



## **Form ADV Part 2A**

### **Item 1 Brochure Cover Page**

Flaharty Asset Management, LLC

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[www.flahartyllc.com](http://www.flahartyllc.com)

June 29, 2015

**This brochure provides information about the qualifications and business practices of Flaharty Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us. 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 Flaharty Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2            Material Changes**

Flaharty Asset Management, LLC has not made any material changes to its ADV Part 2A (“Brochure”) since its annual amendment dated March 10, 2014.

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

Additional information about Flaharty Asset Management, LLC is also available via the SEC’s website [www.adviserinfo.sec.gov](http://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, LLC.

**Item 3            Table of Contents**

Item 2	Material Changes .....	1
Item 3	Table of Contents.....	2
Item 4	Advisory Business.....	3
Item 5	Fees and Compensation.....	5
Item 6	Performance Based Fees and Side by Side Management .....	8
Item 7	Types of Clients .....	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9	Disciplinary Information .....	9
Item 10	Other Financial Industry Activities and Affiliations .....	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Item 12	Brokerage Practices .....	11
Item 13	Review of Accounts.....	14
Item 14	Client Referrals and Other Compensation.....	14
Item 15	Custody .....	14
Item 16	Investment Discretion.....	14
Item 17	Voting Client Securities.....	15
Item 18	Financial Information .....	15

#### **Item 4            Advisory Business**

Flaharty Asset Management, LLC (the “Firm” or “Advisor”) is a limited liability corporation formed under Florida law and is registered as an investment advisor. 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.

Shon Flaharty has been an investment professional for over twenty years. He has been a registered representative with LPL Financial LLC since 2007. He was an investment advisor representative with LPL Financial LLC from 2007 to 2014. Mr. Flaharty was registered with Bank of America Investment Services, Inc. from 2004 to 2007 and Merrill Lynch Pierce, Fenner & Smith Incorporated from 1995 to 2004. Mr. Flaharty received his Bachelor of Business Administration from the University of Miami in 1987. Mr. Flaharty was born in 1963.

Hunter Orr has been Director of Research of Alpha Street Research and Chief Investment Officer of Flaharty & Associates, LLC since 2010. He was Managing Partner of MGTB Capital from 2009 to 2013 and employee of Raymond James in 2009 and a real estate inspector from 2000 to 2009. Mr. Orr received his Bachelor degree in Economics from the University of South Florida in 2006 and his Masters in Finance from the University of Tampa in 2009. Hunter Orr was born in 1980.

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 Brochure provides information about the Advisor and its advisory services. The Advisor provides information in a separate disclosure brochure for its services offered through the Flaharty Investment Management Program. If clients would like more information on this program, clients should contact their IAR for a copy of the Advisor’s ADV Part 2A Appendix 1 (“Wrap Brochure”) that describes the program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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.

#### **Portfolio Management**

The Advisor provides ongoing investment advice and management of a customized client portfolio on a discretionary and non-discretionary basis according to the client’s investment objective and financial situation.

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’s advice is tailored to the individual needs of the client based on the client’s investment objectives. A client may impose restrictions on investing in certain securities

or groups of securities by indicating in the Investment Advisory Agreement. The Advisor will conduct regular portfolio, investment, and planning reviews to help ensure a client's financial objectives are consistent with the client's investment portfolio.

As of March 24, 2015, the Advisor managed \$177,634,931 in client assets on a discretionary basis and \$79,440,904 on a non-discretionary basis.

If you choose to engage the Advisor's services, you will enter into a written Investment Advisory Agreement and be charged an advisory fee for the Advisor's services. The client is charged separate fees for brokerage and execution services provided by the broker-dealer maintaining custody of the client's account.

### Consulting Services

The Advisor provides consulting services on an hourly basis. The Advisor's advice takes into account information collected from the client such as financial status, investment objectives and tax status, among other data. The Advisor will deliver to the client a written analysis or report as part of its services if selected in the Investment Advisory Consulting Agreement. The Advisor tailors the hourly consulting services to the individual needs of the client based on the client's investment objectives.

The Advisor does not have any discretionary investment authority when offering hourly consulting services. The Advisor will make recommendations as to general types of investment products or securities that may be appropriate for a client to consider and may also provide recommendations regarding specific investments or securities.

For consulting services associated with retirement plans, the Advisor's recommendations will be limited to the investment options available within the client's retirement plan and other securities that may be available in brokerage windows or other similar plan arrangements that enable participants to select investments beyond those designated by the client's retirement plan (e.g. mutual funds, exchange traded funds, collective investment trusts, pooled separate accounts, allocations among annuity sub-accounts, publicly traded employer stock ("company stock")). The Advisor does not provide any advice or recommendations regarding any participant loans from a client's retirement plan assets.

The client retains the sole responsibility for determining whether to implement any recommendations made by the Advisor and for placing any resulting transactions. The Advisor does not provide ongoing consulting services, and does not have discretionary authority with respect to the client's assets.

