



Form ADV Part 2A Appendix 1

**Item 1
Wrap Fee Program Brochure Cover Page
Flaherty Investment Management Program**

Flaherty Asset Management, LLC

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This wrap fee program brochure provides information about the qualifications and business practices of Flaherty Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (727) 252-1050. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Flaherty Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

Flaharty Asset Management, LLC has made the following material changes to its ADV Part 2A Appendix 1 (“Wrap Brochure”) dated September 2013:

- Flaharty & Associates, LLC became the direct owner of the Advisor. Shon Flaharty is the Manager and owns 90% of Flaharty & Associates, LLC. John “Hunter” Orr owns 10% of Flaharty & Associates, LLC.
- Shon Flaharty assumed the role of Chief Compliance Officer.

Currently, Flaharty Asset Management, LLC’s Wrap Brochure may be requested by contacting Cindy Smith at (727) 252-1050 or csmith@flahartyllc.com.

Additional information about Flaharty Asset Management, LLC is also available via the SEC’s website www.adviserinfo.sec.gov. The SEC’s website provides information about any persons affiliated with Flaharty Asset Management, LLC who are registered, or are required to be registered, as investment advisor representatives of Flaharty Asset Management.

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Item 4 Services, Fees and Compensation

Flaharty Asset Management, LLC (the “Firm” or “Advisor”) is a limited liability corporation formed under Florida law and is registered as an investment advisor with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940.¹ The Firm was established in June 2013 by Shon Flaharty, the Firm’s CEO. The Advisor is wholly owned by Flaharty & Associates, LLC. Shon Flaharty is Flaharty & Associates, LLC’s controlling owner and Manager. John “Hunter” Orr is a minority owner of Flaharty & Associates, LLC.

The Advisor provides customized investment programs to address clients’ specific issues, within their specific time horizon and considering their personal tolerance for risk. Once a client adopts this personalized investment strategy as their own, we provide the discipline. This process is a continuous cycle with the Advisor that, through regular reviews, adapts to the changes in the client’s life.

The Advisor’s advisory services include portfolio management, financial planning, and consulting services. This Wrap Brochure provides information about the Advisor and its advisory services under its wrap program. Other investment advisory services offered by the Advisor are described in detail in the Advisor’s ADV Part 2A Brochure.

Services

Through its wrap program, the Flaharty Investment Management (“IM”) program, the Advisor provides ongoing investment advice and management on assets in the client’s account. The Advisor provides advice on the purchase and sale of various types of investments, such as mutual funds, exchange-traded funds (“ETFs”), variable annuity subaccounts, real estate investment trusts (“REITs”), equities, and fixed income securities. The Advisor provides advice that is tailored to the individual needs of the client based on the client’s investment objective. LPL acts as custodian for the client’s account and provides brokerage and execution services as the broker-dealer on account transactions, and performs administrative services, such as quarterly performance reporting to clients.

Fees and Compensation

The Client pays the Advisor a single wrap fee (“Advisory Fee”) for advisory, brokerage and trade execution services.

The Advisory Fee is based on the value of assets managed by the Advisor, calculated as a percentage of assets under management. This fee is compensation for advisory services and portfolio management fees rendered by the Advisor as well as charges for execution and transaction services provided by LPL. The Advisory Fee is negotiable between the client and the Advisor and is set out in the Investment Advisory Agreement.

¹ Registration does not imply a certain level of skill or training.

The maximum Advisory Fee schedule is as follows:

<u>Assets Under Management</u>	<u>Fee</u>
\$100,000 - \$150,000	2.00%
\$150,000 - \$400,000	1.75%
\$400,000 - \$1,000,000	1.50%
\$1,000,000 - \$2,000,000	1.25%
\$2,000,000 - \$10,000,000	1.00%
\$10,000,000 - \$20,000,000	.80%
Greater than \$20,000,000	.70%

The Advisory Fee is negotiated on a client-by-client basis depending on the size, complexity and nature of the portfolio managed and will be set forth in the Investment Advisory Agreement. The Advisory Fee is aggregated for family related accounts, generally defined as parents, children, and grandchildren. Because Advisory Fees are negotiated, not all clients will pay the same fees. A client may pay a higher or lower Advisory Fee depending on considerations such as the size of the client's account, the amount of time the client has maintained an account with the Advisor, and/or the combined market value of related portfolios. While the Advisor believes that its Advisory Fees are competitive, clients may find lower or higher fees for comparable services from other sources.

Although the client does not directly pay charges for execution and transactions, clients should be aware that from the Advisory Fee paid to the Advisor, the Advisor pays LPL up to 0.20% of the Advisory Fee for LPL related charges associated with the client's account. The Advisor retains the remaining portion as compensation for its advisory services and portfolio management. These transaction charges paid by the Advisor to LPL vary based on the type of transaction. Because the Advisor pays the execution and transaction charges, clients should understand that the cost of transaction charges may be a factor to the Advisor when making decisions regarding transactions in the client's account.

