoing re-balancing and continuous monitoring of our clients' securities holdings.

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#### MONITORING OF ASSETS HELD AWAY

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Claraphi provides 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. Claraphi 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. The financial advisor 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.

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#### SELECTION OF OTHER ADVISERS

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We may recommend that you use the services of a third-party money manager ("TPAM") to manage all, or a portion of, your investment portfolio. At this time, After gathering information about your financial situation and objectives, we may recommend that you engage a specific TPAM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPAM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will monitor the TPAM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

The TPAM(s) will actively manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire TPAM(s) and/or reallocate your assets to other TPAM(s) where we deem such action appropriate.

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## RETIREMENT SOLUTIONS

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Claraphi delivers retirement solutions to plan providers, plan sponsors, and participants through Folio Investments, Inc. and Mid-Atlantic custodial partners. 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 and financial goals.

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.

### **ERISA and Individual Retirement Accounts Disclosure**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours.

Under this special rule's provisions, we must:

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

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## CO-FIDUCIARY INVESTMENT MANAGEMENT SERVICES

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Claraphi provides investment management services to third party registered investment advisors through a co-fiduciary agreement where Claraphi serves as the investment manager. The Firm implements investment strategies as directed by the third party investment advisor for the benefit of the advisor's client(s) and provides management and administrative services to the client's accounts. The third party investment advisor shall determine the suitability of the services to be provided by Claraphi based on the client's investment goals and objectives and instructs Claraphi to implement the chosen investment

strategies. Thereafter, Claraphi monitors the selected investment strategies on an ongoing basis unless and until directed otherwise by the third party investment advisor. The services Claraphi provides under this co-fiduciary program are on a discretionary basis only. Claraphi and the third party investment advisor shall share the advisory fees charged to advisory client(s) that participate in this program.

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## FINANCIAL PLANNING SERVICES

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Claraphi also provides financial planning services to clients. Clients will sign the Claraphi Financial Planning Agreement, and receive 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. Our financial advisers may also conduct due diligence and product review of one or more tax mitigation strategies for clients. However, clients are urged to seek the advice of a tax professional.

At the conclusion of our financial planning services, the financial adviser delivers to the client a written financial plan. If a financial plan includes recommendations regarding investments, the client will have the choice of where to implement those recommendations and can use advisors other than Claraphi. You are not obligated to implement any recommendations made by your financial adviser.

## C. TAILORED RELATIONSHIPS

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At Claraphi, we offer the same suite of services to all our clients. The advisory services and recommendations offered by Claraphi are based on the individual needs of our clients and the suitability of products and services. Specific client financial plans and their implementation are dependent upon the client's risk assessment which outlines each client's current situation (income, objectives, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs and targets.

Clients may impose restrictions on investing in certain securities or types of securities in accordance with their values and beliefs. Claraphi will make every effort to comply with the wishes of the client but cannot guarantee absolute adherence due to our use of indexed products, funds, and exchange traded funds ("ETF") that are controlled by custodian and its third-party service providers.

## D. WRAP FEE PROGRAMS

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**Claraphi does not participate in and is not a sponsor of wrap fee programs.**

Wrap Fee Programs are arrangements between broker-dealers, investment advisers, banks and other financial institutions, and affiliated and unaffiliated investment advisers through which the clients of such firms receive discretionary investment advisory, execution, clearing and custodial services in a "bundled" form. In exchange for these "bundled" services, the clients pay an all-inclusive (or "wrap") fee determined as a percentage of the assets held in the wrap account.

## E. ASSETS UNDER MANAGEMENT

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When calculating regulatory assets under management, an investment adviser must include the value of any advisory account over which it exercises continuous and regular advisory or management services. As of

December 31, 2022, Claraphi reports \$ 474,161,524.00 in client assets on a discretionary basis and \$0.00 on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

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### A. FEE SCHEDULE

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#### INVESTMENT MANAGEMENT SERVICES

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Upon engagement, Claraphi will charge clients an investment management fee for its investment advisory services. The investment management fee is an annual fee based on a percentage of the value of the client's assets under management, including all cash and other assets in the account (valued at liquidation value) (the "Account Value"), as follows:

The maximum annual management fee for Claraphi is 2% *per annum*. The investment management fee charged is subject to negotiation with each client based on the client's characteristics and may differ from client to client. We take into consideration factors such as account size, overall range of services provided, financial adviser working with the account, and geographic location. Lower fees for comparable services may be available from other sources. Claraphi deducts its fees on a monthly or quarterly basis in arrears.