A client is under no obligation to act upon the Advisor's recommendation. If a client elects to act on any of the Advisor's recommendations, the client is under no obligation to effect the transaction through the Advisor.

### Financial Planning

The Advisor provides clients financial planning services to aid them in defining personal financial goals and objectives related to their investment objectives and risk tolerances. The Advisor will complete a financial plan through examination of a client's current financial situation, which includes a review of a client's investment objectives, time horizon, and risk parameters as well as a review of a client's assets and liabilities, income, cash flow, and estate issues.

The client retains the sole responsibility for determining whether to implement any recommendations made by the Advisor and for placing any resulting transactions. The Advisor does not provide ongoing financial planning services, and does not have discretionary authority with respect to the client's assets.

A client is under no obligation to act upon the Advisor's recommendation. If a client elects to act on any of the Advisor's recommendations, the client is under no obligation to effect the transaction through the Advisor.

#### Separately Managed Account Programs

The Advisor may recommend separately managed accounts. Under these accounts, the Advisor will introduce the client to, and advise on the selection of, independent portfolio manager(s) who provide discretionary management of individual portfolios using a variety of different securities analysis methods, sources of information and investment strategies. Clients receive separate disclosure from such portfolio managers regarding any such portfolio manager's advisory services.

The Advisor selects the appropriate independent portfolio manager(s), based upon the client's financial needs and investment objectives. The unaffiliated portfolio manager establishes custodial facilities, monitors performance, provides clients with performance accounting and other administrative services, and handles certain trading activities.

### **Item 5 Fees and Compensation**

#### Portfolio Management

##### *Investment Advisory Fees*

Investment advisory fees for investment management services are 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 rendered by the Advisor.

There is a minimum investment of \$250,000, although the Advisor may accept smaller accounts at its discretion. The Advisor charges no more than 1.75% for its portfolio management services. The amount of the investment advisory fee will be set out in the Investment Advisory Agreement executed by the client at the time the relationship is established.

Annual investment advisory fees are based on the following schedule which is based on asset levels:

Assets Under Management	Fee
\$250,000 - \$500,000	1.75%
\$500,000 - \$1,000,000	1.50%
\$1,000,000 - \$2,000,000	1.25%
\$2,000,000 - \$10,000,000	1.00%
\$10,000,000 - \$25,000,000	.80%
Greater than \$25,000,000	.60%

The investment 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

investment advisory fee is aggregated for family related accounts, generally defined as parents, children, and grandchildren. Because the Advisor's fees are negotiated, not all clients will pay the same fees. A client may pay a higher or lower 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 investment advisory fees are competitive, clients may find lower or higher fees for comparable services from other sources.

Investment advisory fees are charged quarterly in advance as a percentage of the portfolio value on the last business day of the previous quarter or the last value provided by the custodian. These asset-based fees are assessed on all billable assets under management, including securities, cash, and money market funds. The initial investment advisory fee will be billed and based on a client's account value as of the date the Investment Advisory Agreement is signed. The initial fee will be prorated based upon the number of days from the first day of management to the end of the quarter. Subsequently, investment advisory fees are determined on the first day of each quarter.

The Advisor may make amendments to the investment advisory fee schedule outlined in the Investment Advisory Agreement at any time with at least 30 days written notice to the client.

#### *Automatic Debiting of Investment Advisory Fees*

Upon establishing an account with the Advisor, the client will authorize and direct the client's custodian broker-dealer to debit his/her account each investment advisory fee payable from the account which will result in the client's custodian broker-dealer sending the investment advisory fee payable directly to the Advisor.

At the beginning of the quarter, the Advisor will direct the client's custodian broker-dealer to debit the client's designated account(s) the amount of the investment advisory fee. If the client's account does not maintain a sufficient cash or money market balance to cover the investment advisory fees or is restricted from automatic debiting of fees, the client may deposit additional funds (subject to certain restrictions for IRA accounts and Qualified Retirement Plans) or make payment in an alternative manner acceptable to the Advisor. If such funds are not deposited, certain securities in the client's account may be liquidated in an amount sufficient to cover such debits.

#### *Brokerage Account Fees*

The Advisor's investment advisory fees are separate from charges assessed by third parties, such as broker-dealers, custodians, or mutual fund companies.

A client may incur brokerage and other transaction costs charged by broker-dealer(s) executing the transactions and the custodians maintaining the client's assets. These costs may include, but are not limited to, brokerage transaction and money movement costs, commissions, ticket charges, fed fund wire fees, custodial fees, and margin interest. These costs are in addition to the Advisor's investment advisory fees and are not shared with the Advisor.