The Advisor instructs LPL to deduct the Advisory Fee quarterly in advance from the client's brokerage account, unless other arrangements are set forth in the Advisory Agreement. If the Advisory Agreement is terminated before the end of the quarterly period, the Advisor will refund any pre-paid quarterly Advisory Fee on a prorated basis, based on the number of days remaining in the quarter after the termination date. However, if the account is closed within the first six months by the client or as a result of withdrawals that bring the account value below the required minimum, the Advisor reserves the right to retain the pre-paid quarterly Advisory Fee for the current quarter in order to cover the administrative costs of establishing the account (for example, the costs related to transferring positions in and out of the account, data entry in opening the account, reconciliation of positions in order to issue quarterly performance reports, and re-registration of positions).

After the termination date, the Advisor has no responsibility to provide ongoing investment advice to the client.

Other Types of Fees and Expenses

In addition to the Advisory Fee, which includes LPL's execution and transaction costs, LPL may charge additional cost directly to the client. LPL notifies clients of these charges at account opening and makes available a list of these charges on its website at www.lpl.com. LPL's charges may include:

- An additional \$10 quarterly fee at the end of the quarter for accounts with assets valued at less than \$100,000.
- An annual alternative investment administrative fee of \$35 per position, subject to a maximum of \$100 per account per year for accounts that hold hedge funds, managed futures and/or REITs.
- Margin interest on any credit extended to or maintained by the client for an account approved for trading on margin and the client has entered into a margin agreement with LPL. LPL will retain a portion of any interest charged. This interest charge is in addition to the Advisory Fee. The Advisory Fee is not charged on any margin debit balance, rather only on the net equity of the account.
- Clients also pay LPL other miscellaneous administrative or custodial-related fees and charges that relate to an IM program account.

Fees Charged by Third Parties

There are other fees and charges that are imposed by parties other than the Advisor (third parties) that apply to investments in IM program accounts.

If a client's assets are invested in mutual funds or other pooled investment products, the client should be aware that there will be two layers of advisory fees and expenses for those assets. The client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. In the case of mutual funds that are fund of funds, there could be an additional layer of fees, including performance fees that may vary depending on the performance of the fund. The client will also pay the Advisor the Advisory Fee with respect to those assets. Most of the mutual funds available in the program may be purchased directly. Therefore, clients could generally avoid the second layer of fees by not using the advisory services of LPL and the Advisor and by making their own decisions regarding the investment.

If a client transfers a previously purchased mutual fund into an IM program account, and there is an applicable contingent deferred sales charge on the fund, the client will pay that charge when the mutual fund is sold. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

Although LPL makes available no-load and load-waived mutual funds to IM program accounts, LPL receives asset based sales charges or service fees (e.g., 12b-1 fees) from certain mutual funds. LPL retains these fees and they are not shared with the Advisor.

If a client holds a variable annuity as part of an IM program account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If a client holds a REIT as part of an account, there are dealer management fees and other organizational, offering and pricing expenses imposed by the REIT. If client

holds a UIT in the IM account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a product sponsor is available in the appropriate prospectus or offering document, which is available upon request from the Advisor or from the product sponsor directly.

Important Things to Consider About Fees on an IM Program Account

The Advisory Fee is an ongoing wrap fee for investment advisory services which include the cost of the execution of transactions and other administrative and custodial services. The Advisory Fee may cost the client more than purchasing the services separately, for example, paying an advisory fee plus commissions for each transaction in the account. Factors that bear upon the cost of the IM program account in relation to the cost of the same services purchased separately include the:

- type and size of the account
- historical and or expected size or number of trades for the account, and
- number and range of supplementary advisory and client-related services provided to the client.

The Advisor receives compensation as a result of the client's participation in the program which may be more than what the Client would pay to another investment advisory firm.

The Advisor may make amendments to the fee schedule, including negotiated fees, at any time with at least 30 days written notice to the client.

Item 5 Account Requirements and Types of Clients

There is a minimum investment of \$100,000 although the Advisor may accept smaller accounts at its discretion. The IM program account is available for individuals, IRAs, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), trusts, estates, charitable organizations, corporations and other business entities.

Item 6 Portfolio Manager Selection and Evaluation

The Advisor provides the client investment advice and management in the IM program account.

LPL calculates the performance for the IM program account and delivers to clients individual quarterly performance reports, which provide performance information on a time weighted basis. LPL performance reports are intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices. The Advisor periodically reviews LPL's performance reports for accuracy.