In addition to the advisory fee charged by Claraphi as outlined above, the TPAM will charge an annual percentage-based fee for their sub-advisory services of up to 2.00% *per annum*. This fee is separate and in addition to the advisory fee charged by Claraphi; however, the total of fees charged by Claraphi and the TPAM shall not exceed 3.0% of assets under management per year. The annual fee is based on the fair market or agreed upon value of the client's account assets determined as of the last business day of each calendar month or quarter. Lower fees for comparable services by other third-party portfolio managers may be available from other sources.

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#### FINANCIAL PLANNING SERVICES

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Certain of our financial advisers offer financial planning services for a flat fee or an hourly rate. Some of these financial advisers are also certified as CERTIFIED FINANCIAL PLANNER™ Professionals. Hourly rates are set by the individual financial adviser and typically range between \$100 and \$800 per hour. Fees will be explicitly disclosed to and agreed on by the Client prior to a Claraphi financial adviser providing these services. Claraphi may also provide financial plans for a flat fee that typically ranges between \$2,000 and \$25,000, depending on the complexity of the plan, the expertise of the financial adviser, and the needs of the Client. Both hourly rates and flat fees are negotiable.

### B. PAYMENT OF FEES

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#### INVESTMENT ADVISORY SERVICES & THIRD PARTY MONEY MANAGERS

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Unless otherwise specified, fees are charged monthly or quarterly in arrears. The client's first billing cycle will be prorated based on the number of days the client's account was open and how much was funded into



the account during their first month or quarter.

In determining the fee on client accounts, Claraphi measures the value of the client's assets under management based on the average daily value for the month or quarter. Fees due to Claraphi and any TPAM are typically deducted by the custodian directly from the client's account under management and will be paid to the TPAM and Claraphi as appropriate. The client will provide written authorization permitting the fees to be paid directly from the account. Both Claraphi's IMA and the custodial / clearing agreement may authorize the custodian to debit the account for the TPAM's service fees and Claraphi's advisory fees and to directly remit that fee to the TPAM and Claraphi in compliance with regulatory procedures.

Fees associated with the use of the TPAM's services are paid according to the terms and conditions of the agreement between the client and the TPAM. In the event there is no agreement between the client and the TPAM, the fees will be paid pursuant to Claraphi's IMA and the terms and conditions discussed above regarding the fees related to our Investment Advisory Services.

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## FINANCIAL PLANNING SERVICES

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Client may make payment via check payable to Claraphi Advisory Network, LLC and due within 5 days of receipt of the invoice or have financial planning fees paid out of one of the Client's accounts.

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## C. OTHER FEES AND PAYMENTS

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There may be additional fees or charges that result from the maintenance of or trading within a client's account. These are fees that are imposed by third parties in connection with investments made through a client's account, such as custodial and investment fees.

These fees include, but are not limited to:

- mutual fund loads (if applicable). These charges are paid to brokers as a form of commission. While we don't generally recommend mutual funds, these fees are typically incurred from mutual funds purchased separately from the Firm.
- management fees for ETFs and mutual funds. These are fees charged by the managers of the ETF or mutual fund and are a portion of the expenses of the ETF or mutual fund.
- brokerage costs and transaction fees for any securities or fixed income trades. These are generally charged by your custodian and/or executing broker.

In addition to our advisory fees, clients are responsible for paying fees associated with investing their accounts. Please refer to Item 12 for a discussion of our brokerage practices.

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## D. PREPAYMENT OF FEES

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## INVESTMENT ADVISORY SERVICES

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Claraphi's fees are due monthly or quarterly and paid in arrears. If the client does not receive this Brochure at least forty-eight (48) hours prior to signing the IMA with Claraphi, the client may terminate the agreement within five (5) business days of signing the IMA without incurring any penalties. The client and Claraphi may voluntarily terminate the engaged advisory services for any reason with thirty (30) days written notice

to the other party delivered by certified or registered mail. The date of receipt of the written notice will be the effective date of termination. Upon termination of advisory services, we will conduct a fee reconciliation that will determine whether a refund is owed to the client, or if there are outstanding fees due from the client.

