

# SARA-Bay Financial Corp.

REGISTERED INVESTMENT ADVISOR

## DISCLOSURE BROCHURE

JANUARY 1, 2014

This Disclosure Brochure provides information about the qualifications and business practices of Sara-Bay Financial Corp., which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure. Our contact information is listed below.

2201 CANTU COURT ♦ SUITE 217 ♦ SARASOTA, FLORIDA 34232-6255  
941-371-8027 ♦ 800-373-2917 ♦ FAX 941-371-8314 ♦ [WWW.SARA-BAY.COM](http://WWW.SARA-BAY.COM) ♦ [INFO@SARA-BAY.COM](mailto:INFO@SARA-BAY.COM)

## TABLE OF CONTENTS

---

Advisory Business	3
Who We Are	3
Our Mission	3
What We Do	3
How We Get to Know You	4
Management Fees	4
Growth Portfolio Fee Schedule - Annual Rate	4
Income Portfolio Fee Schedule - Annual Rate	4
Protocols for Portfolio Management Services	5
Termination of Portfolio Management Services	5
Performance-Based Fees & Side-By-Side Management	5
Types of Clients	6
Methods of Analysis, Investment Strategies & Risk of Loss	6
Methods of Analysis	6
Investment Strategy	7
Disciplinary Information	7
Other Financial Industry Activities & Affiliations	7
Independent Insurance Agents	7
Code of Ethics, Participation or Interest in Client Transactions & Personal Trading	8
Code of Ethics	8
Client Transactions	8
Insider Trading	9
Brokerage Practices	10
Custodial Services	10
Direction of Transactions & Commission Rates (Best Execution)	10
Review of Accounts	10
Client Referrals & Other Compensation	10
Custody	11
Investment Discretion	11
Securities & Amount Bought or Sold	11
Voting Client Securities	11
Financial Information	11
Requirements for State-Registered Advisors	11

## ADVISORY BUSINESS

---

### Who We Are

Sara-Bay Financial Corp. (hereinafter referred to as, “the Company”, “we”, “us” and “our”) is a registered investment advisor incorporated as a Florida corporation in November of 1993. We offer portfolio management services designed to help you, our client, achieve superior investment returns.

#### Owners

The Company is controlled by the following person: J. Michael Hard, President, CRD# 236707

#### Total Assets

As of December 31, 2012, assets held in our client accounts: \$119,755,000

### Our Mission

Our mission is to manage your investable assets and, depending upon your personal objectives and needs, to assist you in one of two ways.

1. Long-term growth and capital appreciation designed to maximize wealth and minimize risk
2. Producing income with growth as a secondary goal

### What We Do

We specialize in active asset management – offering clients both growth and income strategies. We are different from many financial advisors in that we build and actively manage client portfolios using our own research. When a client opens an account through Sara-Bay Financial Corp., client assets are held by the custodian Charles Schwab & Company, Inc. Sara-Bay Financial is a fee only advisory firm and does not earn commissions on any Charles Schwab & Company, Inc., transactions. Transaction costs are passed on to the client. Transaction costs are minimal as Charles Schwab & Company, Inc., is a discount brokerage firm.

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

For more information on our investment strategies, see **Methods of Analysis, Investment Strategies and Risk of Loss** on Page 6.

ADVISORY BUSINESS (Cont'd.)

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 and personal goals, investment return expectations, and prior investment experience.

It is critical for us to understand who you are and what you want to accomplish financially. We strive to gather a clear picture of your financial goals and risk tolerance.

Once your financial parameters have been identified, we will prepare an investment plan that outlines the asset mix that is most suitable for your investment expectations and risk tolerance.

MANAGEMENT FEES

Portfolio management is provided on an asset-based fee arrangement. Our management fee is calculated based on the aggregate market value of your account on the last business day of the calendar quarter multiplied by one-fourth of the corresponding annual percentage rate.

In the event of multiple accounts within the same family; i.e., IRA, Joint, Trust, etc., the fees will be calculated on a combined basis in order to provide the lowest rate.

Fee breaks occur as assets in your portfolio increase past the following tiers:

Growth Portfolio Fee Schedule - Annual Rate

Account Value	Annual Fee Rate Not to Exceed
Up to \$150,000 .....	1.50%
\$150,001 to \$500,000.....	1.35%
\$500,001 to \$1,000,000 .....	1.25%
Over \$1,000,000 .....	1.00%

Income Portfolio Fee Schedule - Annual Rate

Account Value	Annual Fee Rate Not to Exceed
Up to \$150,000 .....	1.00%
\$150,001 to \$500,000.....	.85%
\$500,001 to \$1,000,000 .....	.75%
Over \$1,000,000 .....	.65%

There is not an absolute minimum investment required to open a portfolio management account. However, every portfolio account is subject to a minimum annual fee charge of \$500.00 (\$125.00 billed quarterly).

The portfolio management fee will be fully disclosed to you in an Investment Advisory Agreement prior to conducting any investment management services.

## MANAGEMENT FEES (Cont'd.)

---

### Protocols for Portfolio Management Services

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

#### Discretion

We will establish discretionary trading authority through a limited trading authorization on all management accounts to execute securities transactions at any time without your prior consent or advice.

#### Billing

Your account will be billed quarterly in advance based on the aggregate fair market portfolio value of the assets in your account on the last day of the 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 withdrawn from money market funds or cash balances.

#### Deposits and Withdrawals

Assets in excess of \$10,000 deposited into, or withdrawn from, your portfolio management account between billing cycles will be calculated as follows: for a withdrawal, a pro-rated refund of fees and for a deposit, a pro-rated fee. Such pro-rated fee or refund will be based on the number of days remaining in the current quarterly period.

