

# DISCLOSURE BROCHURE

PREPARED IN COMPLIANCE WITH  
THE INVESTMENT ADVISERS ACT OF 1940 RULE 204-3(A)

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This Disclosure Brochure provides information about the qualifications and business practices of Sara-Bay Financial Corp, which should be considered before becoming a client. Please contact Mr. J. Michael Hard if you have any questions about the contents of this brochure.

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

BROCHURE  
DATED  
**1**  
**JANUARY**  
**2011**

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## Material Changes

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.

# EXECUTIVE

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## summary

### WHO WE ARE

Sara-Bay Financial Corp. (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a registered investment advisor<sup>1</sup> focused on assisting you and your family – including any business entity (profit or non-profit) – to achieve your financial goals.

### OUR MISSION

Our mission is to manage your investable assets and to assist you in making intelligent, informed decisions on how best to achieve long-term growth and capital appreciation in your investment portfolio. We maintain one overall objective – structure and implement investment strategies designed to maximize wealth, maintain investment expectation and minimize risk.

### WHAT WE DO

We strive to nurture a trusting relationship, provide uncompromising service, and unbiased investment advice so that we can effectively guide and educate you on how best to navigate through the complex financial options available in today’s economic environment.

We combine market measurement and analytical techniques with assessments of current market trends and economic cycles to achieve the best return on your investment capital relative to your personal investment parameters and tolerance to risk.

In accomplishing your investment objectives we will: (i) create tailored investment strategy; (ii) implement the designed investment strategies for investment management, asset allocation and timing services; and, (iii) monitor the investment performance of such management strategies.

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<sup>1</sup> The term “registered investment advisor” is not intended to imply that Sara-Bay Financial Corp. has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities and Exchange Commission – and with such other regulatory agencies that may have limited regulatory jurisdiction over our business practices.

## HOW WE GET TO KNOW YOU

We get to know you through one-on-one consultations to discuss issues such as your current income and expenses, career, personal goals, investment return expectations and prior investment experience.

With the complexity of today's marketplace, it is critical for us to understand who you are and what you want to accomplish financially. We must have a clear picture of your unique financial composition and risk tolerance so that we can develop a successful investment plan and tailored asset allocation guideline.

Our meetings with you to discuss your finances will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options;
- ❖ Identified areas of greatest distress;
- ❖ Developed a strategy for addressing concerns about the future;
- ❖ Cultivated peace of mind; and,
- ❖ Created a unique picture of your overall economic personality.

# INVESTMENT

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## management services

It is our belief that within the context of all market climates, whether overall conditions are positive, negative, or neutral, there are always individual companies, which represent unusual value. It is our job to attempt to ferret out these golden nuggets and select them for your portfolio.

### INVESTMENT PHILOSOPHY

The goal of our managed investment program is to achieve growth through a portfolio mix of large cap, mid-cap and small capitalization stocks. For the selection process, both the technical considerations, as well as fundamental factors relating to the companies are evaluated.

Investment results are dependent not only on proper stock selection, but upon effective management technique. These decisions include the number of dollars to be invested in a particular investment, and what percentage of the entire portfolio should remain in cash. Also, control of risk is paramount. Within the portfolio, those companies, which decline in value or otherwise fail to fulfill our expectations, are routinely and systematically eliminated. While this strategy does not eliminate risk, its purpose is to reduce it. There is an ongoing effort to enhance and upgrade your portfolio.

While occasional opportunities arise which result in the realization of short-term gains, it is anticipated that the greatest enhancement to the portfolio will be derived from the "core" longer term holdings (i.e., stocks held one to five years).

The focus for our stock selection is primarily in three areas:

1. Stocks with strong annual earnings growth.
2. Shares of companies which show promise of future dynamic profitability because of the introduction of new products, a unique technology or valuable patents.
3. Stocks of larger corporations which have become severely depressed but have the potential to be rejuvenated and become turnaround situations. This could be a result of management changes, new products, and elimination of costly operations or new and innovative ideas.

There is always a time to buy and a time to sell even the most attractive security; we do not feel compelled to be fully invested in equities (stocks) when an alternative investment (cash reserves) offers a more attractive opportunity. In fact, it is our belief that avoiding severe losses is more important in determining overall market performance over the course of an entire market cycle. Regardless, as in any investment plan, there is risk involved, and there is no guarantee that the goals set forth will be achieved.

## PORTFOLIO MANAGEMENT FEES

Our management fee represents the annual percentage charged for portfolio management provided on an asset-based fee arrangement. The fee for a quarter will be one-fourth of the annual percentage (i.e.,  $1.50\% \div 4 = 0.375\%$ ) multiplied by the fair market value of the assets in your account on the first business day of the new calendar quarter.