Claraphi does not accept prepayment of fees for investment advisory services.

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#### FINANCIAL PLANNING SERVICES

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Claraphi does not accept prepayment of fees for financial planning services.

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#### E. OTHER COMPENSATION

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Certain of the Firm's advisers may be registered as brokers with unaffiliated broker-dealers or insurance agents appointed with unaffiliated insurance companies. In these cases, the advisers will receive additional compensation. Clients are not required to receive brokerage or insurance services through these advisers as similar services are available elsewhere.

At this time, insurance services are not provided through Claraphi, therefore that business is done outside of the financial adviser's relationship with Claraphi. However, your financial adviser may recommend insurance products to help you achieve your financial goals. The financial adviser's Brochure Supplement (Form 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 financial adviser 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 financial adviser through other insurance agents not affiliated with Claraphi.

A financial adviser 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 financial adviser's Brochure Supplement (Form ADV Part 2B) discloses any such activities and the conflicts that may exist in that role. It is up to the Client to choose to work with a financial adviser who may provide such an arrangement.

Dual registration (registered as both an investment advisor financial adviser receiving advisory fees and a registered financial adviser of an unaffiliated broker-dealer firm receiving commissions) presents a conflict of interest and gives a financial adviser 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 financial adviser functions as broker or trader and could receive transaction-based compensation), the Client and the financial adviser will establish the types of transactions that will be made in each account. Clients have the option to purchase investment products that financial advisers recommend through other broker-dealer firms or commodities trading firms.

Dually registered financial advisers may receive, through their broker-dealer firm 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.

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

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## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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### A. PERFORMANCE BASED COMPENSATION

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#### **Claraphi does not assess Performance Fees.**

Performance-Based Fees ("Performance Fees") are based on a share of the capital gains or capital appreciation of the assets of a client. Our fees are calculated as described in Item 5 above.

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### B. SIDE-BY-SIDE MANAGEMENT

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#### **Claraphi does not provide Side-By-Side Management.**

"Side-by-Side Management" refers to a situation in which the same adviser manages accounts that are billed based only on a percentage of assets under management and at the same time manages other accounts for which fees are performance-based.

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## ITEM 7: TYPES OF CLIENTS

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

We require clients have a \$25,000.00 minimum account balance to open and maintain their account with us, though we may reduce or waive this requirement in our sole discretion.

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## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

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### A. METHODS OF ANALYSIS & INVESTMENT STRATEGIES

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Claraphi uses the varying methods of analysis identified below to determine the proper investment strategy for each client. Our strategies are heavily based on each client's personal circumstances, financial goals, and their risk tolerance. We utilize a blend of strategic approaches and strategies that enable us to allocate client assets by liquidity and time horizon.

***Fundamental analysis*** concentrates on factors that determine a company's value and expected future earnings. It involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives: to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

***Technical analysis*** is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. It attempts to predict a future stock price or direction based on market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall. Technical analysis methods employ software and other financial data management tools to assess various aspects of the marketplace. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

***Cyclical analysis*** assumes that markets react in cyclical patterns which, once identified, can be leveraged to provide performance. Cyclical analysis of economic cycles is used to determine how these cycles affect the returns of an investment, an asset class or an individual company's profits. Cyclical analysis is a time-based assessment which incorporates past and present performance to determine future value. Cyclical risks exist because the broad economy has been shown to move in cycles, from periods of peak performance followed by a downturn, then a trough of low activity. The risks of this strategy are two-fold: (1) the markets do not always repeat cyclical patterns; and (2) if too many investors begin to implement this strategy, it changes the very cycles of which they are trying to take advantage.

In the implementation of its analysis, Claraphi may 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.

***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.

***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. The seller receives a premium in exchange for writing the option. Options are wasting assets and expire at pre-determined dates.

