

## Item 1 – Cover Page

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

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Date of Disclosure Brochure: April 2017

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

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

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

## Item 2 – Material Changes

Since our last annual amendment filed in March 2017, we have made the following material changes to this brochure:

Item 1 – *Cover Page* – we updated our address and website.

Item 4 – *Advisory Business* – we updated our assets under management as of December 31, 2016.

Item 4 – *Advisory Business* – we updated this item to disclose that Justin Farris is now 100% owner of Farris Capital Management Inc.

Item 4 - *Advisory Business* – Farris Capital Management was converted from an LLC to a C Corporation.

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

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## Item 4 – Advisory Business

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

- Justin Farris is the Chief Compliance Officer (CCO) and Managing Member of Farris Capital Management. Justin Farris owns 100.00% of Farris Capital Management. Full details of the education and business background of Justin Farris are provided at *Item 19* of this Disclosure Brochure.
- Farris Capital Management filed its initial application to become registered as an investment adviser in September 2013.

### **Introduction**

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

### **Description of Advisory Services**

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

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

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

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

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

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

We offer services through both wrap fee programs and non-wrap fee programs. The Financial Advisors Program, LifeGuide Program and Managed Opportunities Program are all wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. We manage wrap fee accounts and non-wrap fee accounts in substantially the same manner. Whenever a fee is charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), we will receive all or a portion of the fee charged.

### ***Asset Management Services via Fidelity Institutional Wealth Services Platform***

Farris Capital Management offers asset management services on the Fidelity Institutional Wealth Services platform, which involves Farris Capital Management providing you with continuous and ongoing supervision over your specified accounts.

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

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

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

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

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public

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information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### ***Financial Advisors Program ("FAP")***

We provide investment management services, which includes giving continuous advice to a client based on the individual needs of the client, through Securities America Advisors, Inc.'s (SAA) Financial Advisors Program (FAP). SAA is an SEC registered investment advisor. (Our investment adviser representatives also serve in a capacity separate from us as registered representatives of SAA's affiliated broker-dealer.)

SAA's FAP is a wrap-fee program, and SAA provides the option for providing investment advisory services and execution of client transactions under one specified fee (or fees) not based directly upon transactions in a client's account (this is referred to as a wrap-fee account) or we can setup accounts so that the account is charged each time a transaction is executed in the account (this is referred to as a non-wrap fee account). However, our standard procedure is for clients to pay transaction charges separately from our advisory fee. Therefore, their accounts are assessed an advisory fee separate from the fees and costs associated for making trades in their accounts. Again, this is referred to as a non-wrap fee account.

Under FAP, we will assist the client in establishing a FAP (the Account) with SAA. All brokerage transactions in the Account will be processed by SAI and then cleared through National Financial Services LLC (NFS) or Pershing, LLC (Pershing) pursuant to a clearing arrangement established by SAI with NFS and Pershing. SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts within SAA's FAP. The custody of all funds and securities will be maintained by NFS, Pershing insurance companies or other custodians. At no time will SAA, SAI, Farris Advisors or its IARs act as custodian of the Account.

### **Managed Opportunities Program**

We have established a relationship with SAA to participate in its Managed Opportunities Program ("Managed Opportunities"). Managed Opportunities is a wrap fee program developed by SAA that provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios developed and managed by our firm. SAA's Managed Opportunities receives administrative, website, transaction order entry services and other services from Envestnet, Inc.

Managed Opportunities offers us directed portfolios through which we can work and advise you in selecting and managing investments. Under Managed Opportunities, you will grant SAA with limited discretionary authority with respect to the purchase and sale of securities in mutual fund portfolios, separate account portfolios and unified managed account portfolios and also grant us discretionary authority with respect to the initial Managed Opportunities master account and advisor directed portfolios. This discretionary authority allows us to trade, rebalance, reallocate and replace funds within the guidelines of your suitability and risk tolerance.