We retain discretion to negotiate the management fee under 1.50% on a client-to-client basis. Generally, fee breaks occur as the total assets in your portfolio increase past the following tiers:

ACCOUNT BALANCE*	ANNUAL FEE RATES
\$0 – \$150,000 .....	1.50%
\$150,001 – \$500,000 .....	1.35%
\$500,001 – \$1,000,000 .....	1.25%
\$1,000,001 and higher .....	1.00%

\* There is no absolute minimum investment required to open a Portfolio Management account. However, every Portfolio is subject to a minimum annual fee charge of \$1,000 billed quarterly. Therefore, those accounts with assets less than \$66,000 will experience higher annual percentage fees (e.g., a managed account of \$50,000 with a minimum annual fee charge of \$1,000 will translate into an annual fee rate of 2.00%). Consequently, you might be able to contract for similar service with another investment advisor and receive equal or better performance at lower cost. It is suggested that you maintain a minimum

## PROTOCOLS FOR INVESTMENT MANAGEMENT SERVICES

The following protocols establish how we handle our Portfolio Management accounts and what you should expect when it comes to: (i) your bill for investment management services; (ii) withdrawing funds from your account(s); (iii) other fees charged to your account(s); and, (iv) termination.

### Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

### Billing

Your account will be billed quarterly in advance based on the fair market portfolio value of the assets in your account on the first day of the new calendar quarter. For the first billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets to be managed for the period

Advisory fees will be debited from free credit balances or money market fund balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

## Fee Exclusions

The above fees for all our management services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges, including, debit balances or postage/handling fees; and/or, (iii) transaction fees earned by the custodial firm for securities transactions.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees and contingent deferred sales charges. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

## Deposits and Withdrawals

Assets deposited by you into your Portfolio Management account between billing cycles will not result in additional management fees being billed to you unless such deposits exceed \$25,000. Such deposits of this amount or greater, in most cases, will require modifications and adjustments to your investment allocation. Therefore, a pro-rata fee based upon the number of days remaining in the current quarterly period may be assessed to you for deposits exceeding the above amount.

For assets you may withdraw, we do not make partial refunds of your management fees. Just as with deposits, withdrawals may require modifications and adjustments to be made in the account to correct your allocation of assets.

## Termination Provisions for Investment Management Services

You have five (5) full business days after entering into an Investment Advisory Agreement to change your mind and cancel our investment services and not incur any management fee costs (custodial fees may still apply). In the event that termination occurs after the five (5) day waiting period, you will be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into affect.

To terminate investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received at least 30 days prior to the date of termination. Such notification should include the date the termination will go into affect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity). Once the termination of investment advisory services has been implemented, neither party has any obligation to the other – we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

# QUALIFICATIONS

## & advisory responsibilities

### BUSINESS QUALIFICATIONS

#### J. Michael Hard

CRD #: 236707  
Year of Birth: 1943

Mr. J. Michael Hard is responsible for the leadership and direction of the Company, as well as ensuring the investment activities are being performed to your expectations.

Mr. Hard has almost 40 years of professional experience in the areas of investment and personal finance. He began his career as both a securities and commodities broker with Merrill Lynch here in the Sarasota area in 1971. After leaving Merrill, he worked for other large firms, including Shearson Lehman and Dean Witter. In 1987, he joined Kemper Securities and spent the next six years there as co-manager of their Sarasota office. He started Sara-Bay Financial Corp in 1993, offering a diversity of investment securities and our management program. His qualifications and experience include the following:

**Education:** Southern Illinois University  
Florida Life and Variable Annuity Insurance License  
FINRA Exams: Series 1, 3, 4, 5, 7, 8, 24, 55, 63 & 65

**Business:** 10/1993 – Present ..... Sara-Bay Financial Corp.  
**Position:** President & Chief Compliance Officer  
12/2003 – 12/2009 ..... Northeast Securities, Inc.  
**Position:** Branch Manager & Registered Rep.

#### Benjamin M. Hard

CRD #: 4362335  
Year of Birth: 1975

Mr. Benjamin M. Hard serves as the marketing consultant and is responsible for new client development for Sara-Bay Financial Corp. Prior to joining the Company, he was VP of Marketing for Great Companies, Inc., a Tampa investment management firm, where he provided investment consulting for both private clients and institutions. Previously, Ben worked as an equities trader for a Pennsylvania based broker-dealer. His qualifications and experience include the following:

**Education:** University of South Florida – B.S. in Finance  
FINRA Exams: Series 7, 55, 63 & 65

**Business:** 01/2008 – Present ..... Sara-Bay Financial Corp.  
**Position:** Vice President Marketing  
01/2008 – 12/2009 ..... Northeast Securities, Inc.  
**Position:** Registered Representative  
08/2005 – 12/2007 ..... Regal Securities, Inc.  
**Position:** Registered Representative



**Barbara M. Gil**

CRD #: 4368661  
Year of Birth: 1953

Ms. Barbara M. Gil has been with the Company since 1996. Previously, she was employed at a local law firm specializing in estates and trusts. Barbara brings extensive experience as a secretary and office manager in the areas of law, finance and accounting. Prior to working with the law firm, Ms. Gil ran a successful interior decorating business in Jacksonville, Florida for twelve years. Her qualifications and experience include the following:

**Education:** FINRA Exam: Series 11

**Business:** 06/1996 – Present ..... Sara-Bay Financial Corp.

**Position:** Operations Manager

01/2004 – 12/2009 ..... Northeast Securities, Inc.