## B. RISK OF LOSS

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***Clients must be aware that investing in securities involves risk of loss of the principal.***

Every method of analysis has its own inherent risks. To perform an accurate market analysis Claraphi must have access to current/new market information. Claraphi has no control over the dissemination rate of market information; therefore, unbeknownst to Claraphi certain analyses may be compiled with outdated market information, severely limiting the value of Claraphi's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Claraphi) will be profitable or equal any specific performance level(s). Claraphi does not represent, warrant, or imply that its 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. Notwithstanding Claraphi's method of analysis or investment strategy, the assets within the client's portfolio are subject to risk of devaluation or loss. The client should be aware that there are many different events that can affect the value of the client's assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Prepayment Risk:** The returns on the collateral for the deal can change dramatically at times if the debtors prepay the loans earlier than scheduled.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** This risk is associated with a particular industry or a particular company within an industry.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Risk Factors relevant to specific securities utilized include:

- **Equity Securities:** The value of the equity securities is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and riskier than some other forms of investment.
- **Exchange Traded Funds ("ETF"):** ETFs are a recently developed type of investment security, representing an interest in a passively managed portfolio of securities selected to replicate a securities index, such as the S&P 500 Index or the Dow Jones Industrial Average, or to represent exposure to a particular industry or sector. Unlike open-end mutual funds, the shares of ETFs and closed-end investment companies are not purchased and redeemed by investors directly with the fund, but instead are purchased and sold through broker-dealers in transactions on a stock exchange. Because ETF and closed-end fund shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities. In addition to bearing the risks related to investments in equity securities, investors in ETFs intended to replicate a securities index bear the risk that the ETF's performance may not correctly replicate the performance of the index. Investors in ETFs, closed-end funds and other investment companies bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs, and other expenses. Trading in ETF and closed-end fund shares also entails payment of brokerage commissions and other transaction costs.
- **Exchange Traded Notes ("ETN"):** ETNs are senior unsecured debt obligations of an issuer, typically a bank or another financial institution; however, ETNs are not categorized as typical fixed income products. They have a maturity date and are backed only by the credit of the underwriting bank. ETNs are linked to the performance of a particular market benchmark(s) or strategy and upon maturity, the underwriting bank promises to pay the amount reflected in the benchmark index minus fees. ETNs are only linked to the performance of a benchmark, they do not actually own the benchmark index. ETNs also face the risk that the credit rating of the underwriting bank may be reduced, or the underwriting bank may go bankrupt, thus reducing the value of the ETN. Even though ETNs are not equities or index funds, they may face some of the risks of investing in equities or index funds.
- **Fixed Income Securities Risk:** Prices of fixed income securities tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect fixed income security prices. The longer the effective maturity and duration of the client's portfolio, the more the portfolio's value is likely to react to interest rates. For example, securities with longer maturities sometimes

offer higher yields, but are subject to greater price shifts because of interest rate changes than debt securities with shorter maturities. Some fixed income securities give the issuer the option to call, or redeem, the securities before their maturity dates. If an issuer calls its security during a time of declining interest rates, we might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value because of declining interest rates. During periods of market illiquidity or rising interest rates, prices of callable issues are subject to increased price fluctuation.

- **Municipal Bond Risk:** Municipal securities issuers may face local economic or business conditions (including bankruptcy) and litigation, legislation or other political events that could have a significant effect on the ability of the municipality to make payments on the interest or principal of its municipal bonds. In addition, because municipalities issue municipal securities to finance similar types of projects, such as education, healthcare, transportation, infrastructure and utility projects, conditions in those sectors can affect the overall municipal bond market. Furthermore, changes in the financial condition of one municipality may affect the overall municipal bond market. The municipal obligations in which clients invest will be subject to credit risk, market risk, interest rate risk, credit spread risk, selection risk, call and redemption risk and tax risk, and the occurrence of any one of these risks may materially and adversely affect the value of the client's assets or profits.
- **Mutual Fund Shares:** Some of the risks of investing in mutual fund shares include: (i) the price to invest in mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads), (ii) investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs, and (iii) investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Options and Other Derivatives:** Options are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a "naked" or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.
- **Private Placements:** Private placements carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.
- **Real Estate Related Securities Risk:** Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation; possible lack of availability of mortgage funds; overbuilding; extending vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; costs resulting from cleanup of, and liability to third parties for damages resulting from environmental problems; casualty or condemnation losses; uninsured damages from floods, earth quakes or other natural disasters; limitations on and variations in rents; and changes in interest rates. Investing in Real Estate Investment Trusts ("REITs") involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs are dependent upon management skills, are

not diversified, and are subject to heavy cash flow dependency, default by borrowers and self-liquidation.