Under this program, you grant SAA the discretionary authority to select one or more sub-advisors to provide administrative, web site, performance reporting, transaction order entry and other services to SAA and clients. SAA currently has a relationship with Envestnet, Inc. to provide these services. Clients establishing Managed Opportunities accounts receive Envestnet, Inc.'s Disclosure Brochure in addition to SAA's Disclosure Brochure.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives and are available to meet with you on a continuous basis. We help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. We are available to answer questions you may have regarding your account and act as the communication conduit between you and the investment manager.

Trading in the Managed Opportunities Program may trigger wash sale rule implications. SAA and our firm do not manage accounts in the Managed Opportunities in a way to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in Managed Opportunities.

You are advised that there may be other managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by us. Further, no guarantees of performance can ever be offered by us.

### **Newsletters**

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

### **Seminars**

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

### **Workshops**

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

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

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

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



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

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

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

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

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

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

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

The amount of client assets managed by Farris Capital Management totaled \$31,653,153 as of December 31, 2016, with \$31,566,520 managed on a discretionary basis and \$86,633 managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

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

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

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

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

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

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

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

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

Farris Capital Management provides consulting services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for consulting services under this arrangement. There is a range in the amount of the fixed fee charged by Farris Capital Management for consulting services. The minimum fixed fee for consulting services will be \$1,500, and maximum fixed fee for consulting services will be generally no more than \$5,000. The amount of the fixed fee for your engagement is specified in your consulting agreement with Farris Capital Management. The fixed fee will be considered earned by Farris Capital Management and immediately due from Client upon completion of the consulting services.

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

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

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

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

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

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

If you retain Farris Capital Management to implement the recommendations provided under this service, Farris Capital Management may recommend load or no-load mutual funds that charge you 12(b)-1 fees. For retirement plan accounts, any 12(b)-1 fees will be offset. For non-retirement plan accounts, your investment adviser representative may receive a portion of these 12(b)-1 fees in his or her separate capacity as a registered representative of a securities broker-dealer. The receipt of 12(b)-1 fees could represent an incentive for Farris Capital Management or your investment adviser representative to recommend mutual funds with 12(b)-1 fees or higher 12(b)-1 fees over mutual funds with no 12(b)-1 fees or lower 12(b)-1 fees and therefore creates a conflict of interest due to this receipt of additional fees. We address this conflict of interest by only recommending mutual funds to clients if those funds are suitable for the client, and appropriate to help fulfill the client's objectives

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

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

### **Asset Management Services via Fidelity Institutional Wealth Services Platform**

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

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

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

For our asset management services on the Fidelity Institutional Wealth Services platform, client will be charged the following annual fee based upon the amount of assets under management:

Farris Capital Management Inc.

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0,000 – \$50,000	1.750%
\$50,001 – \$100,000	1.500%
\$100,001 – \$499,999	1.250%
\$500,000 – \$999,999	1.000%
\$1,000,000 +	Negotiable

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

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

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

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

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

**Financial Advisor Program (“FAP”)**

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

billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

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

Fees charged for our asset management services are negotiable based on the investment adviser representative providing the services, the complexity of the client's situation, and the actual services requested.

For FAP, client will be charged the following annual fee based upon the amount of assets under management:

<u>Assets under Management</u>	<u>Annual Fees</u>
\$0,000 – \$50,000	1.750%
\$50,001 – \$100,000	1.500%
\$100,001 – \$499,999	1.250%
\$500,000 – \$999,999	1.000%
>\$1,000,000	Negotiable

There is a minimum account size of \$25,000.

SAA retains up to 20 basis points (0.20%) of the annual management fee for FAP accounts. A complete description of the FAP and related fees and charges are described in SAA's Financial Advisors Program Disclosure Brochure, which will be given to all clients prior to or at the time a FAP Account is established. You are urged to review the disclosure brochure(s) for full details.

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

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

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

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Farris Capital Management does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges

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imposed by third parties other than Farris Capital Management in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Farris Capital Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

For retirement plan accounts under FAP, any 12(b)-1 fees will be offset against our fee. For non-retirement plan accounts under FAP, your investment adviser representative may receive a portion of these 12(b)-1 fees in his or her separate capacity as a registered representative of a securities broker-dealer. The receipt of 12(b)-1 fees could represent an incentive for Farris Capital Management or your investment adviser representative to recommend mutual funds with 12(b)-1 fees or higher 12(b)-1 fees over mutual funds with no 12(b)-1 fees or lower 12(b)-1 fees and therefore creates a conflict of interest. To address this conflict of interest, we only recommend mutual funds to clients if those funds are suitable for the client, and appropriate to help fulfill the client's objectives.