The Advisor offers other types of advisory programs, including portfolio management, consulting and financial planning advisory services. Other portfolio management advisory services provided by the Advisor are similar to the IM account, in that the Advisor provides the investment advice and management to the client, except that the client pays transaction charges directly to the broker-dealer custodian rather than the Advisor. Other investment advisory services offered by the Advisor are described in detail in the Advisors ADV Part 2A Brochure.

Investment Discretion

The Advisor provides advisory services on a discretionary basis for the purchase and sale of securities in the IM program. The client authorizes the Advisor to have discretion through the Investment Advisory Agreement.

Methods of Analysis and Investment Strategies

The Advisor designs asset allocation models that take into consideration assumptions of future expected return and risk characteristics of markets. The Advisor's research allows it to collectively craft a process that positions its strategic asset allocation models to achieve risk and return success relative to each client's distinct investment objective. Through its collective experience of studying capital markets, the Advisor has determined that one of the most important elements in creating its asset allocation models is the statistical premise of mean reversion.

Mean reversion is the statistical calculation that cites that certain number series tend to gravitate towards their longer-term average — for example, when the series displays above average numbers, mean reversion would suggest that one should expect lower numbers in order to pull the series back towards the average. The Advisor has observed that both expected risk and return are strongly influenced by mean reversion theory.

The Advisor believes that the most optimal means to build a strategic asset allocation model is to overweight asset classes that are priced at attractive entry levels and reduce exposure to asset classes that are priced at levels above their long-term trend. Thus, the strategic asset allocation framework of the Advisor's asset allocation models is essentially built around a notion that reversion to the mean is a powerful investment force that serves as the starting point of our strategic asset allocation construction process.

Clients are advised and should understand that:

- Asset allocation does not ensure profit or protect against loss;
- Past performance is not a guarantee of future results;
- Market conditions, interest rates, and other investment related risks may cause losses in their portfolio;
- Risk parameters established for their portfolio are guidelines only – the selected risk parameters may be exceeded and index comparisons may outperform their portfolio;
- Their portfolio's value is subject to a variety of factors, such as liquidity and volatility of the securities markets;
- The investment objective selected for the IM program is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time;
- There may be a higher level of risk with leveraged and inverse ETFs because to accomplish their objectives, they may pursue a range of investment strategies through the use of swaps, futures contracts and other derivative instruments; and
- Achievement of the stated investment objective is a long-term goal for the account.

The Advisor provides customized investment programs to address clients' specific issues, within their specific time horizon and considering their personal tolerance for risk. Once a client adopts this personalized investment strategy as their own, we provide the discipline. This process is a continuous cycle with Advisor that, through regular reviews, adapts to the changes in the client's life.

The Advisor's advisory services include portfolio management, financial planning, and consulting services. The Advisor's ADV Part 2A Brochure provides information about the Advisor and its advisory services.

The Advisor provides advisory services for the following types of investments: equity securities, warrants, options, debt securities, REITS, mutual funds, closed end funds, exchange traded funds, unit investment trusts, private placements, limited partnerships, structured products, alternative investments, annuities and life insurance contracts.

Performance-Based Fees

The Advisor does not accept performance-based fees, which are fees based on a share of capital gains or appreciation of the assets of a client.

Side-By-Side Management

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

The Advisor does not participate in side-by-side management.

Voting Client Securities

The Advisor does not vote proxies on behalf of client securities. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities they beneficially own will be voted, and (ii) making all elections relative to mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the client's investments.

The Advisor does not render advice to or take any actions on behalf of clients with respect to any legal proceedings, including bankruptcies and shareholder litigation, to which any securities or other investments held in client accounts, or the issuers thereof, become subject, and does not initiate or pursue legal proceedings, including without limitation shareholder litigation, on behalf of clients with respect to transactions, securities or other investments held in client accounts. The right to take any actions with respect to legal proceedings, including shareholder litigation, with respect to transactions, securities or other investments held in a client account is expressly reserved to the client.

Item 7 Client Information Provided to Portfolio Managers

The Advisor obtains the client's financial information, risk tolerance and investment objectives to determine the investments in the client's IM account. The Advisor will contact the client periodically to review the client's IM program and determine whether there have been any changes to the client's situation.

Item 8 Client Contact with Portfolio Managers

No restrictions are placed on a client's ability to contact and consult with the Advisor regarding the IM program.

Item 9 Additional Information

Disciplinary Information

Registered investment advisors are required to disclose specific information related to certain legal or regulatory events that may be material to choosing an advisor. The Advisor and its Covered Persons have not been the subject of any material legal or disciplinary proceedings.