- **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

While this information provides a synopsis of the events that may affect a client’s investments, this listing is not exhaustive. Although Claraphi’s methods of analysis and investment strategies do not present any significant or unusual risks, all investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Clients should understand that there are inherent risks associated with investing and depending on the risk occurrence; clients may suffer LOSS OF ALL OR PART OF THE CLIENT’S PRINCIPAL INVESTMENT.

### C. RECOMMENDATION OF SPECIFIC TYPES OF SECURITIES

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Claraphi does not primarily recommend a particular type of security as our recommendations are unique to each client based on their needs, goals, and risk capacity. However, investments may include, but are not limited to, exchange listed securities, fixed-income securities, over-the-counter securities, foreign securities, bonds, money market funds, other pooled investment vehicles, such as open and closed end mutual funds or ETFs and alternative investments.

### ITEM 9: DISCIPLINARY INFORMATION

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Registered investment advisers are required to disclose any legal or disciplinary events that are material to a client’s or prospective client’s evaluation of our advisory business or the integrity of our management. Our CEO, Kathleen McPherson, has two customer dispute disclosures and two regulatory disclosures, related to failures to supervise and implementing written supervisory procedures. For more details on these disclosures, please visit [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and search by CRD number 1526361.

Please refer to the Representative’s Form ADV Part 2B for any disclosures with respect to your financial adviser.

### ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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In the interest of promoting fair, equitable, and ethical principles as a registered investment advisor, we are required to disclose when Claraphi, our financial advisers or any of our employees may have any material conflicts of interests which may impair the rendering of unbiased and objective advice. Any known and potential material conflicts of interest that may impair the client advisory relationship are reasonably



disclosed in this Brochure. Should you have any additional questions or concerns, please contact Leila Shaver, Chief Compliance Officer by phone at (949) 215-0025.

#### A. FINANCIAL INDUSTRY ACTIVITIES

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Claraphi is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. However, certain of the Firm's supervised persons may be registered as brokers with an unaffiliated broker-dealer.

#### B. FINANCIAL INDUSTRY AFFILIATIONS

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Claraphi is not a registered Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor and does not have an application pending to register as such. Furthermore, Claraphi's management and supervised persons are not registered as and do not have an application pending to register as an associated person of the foregoing entities.

#### C. OTHER MATERIAL RELATIONSHIPS

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Claraphi does not have any arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, law firm, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships other than those already disclosed herein.

In her individual capacity, our Chief Compliance Officer, Leila Shaver, owns and manages Shaver Law Group, LLC dba My RIA Lawyer, which provides legal and compliance services to independent financial advisers and companies.

In her individual capacity, our Chief Investment Officer, Meridith Hutchens, owns and operates Fortis Portfolio Solutions, LLC, and independently registered investment advisory firm providing outsourced CIO services to other registered investment advisory firms.

#### D. OTHER INVESTMENT ADVISORS

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Claraphi does not receive additional compensation from other investment advisers that it recommends to or selects for clients. However, Claraphi may enter into joint advisory relationships with other TPAMs to manage and service client accounts. Please see Item 4 and 5 for additional information regarding this arrangement.

### ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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#### A. DESCRIPTION OF CODE OF ETHICS

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All employees of Claraphi must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, Claraphi has adopted a Code of Ethics in its Employee Policies and

Procedures Manual to specify and prohibit certain types of transactions deemed to create conflicts of interest (or the potential for or the appearance of such conflicts), and to establish reporting requirements and enforcement procedures relating to personal trading by Claraphi personnel. Claraphi Code of Ethics in its Employee Policies and Procedures Manual, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

## B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

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Claraphi does not recommend or effect transactions in securities in which any related person may have material financial interest.