**Managed Opportunities Program**

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

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

Fees charged for our asset management services are negotiable based on the investment adviser representative providing the services, the complexity of the client's situation, and the actual services requested.

For Managed Opportunities, client will be charged the following annual fee based upon the amount of assets under management:

<u>Assets Under Management</u>	<u>Annual Fees</u>
\$0,000 – \$100,000	1.750%
\$100,001 – \$249,999	1.500%
\$250,000 – \$499,999	1.250%
\$500,000 – \$999,999	1.000%
>\$1,000,000	Negotiable

There is a minimum account size of 50,000.

SAA retains up to 35 basis points (0.35%) of the annual management fee for Managed Opportunities account. A complete description of Managed Opportunities and related fees, charges, when due and Farris Capital Management Inc.

termination procedures are described in SAA's Managed Opportunities Disclosure Brochure Appendices (Wrap Fee Program Brochure) which you receive at or prior to the time a Managed Opportunities account is established.

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

SAA is responsible for collecting all fees paid by you through these programs and then journaling our portion of the advisory fees to us. You will authorize SAA and the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm. Our firm will send you a billing statement prior to time that fee deduction instruction is sent to the qualified custodian(s) of your account. The billing statement will detail the formula used to calculate the fee, the assets under management and the time period covered. See *Item 15 – Custody* for more details.

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

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

You should be aware that we are paid solicitor/referral fees by SAA for recommending mutual fund portfolios, separate account portfolios and unified managed account portfolios. SAA also shares fees with the sub-advisors. The amount of compensation we receive for recommending one Managed Opportunities portfolio over another portfolio may vary. Therefore, a potential conflict of interest may exist because these circumstances may result in us having a financial incentive to recommend one portfolio over another. However, we address this potential conflict of interest by ensuring portfolios are selected and recommended based on each individual client's needs, goals and objectives.

A complete description of Managed Opportunities and related fees, charges, when due and termination procedures are described in SAA's Managed Opportunities Disclosure Brochure Appendices (Wrap Fee Program Brochure) which you receive at or prior to the time a Managed Opportunities account is established.

### **Newsletters**

A subscription to our newsletter is complimentary.

### **Seminars**

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

### **Workshops**

Workshops are always provided free of charge.

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

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

## **Item 7 – Types of Clients**

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

- Individuals
- Corporations or business entities other than those listed above

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

### **Minimum Investment Amounts Required**

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

For FAP, Farris Capital Management requires a minimum of \$25,000 for a single account (householding of accounts not permitted). There is a minimum annual fee of \$120 billed in monthly for FAP.

For Managed Opportunities Program, Farris Capital Management requires a minimum of \$50,000 in a single account (householding not permitted). There is a minimum annual fee of \$200 billed in monthly increments for Managed Opportunities.

The minimum fee generally charged for financial planning services provided on an hourly basis is \$150, and the minimum fixed fee generally charged for consulting services is \$150.



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

### **Methods of Analysis**

Our investment portfolios are generally allocated to our own investment ideas based on our proprietary research along with analysis of select Wall Street research and top hedge fund/institutional manager ideas. In addition, we may allocate a portion of our portfolios to various money managers who have exceptional track records against their peers in both good and bad markets. Depending on each client's risk tolerance, we structure the portfolio allocating to each investment accordingly.

We employ what is often referred to as a “bottom-up” investment approach, meaning we focus on the businesses we appraise rather than attempt to forecast the short-term market direction. We seek to invest in quality assets that we believe are trading at a discount to “traditional valuation criteria”. Target buy and sell prices are established based on this criteria and monitored on an ongoing basis to identify potential fundamental changes that would warrant adjustment to the portfolio. In addition, we also utilize certain technical and sentiment market indicators as tools in a “Top-Down” manner to help us get insight into the emotional aspect of the market in general.