**Position:** Assistant Representative

## ACCOUNT RESPONSIBILITY

Each account is reviewed on an ongoing basis by Mr. J. Michael Hard to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary.

In addition, you will receive monthly statements from the brokerage firm where your account(s) are custodied. Each statement will summarize the specific investments currently held, the value of your portfolio, and account transactions.

## EDUCATION & BUSINESS STANDARDS

Any Investment Advisory Representatives retained by the Company will be required to have suitable experience in fields directly related to investments, as well as the required examinations and qualifications to act as such representative.

## METHOD OF ANALYSIS, SOURCES OF INFORMATION & INVESTMENT STRATEGIES

### Methods of Analysis

In analyzing stocks and bonds we will use a fundamental and technical approach to gathering information. Such analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits to guide the Company in its allocation decisions.

### Sources of Information

We rely on numerous financial publications, as well as independent research sources for information. Other sources may include, but are not limited to, domestic, international and governmental newspapers, bulletins, magazines, books and other professional subscription services. On occasion, we will use material prepared by other research companies.

## **Investment Strategies**

We generally recommend long-term investment strategies requiring a minimum of five to ten year time horizon.

## **OTHER BUSINESS ACTIVITIES**

Mr. J. Michael Hard and Mr. Benjamin M. Hard devote approximately 2% of their time to duties other than providing investment management services. Both Mike and Ben maintain independent insurance licenses to sell various insurance products as part of a full range of financial services offered by the Company. All commissioned products will be fully disclosed prior to executing such purchases.

Even though Mike and Ben are licensed to sell various insurance products, their ability to offer these other services compliments the investment management services offered by the Company and should not present any inherent risks to you.

# FINANCIAL

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## industry activities & affiliations

### BROKERAGE & INVESTMENT ADVISOR AFFILIATIONS

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

The Company has custodial and brokerage relations with Charles Schwab & Company, Inc. ("Schwab"), a licensed broker-dealer (member NASD/SIPC), through its Schwab Institutional services to financial advisors.

Schwab provides on-line services for account administrative and operational support, including electronic trading, account forms and applications, trading authorization, accounting and reporting, and other relevant administration and support services. The cost to access Schwab's on-line service may be waived based on total client assets under management. In addition, Schwab may offer from time to time subscriptions to various research services (i.e.; Barron's, Morningstar.com, Value Line, PortfolioCenter™, etc...) at no cost also based on total client assets under management.

Services offered to us that have been discounted or waived are defined as "soft dollar" services. However, access to Schwab's trading platform any research services provided or arranged by Schwab will be used to service all client accounts and will not be limited to only those particular accounts that may have generated commissions.

We are not a subsidiary of, or affiliated with Schwab in any manner. We are solely responsible for investment advice rendered, and advisory services are provided separately and independently from Schwab.

### INSURANCE COMPANY/AGENCY AFFILIATIONS

Mr. J. Michael Hard and Mr. Benjamin M. Hard are licensed as resident Life and Fixed Annuity Insurance Agents by the State of Florida and are licensed as non-resident agents in other states. Both Mike and Ben are currently the only Investment Advisor Representatives ("RA") of the Company licensed to sell insurance related products and earn commissions from the sale of these products.

# DISCLOSURES

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## & conflicting interests

### CLIENT TRANSACTIONS

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interests

It is against our policies for Mr. J. Michael Hard and Mr. Benjamin M. Hard, or any future owners, officers, or employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mr. Mike Hard, and such investment is not in violation of any SEC and/or State rules and regulations.

Mr. Mike Hard and Mr. Ben Hard are permitted to personally invest their own monies in stocks (OTC and Listed), bonds, investment company products and other publicly traded securities, which may also be, from time to time, recommended to you. Such investment purchases are independent of, and are not connected in any way to, investment decisions made on behalf of the Company's clients. Personal trading activities conducted by our officers, directors and employees are monitored by Mr. Mike Hard to ensure that such activities do not impact upon your security or create conflicts of interest.

#### Insider Trading Activities

The Company is in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. The Company does not share any non-public information with anyone who does not need to know.

#### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility to you, the Company has adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. The Company's Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### **Proxy Voting**

We are hereby expressly precluded from voting proxies. You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in the managed accounts. Any proxy solicitations received at our place of business will be immediately forwarded to you for your evaluation and decision.

## **INVESTMENT OR BROKERAGE DISCRETION**

### **Securities and Amount Bought or Sold**

We execute an agreement with you, which sets forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

### **Direction of Transactions and Commission Rates (Best Execution)**

We have selected Schwab as the custodian of choice based on their competitive transaction charges, our familiarity with Schwab's trading platform, and on-line services for account administration and operational support. However, since we do not recommend, suggest or make available a selection of custodians other than Schwab for you to choose to custody your account(s), best execution may not always be achieved and you may pay higher transaction fees.

There will be no attempt by us to recommend Schwab solely on the lowest commission rates available. Your investment needs, general reputation, trading capabilities, investment inventory, the financial strength, and our personal experience working with Schwab has been considered, among other items, in suggesting Schwab to you.

END OF THE DISCLOSURE BROCHURE