## C. PROPRIETARY/SIMULTANEOUS TRADING

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At times, Claraphi or its affiliated persons may buy or sell securities for its own accounts that it has also recommended to clients. However, any purchase or sale of a security by Claraphi or a related person will be subject to Claraphi's fiduciary duty to client accounts. From time to time, financial advisers of Claraphi may buy or sell securities for themselves at or around the same time as Claraphi's client accounts. In any instance where similar securities are bought or sold, Claraphi will uphold its fiduciary duty by always transacting on behalf of the client before transacting for its own benefit. Claraphi will always document any transactions that could be construed as conflicts of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, Claraphi will monitor its proprietary and personal trading reports for adherence to its Code of Ethics.

## ITEM 12: BROKERAGE PRACTICES

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### A. SELECTION AND RECOMMENDATION

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Claraphi seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that, overall, are most advantageous when compared to other available providers and their services.

Claraphi considers a wide range of factors in selecting a custodian/broker including, among others, the following:

- ✓ Timeliness of execution
- ✓ Clearance and settlement capabilities
- ✓ Ability to place trades in difficult market environments
- ✓ Timeliness and accuracy of trade confirmations
- ✓ Quality of account statements
- ✓ Research, execution facilitation, record keeping, custody, and other "value added" services provided
- ✓ Frequency and correction of trading errors
- ✓ Financial condition and willingness to commit capital
- ✓ Business reputation and integrity
- ✓ Claraphi's prior experience with the custodian/broker

To this end Claraphi has selected Folio Investments, Inc. (“Folio”), Charles Schwab (“Schwab”) and Mid-Atlantic Capital Group (“MidAtlantic”) as its preferred custodian to provide brokerage and custodian services. Claraphi is independently owned and operated and is not affiliated with these custodians.

The custodians will hold client assets in a brokerage account and buy and sell securities only when Claraphi or the client instructs them to.

Custodian recommendations are based on the client’s account size, investment objectives, trading frequency and overall portfolio strategy. Claraphi has determined that having the selected custodians execute trades is consistent with our duty to seek “best execution” of client trades.

## B. RESEARCH AND OTHER SOFT DOLLAR BENEFITS

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### **Claraphi does not currently receive “soft dollars.”**

Under “soft dollar” arrangements, one or more of the brokerage firms would provide or pay the costs of certain services, equipment, or other items. These soft dollar benefits are attributed to the investment advisor by reducing its expenses; however, the amount of the fee paid to the investment advisor by the client would not be reduced. Making allocations to brokerage businesses with soft dollar arrangements could enhance the ability to obtain research, optimal execution and other benefits on behalf of clients.

## C. BROKERAGE FOR CLIENT REFERRALS

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Claraphi does not receive client referrals from third parties for recommending the use of specific broker-dealer brokerage services.

## D. DIRECTED BROKERAGE

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Claraphi will require clients who want discretionary services to open an account with one of its preferred custodians. This arrangement is designed to maximize efficiency and to be cost effective for Claraphi’s clients. By requiring clients to use this custodian, which Claraphi has approved, Claraphi seeks to achieve “best execution” of client transactions.

Claraphi does permit clients to direct the use of a particular brokerage firm. If clients direct brokerage, advisors may be unable to achieve the most favorable executions of transactions which in turn may cost clients more money.

## E. ORDER AGGREGATION

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Claraphi may, at times, aggregate sale and purchase orders of securities (“block trading”) for advisory accounts with similar orders to obtain the best pricing averages and minimize trading costs. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to the client. Clients also benefit relatively from better purchase or sale execution prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Aggregate orders will be allocated to client accounts in a systematic non-preferential manner. Claraphi may aggregate or “bunch” transactions for a client’s account with those of other clients to obtain the best execution under the circumstances.

## F. TRADE ERROR POLICY

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Claraphi maintains a record of any trading errors that occur in connection with investment activities of its clients. Claraphi will bear any losses due to trading errors.

## ITEM 13: REVIEW OF ACCOUNTS

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### A. PERIODIC REVIEWS

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Claraphi will conduct a review of client accounts and financial plans to monitor various things, such as, third-party portfolio managers' investment performances, asset allocations, performance and market monitoring. The reviews also consist of determining whether a client's investment goals and objectives are aligned with Claraphi's investment strategies. Claraphi will conduct the reviews annually unless a shorter period of time is requested by the client or as circumstances necessitate. The reviews are overseen by Meridith Hutchens, Chief Investment Officer of Claraphi.