For fixed income, we search for high-quality, investment grade bonds that meet our objective to limit default risk. Allocations to fixed income will mainly be structured around the income needs of the client. However, we may also use fixed income strategies in our portfolios in lieu of holding cash.

We will also utilize ETFs to access generalized positions in the markets or other specialized markets when deemed appropriate.

There are risks involved in using any analysis method.

To conduct analysis, Farris Capital Management gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **Investment Strategies**

Farris Capital Management uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Frequent trading. This strategy refers to the practice of selling investments within 30 days of purchase.

Short sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.

Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an Farris Capital Management Inc.

investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Farris Capital Management.

Option writing including cover options, uncovered options or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

### **Primarily Recommend One Type of Security**

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

### **Risk of Loss**

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

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

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and Farris Capital Management and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

## Item 9 – Disciplinary Information

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

## Item 10 – Other Financial Industry Activities and Affiliations

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

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

### **Registered Representative of a Broker-Dealer**

Our representatives are also registered representatives of Securities America, Inc., a securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of Securities America, Inc. When acting in his or her separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc.. Prior to effecting any such transactions, you are required to enter into a new account agreement with Securities America, Inc.. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

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### **Insurance Agent**

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

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

### **Code of Ethics Summary**

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

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

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

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

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

Farris Capital Management Inc.

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

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

### **Item 12 – Brokerage Practices**

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

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

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

#### **Brokerage Recommendations**

If you elect to utilize our management services you are required to establish a brokerage account held by National Financial Services, LLC or Fidelity Brokerage Services, LLC (collectively referred to as “Fidelity”). Fidelity provides Farris Capital Management with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

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

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

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

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

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

### **Directed Brokerage**

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

### **Broker/Dealer Affiliation (Securities America)**

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our representatives implement the advice in their capacity as registered representative or through one of the Securities America Advisors, Inc. ("SAA") programs detailed in *Item 5, Fees and Compensation*, then our representatives' broker/dealer, Securities America, Inc. ("SAI") will be used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our representatives are registered representatives of SAI, they are required to use the services of SAI and SAI's approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our representatives. In addition, SAI provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAA/SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Please all see *Item 5, Fees and Compensation*, for additional information about advisory services and implementing recommendations.

### **Soft Dollar Benefits**

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

Farris Capital Management does not have a soft dollar agreement with a broker-dealer or a third-party.

### **Handling Trade Errors**

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



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

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

### **Block Trading Policy**

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

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

Under this procedure on a weekly basis Farris Capital Management will generate a report of client accounts in random order. The order of the accounts on the report will be automatically selected and that report will be used to allocate which account would receive a portion of the transaction allocation or the most favorable fills until the next scheduled report is generated. Once an account on the random list receives an allocated transaction, that account is moved to the end of the list for the next allocation procedures.

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

### **Agency Cross Transactions**

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

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request or in response to material market, economic or political

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events. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by the investment adviser representative of record assigned to the client, with reviews performed in accordance with your investment goals and objectives.

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

### **Statements and Reports**

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

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

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

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

Farris Capital Management does not directly or indirectly compensate any person for client referrals.

As part of the compensation received from fees charged for the Managed Opportunities Program as described in *Item 5* of this Disclosure Brochure, SAA pays Farris Capital Management solicitor/referral fees for recommending mutual fund portfolios, separate account portfolios and unified managed account portfolios, which can create a conflict of interest. We attempt to control for this conflict by always basing investment recommendations and decisions on the individual needs of our clients.

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

### **Item 15 – Custody**

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

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

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

When fees are deducted from an account, Farris Capital Management is responsible for calculating the fee and delivering instructions to the custodian. At the same time Farris Capital Management instructs the custodian to deduct fees from your account; Farris Capital Management will send you an invoice itemizing the fee. Itemization will include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

#### **Item 16 – Investment Discretion**

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

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

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

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

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

## **Item 17 – Voting Client Securities**

### **Proxy Voting**

Farris Capital Management does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

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

### **Class Action Lawsuits**

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

## **Item 18 – Financial Information**

This *Item 18* is not applicable to this brochure. Farris Capital Management does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Farris Capital Management has not been the subject of a bankruptcy petition at any time.