#### Fee Exclusions

The above fees for all our management services are exclusive of charges imposed by Charles Schwab & Company, Inc., but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) wire transfer fees, debit balances, margin interest; and, (iv) trading or execution costs associated with securities held in your managed account.

### Termination of Portfolio Management Services

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.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

---

We do not charge fees based on a share of capital gains.

## TYPES OF CLIENTS

---

The types of clients we offer advisory services to are shown under **Who We Are** on Page 3. We do not have a minimum account size for portfolio management; however, we do have a minimum fee we charge management accounts. The minimum fee is disclosed under **Management Fees** on Page 4.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

---

Our portfolio management approach incorporates your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using primarily equities (stocks), a mix of debt instruments (bonds), and the occasional exchange traded funds (ETFs) to design your unique investment strategy.

### Methods of Analysis

In analyzing investments we will use a combination of analysis techniques to gather information and guide us in our investment decisions.

#### Fundamental Analysis

Fundamental analysis considers: economic conditions, earnings, free cash flow, return on equity, dividends, company management holdings, cash flow, debt ratios, current interest rates, and tax benefits.

#### Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends within the markets. This may involve the use of various technical indicators, such as relative strengths, moving averages and trend-lines, among other quantitative tools.

With our stock selection process we will use both fundamental and technical analysis. Fundamental analysis provides us with a long-term view of a security that begins with determining a company's value and the strength of its financials. The technical analysis helps to identify opportune entry or exit points.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS (Cont'd.)

---

### Investment Strategy

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.

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 growth 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, 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.

## DISCIPLINARY INFORMATION

---

We have no legal or disciplinary events to report that are material to your evaluation of our advisory business.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

---

### Independent Insurance Agents

Certain of our management persons are also licensed as resident life, health, and fixed annuity insurance agents by the State of Florida and may be licensed as non-resident agents in other states.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

---

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times to act in your best interest. To maintain this ethical responsibility, we have 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. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair and just 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.

### 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 Interest

It is against our policies for any of our 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 J. Michael Hard, our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

#### Trading Allocation

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as "best execution") for our clients. When we execute an order for multiple clients, it is our policy to average the price, carried out to three decimal places, so that all clients pay or receive the same average price.



## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING *(Cont'd.)*

---

### Personal Trading

Our employees are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Our Chief Compliance Officer reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (see **Trading Allocation** on Page 8) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by J. Michael Hard and Benjamin Hard to ensure that such activities do not impact upon your security or create conflicts of interest.

### Class Action Policy

The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

### Insider Trading

The Company is in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information and have controls in place to guard your personal information.

## BROKERAGE PRACTICES

---

### Custodial Services

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

We have selected Charles Schwab & Company, Inc., as the custodian of choice based on their competitive transaction charges, our familiarity with their trading platforms, and on-line services and desktop software for account administration and operational support, including electronic trading, account forms and applications, market data, trading authorization, accounting and reporting, and other relevant administration and support services for us to assist with the management of your account. In addition, Charles Schwab & Company, Inc., provides us proprietary and third-party research. These services offered from Charles Schwab & Company, Inc., generally are available to independent investment advisors at no cost provided the investment advisor maintains a minimum amount of client assets under management in accounts at Charles Schwab & Company, Inc.

Charles Schwab & Company, Inc.'s online services, dedicated trading desk and service group, real-time order matching systems and electronic interface, desktop software, and any research services provided or arranged by Charles Schwab & Company, Inc., will be used to service all client accounts.

We are not a subsidiary of or an affiliated entity of Charles Schwab & Company, Inc. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from Charles Schwab & Company, Inc.

### Direction of Transactions & Commission Rates (Best Execution)

Your investment needs, Charles Schwab & Company, Inc.'s reputation, trading capabilities, investment inventory, and financial strength, and our personal experience working with Charles Schwab & Company, Inc., have been considered, in suggesting Charles Schwab & Company, Inc., to you.

## REVIEW OF ACCOUNTS

---

Each account is reviewed on an ongoing basis 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 Charles Schwab & Company, Inc. Each statement will summarize the specific investments currently held, the value of your portfolio, and account transactions.

It is recommended that we review your account with you at least annually. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so the appropriate adjustments can be made.

## CLIENT REFERRALS & OTHER COMPENSATION

---

We do not receive any economic benefit from an independent party for managing any of our clients' accounts. In addition, we do not receive any compensation for referring a client to another trusted professional, such as an attorney or CPA.

## CUSTODY

---

We do not take possession or maintain custody of your funds or securities. Possession and custody of your funds and/or securities shall be maintained with Charles Schwab & Company, Inc., as shown under **Brokerage Practices** on Page 10. Per client preference, Charles Schwab & Company, Inc., will mail or email monthly brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. You are encouraged to verify the transaction activities disclosed to you in your brokerage statement.

## INVESTMENT DISCRETION

---

### Securities & Amount Bought or Sold

We execute an Investment Advisory Agreement with you which sets forth the authority to buy and sell securities in amounts determined to be appropriate for your account.

## VOTING CLIENT SECURITIES

---

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 your managed accounts. Any proxy solicitations received by the custodian will be immediately forwarded to you for your evaluation and decision.

## FINANCIAL INFORMATION

---

We are not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance.

**END OF DISCLOSURE BROCHURE**

This Disclosure Brochure provides information about the qualifications and business practices of Sara- Bay Financial Corp., which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure. Our contact information is listed below.

2201 CANTU COURT ♦ SUITE 217 ♦ SARASOTA, FLORIDA 34232-6255  
941-371-8027 ♦ 800-373-2917 ♦ FAX 941-371-8314 ♦ [WWW.SARA-BAY.COM](http://WWW.SARA-BAY.COM) ♦ [INFO@SARA-BAY.COM](mailto:INFO@SARA-BAY.COM)