### B. INTERMITTENT REVIEW FACTORS

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Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or changes in the client's financial status (such as retirement, termination of employment, relocation, inheritance, etc.). Clients are advised to notify Claraphi promptly if there are any material changes in their financial situation, investment objectives, or in the event they wish to place restrictions on their account.

### C. REPORTS

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Clients may receive confirmations of purchases and sales in their accounts and will receive, at least quarterly, statements containing account information such as account value, transactions, and other relevant information. Confirmations and statements are prepared and delivered by the client's custodian.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

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### A. ECONOMIC BENEFITS FROM OTHERS

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Claraphi does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients.

### B. COMPENSATION TO UNAFFILIATED THIRD PARTIES

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Claraphi has promoter arrangements wherein compensation is paid to unaffiliated third parties for referrals made to us should the potential referral become a Client. 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 (promoters) for referring Clients to Claraphi, as permitted under prior Rule 206(4)-1 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 disclosures are provided to the Client in any such case in accordance with SEC rules and the promoter will be compensated by Claraphi according to the specific terms of the compensation arrangement contained in the Claraphi Promoter Agreement.

Promoters 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, promoters do maintain a customer service role with Clients they refer to Claraphi, including, but not limited to those times when the promoter 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.

### **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 considering 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.

## **ITEM 15: CUSTODY**

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### **A. CUSTODIAN OF ASSETS**

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Custody means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.

Claraphi has custody due to its authority to deduct advisory fees from client accounts. However, Claraphi will not maintain physical possession of client funds and securities. Rather, client's funds and securities are held by a qualified custodian in accounts that are registered in the client's name. Claraphi will require clients to provide authorization prior to transferring funds from client accounts. Please see Item 12 for additional information on our preferred, qualified custodians.

While Claraphi does not have physical custody of client funds or securities, payments of fees may be paid by the custodian from the custodial brokerage account that holds client funds pursuant to the client's account application. Prior to permitting direct debit of fees, each client provides written authorization permitting fees to be paid directly from the custodian. Claraphi will provide the Client a written invoice itemizing the fee, including the calculation period covered by the fee, the account value and the methodology used to calculate the fee. Clients will receive independent statements from the Client's custodian, at least quarterly, showing all disbursements for the Account(s), including the amount of the advisory fee.

Clients are encouraged to raise any questions with us about the custody, safety, or security of their assets and our custodial recommendations.

## B. ACCOUNT STATEMENTS

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Although Claraphi is the client's adviser, the client's statements will be mailed or made available electronically by the broker-dealer or custodian. When the client receives these statements, they should be reviewed carefully. Clients should compare asset values, holdings, and fees on the statement to that in the account statement issued the previous period.

## ITEM 16: INVESTMENT DISCRETION

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It is Claraphi's customary procedure to have full discretionary authority to supervise and direct the investments of the client's account(s). Clients grant this authority upon execution of Claraphi's IMA. This authority is for the purpose of making and implementing investment decisions, without the client's prior consultation. All investment decisions are made in accordance with the client's stated investment objectives. Other than management fees due to Claraphi, which Claraphi will receive directly from the custodian, Claraphi's discretionary authority does not give authority to take or have possession of any assets in the client's account or to direct delivery of any securities or payment of any funds held in the account to Claraphi. Furthermore, Claraphi's discretionary authority by agreement does not allow it to direct the disposition of such securities or funds to anyone except the account owner.

Claraphi is deemed to have custody of certain client assets as party to standing letters of authorization ("SLOA"). Claraphi accepts the client granted authority to disburse money, by request, to a named first or third party pursuant to a SLOA signed by the client and filed with the account custodian. Claraphi receives a third-party surprise custody audit that includes these assets under SLOA in line with relevant regulation. Claraphi has no authority to change the client's instructed recipient. Clients annually receive a letter from the account custodian confirming the details of these SLOA instructions. Clients also receive confirmation of asset transfers directly from the account custodian, immediately or monthly as elected, and custodial account statements not less than quarterly. We encourage you to compare your custodial account statements with the periodic portfolio reports you receive from us.