Other Financial Industry Activities and Affiliations

Certain investment advisor representatives ("IAR") of Flaharty Asset Management, LLC are also registered representatives with LPL Financial LLC ("LPL"), a registered broker-dealer with FINRA. A Flaharty Asset Management, LLC IAR may receive commissions on securities transactions as a registered representative their affiliation with LPL. Notwithstanding the IARs' affiliation with LPL, the Advisor is solely responsible for the investment advice rendered. Advisory services are provided separately and independently of the brokerage services the IARs offer through LPL unless otherwise disclosed.

Certain IARs are insurance licensed in one or more states and may recommend the purchase of insurance products through an affiliated company of LPL. Such IARs may receive commissions for the sale of such insurance products.

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

Flaharty Asset Management, LLC has adopted a Code of Ethics ("Code") pursuant to industry standards. The Code is predicated upon serving the best interest of our clients. All Covered Persons must at all times reflect the professional standards expected of those engaged in the investment advisory business, and shall act within the spirit and the letter of the federal, state and local laws and regulations pertaining to investment advisors and the general conduct of business. These standards require all personnel to be judicious, accurate, objective and reasonable in dealing with both clients and other parties so that their personal integrity is unquestionable.

The Code of Ethics is certified annually with Covered Persons of the Firm. For a copy of the Code of Ethics, a written request should be sent to 311 Park Place Blvd., Ste 150, Clearwater, FL 33759, attention: Cindy Smith.

On occasion, the Advisor may buy or sell securities that it recommends to clients or may recommend securities transactions in which the Advisor or its Covered Persons has some financial interest. This practice would create a conflict of interest if the transactions were structured to trade on the market causing an impact on recommendations made to the Advisor's clients. The Chief Compliance Officer reviews Covered Persons' personal transactions quarterly. The Advisor's Code of Ethics requires pre-approval of personal transactions in some cases. The Advisor believes that it has adopted sufficient controls so that personal transactions are consistent with advice given to clients.

Review of Accounts

LPL will deliver account statements at least quarterly that include a summary of clients' accounts' performance. Portfolio performance summaries provide historical information regarding a client's investments and should not be relied upon as predictive of future performance.

The value of securities held in a client's portfolio will be valued by the custodian, broker-dealer, or other investment vendor. Some investments, such as alternative investments or private placements, values are based upon the value provided by the investment's manager which may be monthly, quarterly, but not less than annually; often these values are estimates made by the alternative investment's manager and may not be the liquidation value.

The CEO reviews client account activity no less than quarterly. The level of review is determined by the complexity of the portfolio at the discretion of the Advisor's CEO. Other factors that may trigger review are changes in economic or market conditions, and individual client situations.

Client Referrals and Other Compensation

The Advisor may pay referral fees to or enter into solicitation arrangements with third parties ("Solicitors") to offer the Advisor's advisory services or programs. The Advisor enters into referral agreements with Solicitors pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940. The Advisor will compensate the Solicitor directly if a client enters into a relationship with the Advisor. This compensation is made up of a portion of the advisory fee the Advisor charges the client. A Solicitor will provide the client with a statement disclosing the terms of the Solicitor's arrangement with the Advisor.

The Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Advisor or its related persons in and of itself creates a potential conflict of interest.

Research & Other Soft Dollar Benefits

LPL also makes available to the Advisor other products and services that benefit the Advisor but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of clients' accounts, including accounts not maintained at LPL.

Services provided by LPL to the Advisor may include research (including mutual fund research, third-party research, and LPL's proprietary research), brokerage, custody, and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, LPL makes available software and other technologies that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information, quotation services, and other market data, assist with contact management, facilitate payment of fees to the firm from client accounts, assist with performance reporting, facilitate trade allocation, and assist with back-office support, record-keeping, and client reporting. LPL also provides access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, marketing and educational materials, technological and information technology support, and LPL corporate discounts. Many of these services may be used to service all or a substantial number of the Advisor's accounts, including accounts not maintained at LPL.

LPL may provide the Advisor with other services intended to help the Advisor manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. LPL may also provide other benefits such as educational events or occasional business entertainment of the Advisor's personnel.

In evaluating whether to recommend that clients custody their assets at LPL, the Advisor may take into account the availability of some of the foregoing products, services, and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by LPL, which may create a potential conflict of interest.

The Advisor addresses this conflict by conducting quarterly reviews of a sampling of execution quality and annual reviews of commission rates, trade error rates, quality of client reporting, block trading, reputation, and financial strength of the broker-dealer. The quarterly and annual reviews include a comparison to other industry participants offering the same or similar services.

Custody

The Advisor does not maintain custody of client assets. LPL will send quarterly account statements to clients. The Advisor urges clients to compare statements received from LPL or any other custodians with any reports the Advisor may provide. If there are any differences, please contact the Advisor immediately for resolution.

Neither the Advisor nor its associated persons will accept delivery of the client's securities or funds in the name of the Advisor or its associated person.

Financial Information

The Advisor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients nor has it been the subject of a bankruptcy proceeding.