## **Item 19 – Requirements for State-Registered Advisers**

### **Executive Officer and Management Personnel**

#### **Justin Childs Farris**

##### *Educational Background:*

Rice University, Bachelor of Arts in Economics: 2003

##### *Business Experience:*

Farris Capital Management Inc.

Farris Capital Management, Owner/Executive Officer/Investment Advisor Representative/CCO, 08/2013 to Present;  
Securities America, Inc., Registered Representative, 04/2010 to Present  
Raymond James & Associates Inc., Investment Advisor Representative, 11/2004 to 04/2010

### ***Professional Designations***

#### **Certified Financial Planner (CFP)**

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in one day over two 3 hours sessions, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

CFP Acknowledgment: (ADVISOR) acknowledges his responsibility as a CFP® Certificant to adhere to the standards that have been established in the CFP Board's Standards of Professional Conduct. If you become aware that (ADVISOR)'s conduct may violate the Standards of Professional Conduct, you may file a complaint with the CFP Board at [www.CFP.net/complaint](http://www.CFP.net/complaint).

### **Code of Ethics for CFP**

The following disclosure has been included in the COE section of the 2A.

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

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

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

## Customer Privacy Policy Notice

We are a registered investment advisor in the business of providing investment advisory services to customers. We are committed to safeguarding the confidential information of clients. We hold all personal information provided to us in the strictest confidence. Our associated persons may also be registered representatives of Securities America, Inc. ("SAI"), a registered broker-dealer that is not affiliated with us. We may also have relationships with other non-affiliated investment advisor firms, such as Securities America Advisors, Inc. ("SAA"), an affiliate of SAI, insurance companies, trust companies, custodians and other financial institution entities. Except as required or permitted by law, we do not share confidential information about clients with non-affiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of confidential client information, we provide written notice to clients and clients are given an opportunity to direct whether such disclosure is permissible.

### AN IMPORTANT NOTICE CONCERNING CUSTOMER PRIVACY

**Customer Information Collected.** We collect and develop personal information about clients, and some of that information is non-public personal information ("Customer Information"). The essential purpose for collecting Customer Information is to provide and service the financial products and services clients obtain from us. The categories of Customer Information collected by us depend upon the scope of the engagement with us and are generally described below. As an investment advisor, we collect and develop Customer Information about clients in order to provide investment advisory services. Customer Information collected includes:

- Information received from clients on financial inventories through consultation with our associated persons. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning clients' financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about clients' financial products and services transactions with us.

**Data Security.** We restrict access to Customer Information to those associated persons who need the information to perform their job responsibilities within our firm. We maintain agreements, as well as physical, electronic and procedural securities measures, that comply with federal regulations to safeguard Customer Information about clients.

**Use and Disclosure of Customer Information to Provide Customer Service for Client Accounts.** To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for us to provide access to Customer Information within the firm, to us, and to non-affiliated companies such as SAI, SAA, other investment advisors, other broker-dealers, trust companies, custodians and insurance companies. We may also provide Customer Information outside of us as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

**Former Clients.** If clients close an account with us, it will continue to operate in accordance with the principles stated in the Notice.

**Requirements of Federal Law.** In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* ("GLBA"). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to non-affiliated third parties, other than as permitted or required by law, customers

Farris Capital Management Inc.

must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that the applicant does not disclose Customer Information to non-affiliated third parties except as permitted or required by law (e.g., disclosures to service a client's account or to respond to subpoenas).



## **Business Continuity Plan**

Farris Capital Management has a business continuity and contingency plan in place designed to respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact our ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or the operations of a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions.

Our continuity and contingency plan has been developed to safeguard employees' lives and firm property, to allow a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records, and to allow clients to continue transacting business.

The plan includes the following:

- Alternate locations to conduct business;
- Hard and electronic back-ups of records;
- Alternative means of communications with employees, clients, critical business constituents and regulators; and
- Details on the firms' employee succession plan

Our business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.

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