## ITEM 17: VOTING CLIENT SECURITIES

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Claraphi will not vote proxies which are solicited for securities held in client accounts. Claraphi will not be required to render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the client's account may be invested in occasionally. Furthermore, Claraphi will not take any action or render any advice with respect to any securities held in any client's accounts that are named in or subject to class action lawsuits. Claraphi will however, forward to the client any information received by Claraphi regarding class action legal matters involving any security held in the client's account.

## ITEM 18: FINANCIAL INFORMATION

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### A. BALANCE SHEET REQUIREMENT

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Claraphi is not the qualified custodian for client funds or securities and does not require prepayment of fees of more than \$1,200 per client, six (6) months or more in advance.

## B. FINANCIAL CONDITION

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Claraphi does not have any financial impairment that would preclude the Firm from meeting contractual commitments to clients.

## C. BANKRUPTCY PETITION

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Claraphi has not been the subject of a bankruptcy petition at any time during the last 10 years.

## PRIVACY POLICY

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An important part of the relationship we have with our clients is the information they share with us. We want each client to know how we treat their private information. We keep personal information such as Social Security Numbers and account balances confidential. We take steps to safeguard this data from anyone who should not have access to it. We do not sell this information to anyone.

In dealing with Claraphi Advisory Network, LLC, clients can expect that we will take the steps outlined below to keep all their information confidential and secure.

## OUR PRIVACY POLICY

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In providing financial services and products (“Service”) to our clients, we collect certain non-public information about them. Our policy is to keep this information confidential and strictly safeguarded, and to use or disclose it only as needed to provide services to our clients, or as permitted by law. Protecting your privacy is important to us.

## INFORMATION WE COLLECT

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The non-public personal information we have about clients includes the information they give us when opening an account or communicating with us. This could include:

- Name and address
- Social Security Number
- Investment objectives and experience
- Financial circumstances
- Employment history
- Account balances and transactions

## HOW WE SHARE YOUR PERSONAL INFORMATION

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We do not sell personal client information to anyone.

**Affiliates.** We may share personal information about you with our affiliated companies for everyday business purposes, however, our affiliated companies are not permitted to use this information to market their products or services to you.

We do not disclose personal information about our clients to non-affiliated third parties, without expressed written consent. We may disclose anonymous information that cannot be linked to an individual client on occasion, but only to companies that we hire to help us provide products and services to our clients, or as required by law, or as authorized by the client personally, or as otherwise described in this Privacy Policy.

**Service Providers.** Companies and individuals that provide services on our behalf or help us operate our services and business (such as IT, hosting, investment trading, customer relationship management and support, print and mail fulfillment, data management, email delivery, etc.).

**Service-Related Third Parties.** Brokers, custodians, administrators, transfer agents, investment funds and their respective managed and other non-affiliated third parties as necessary to provide our services to you.



## HOW INFORMATION IS USED

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We use your personal information for the following purposes:

**Service Delivery.** We use your personal information to provide, operate, and improve the Service; execute your transactions; provide support for the service; and respond to you inquires, questions and feedback.

**Compliance and Operations.** We may use your personal information to: comply with applicable laws, lawful requests, and legal process, such as to respond to subpoenas or requests from government authorities; protect our, your or others' rights, privacy, safety or property (including by making and defending legal claims); audit our internal processes for compliance with legal and contractual requirements and internal policies; and prevent, identify, investigate and deter fraudulent, harmful, unauthorized, unethical or illegal activity, including cyberattacks and identity theft.

## HOW INFORMATION IS SAFEGUARDED

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We have procedures in place that we believe are reasonably designed to protect the security and confidentiality of client information. These include confidentiality agreements with companies we hire to help us provide services to clients, password-protected user access to our computer files, and strict confidentiality policies that apply to all Claraphi personnel, vendors and contractors.

## YOUR DATA CHOICES

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You have the following choices with respect to your personal information:

**Decline to provide information.** We need to collect personal information to provide certain services. If you do not provide the information requested, we may not be able to provide those services.

**How to contact us.** You can reach us in the following ways:

- Mail: 120 Vantis, Suite 585, Aliso Viejo, CA 92656
- Phone: (949) 215-0025