Mutual funds charge an advisory fee in addition to the management fee a client pays to the Advisor. Some funds may also assess administrative fees and 12b-1 fees. The Advisor does not receive any portion of these fees. These fees are in addition to the investment advisory fees the Advisor charges. The client does not

pay these fees directly; rather, they are deducted from the mutual fund's assets and will affect the performance of the investment. These funds' advisory, administrative, and 12b-1 fees are described in the funds' prospectuses. Mutual fund share prices and execution costs may differ based on share class. In certain instances, the Advisor will review the cost of a fund's share classes in conjunction with execution costs to assure that it meets its fiduciary duty to obtain best execution.

When investing in Exchange Traded Funds ("ETF"), a client will bear the ETF's proportionate share of fees and expenses as an investor in the ETF. The client does not pay these fees directly; rather they are deducted from the ETF's assets and will affect the performance of the investment.

The Advisor recommends that clients establish brokerage accounts with LPL Financial LLC ("LPL") or TD Ameritrade, Inc., FINRA-registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts.

A client choosing an alternate broker-dealer may result in additional expenses, fees, and lack of efficiency in reporting account information because the Advisor has established a relationship with LPL and TD Ameritrade to facilitate certain additional services which are outlined in the section "Brokerage Practices" below. For information about the factors the Advisor considers in selecting and/or recommending brokerage firms, see "Brokerage Practices" below.

### *Termination*

A client has the right to terminate the Investment Advisory Agreement for investment advisory services without penalty within five (5) business days after entering into the Investment Advisory Agreement. Thereafter, the Investment Advisory Agreement will terminate upon the Advisor's receipt of the client's written notice. The Advisor may terminate providing investment advisory services upon written notice of termination to the client or upon the occurrence of certain events as described in the Investment Advisory Agreement.

Upon the effective date of termination, fees due to the client will be refunded on a prorated share, based on the remaining days of the quarter that have been prepaid. 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 investment 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).

### *Financial Planning and Consulting Fees*

The Advisor charges hourly or flat rate fees for its financial planning and consulting services. The hourly charge is a maximum of \$350 per hour and the flat rate fee ranges from \$1,500 to \$25,000. Fees are negotiated on a client-by-client basis depending on the size, complexity and nature of the client's portfolio and will be set forth in the Financial Planning or Consulting Agreement. There is no minimum asset requirement for a financial planning or consulting engagement. Upon presentation of a completed financial plan to the client, the Advisor will present an invoice reflecting the fees owed for services. For consulting services, the client is required to pay at the time of consultation with the Advisor.



## *Termination*

A client has the right to terminate the Financial Planning or Investment Advisory Consulting Agreement for investment advisory services without penalty within five (5) business days after entering into an Agreement. Thereafter, the Agreement will terminate upon the Advisor's receipt of the client's written notice. The Advisor may terminate providing investment advisory services upon written notice of termination to the client or upon the occurrence of certain events as described in the Agreement.

For financial planning services, the Financial Planning Agreement automatically terminates, unless otherwise agreed in writing, upon delivery of the plan for financial planning.

For consulting services, the Investment Advisory Consulting Agreement automatically terminates, unless otherwise agreed in writing, upon final consultation with the client.

## *Separately Managed Account Program Fees*

A client investing in separately managed account programs will pay an advisory fee to the Advisor, as well as an investment manager fee to the independent portfolio manager(s). The client may also pay custodial fees and transaction charges, depending on the custodian selected by the independent portfolio manager(s). There also may be additional fees of the underlying investments, such as mutual funds or ETFs, which will result in a reduction of that product's net asset value.

Client fees are payable quarterly in advance based on assets under management using the fee schedules set out in the independent portfolio manager(s)' Disclosure Brochure(s).

Termination provisions are also set out in the Disclosure Brochure(s) of the independent portfolio manager(s).

## *Flaharty Investment Management Program*

Information regarding the Advisor's fees and compensation related to Flaharty Investment Management Program may be found in the Advisor's Wrap Brochure, which clients may contact their IAR for a copy.

## **Item 6 Performance Based Fees and Side by Side Management**

### *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.

## **Item 7           Types of Clients**

The Advisor generally offers advisory services to individuals, pension, and profit sharing plans including plans subject to Employee Retirement Income Security Act of 1974 (“ERISA”), corporations and other business entities, trusts, estates, and charitable organizations.

There is a minimum investment of \$250,000, although the Advisor may accept smaller accounts at its discretion.

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

The Advisor’s 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 a profit or protect against a 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; and
- 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.

## **Item 9           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.

#### **Item 10 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 through 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 or the Advisor. Such IARs may receive commissions for the sale of such insurance products.

Flaharty Insurance, LLC is an insurance agency that sells fixed life, fixed annuity and health insurance. Insurance products may be recommended to a client and are not offered through the Advisor. An IAR may receive commissions on Flaharty Insurance, LLC related transactions as an affiliated agent. Notwithstanding the IARs’ affiliation with Flaharty Insurance, LLC, the Advisor is solely responsible for the investment advice rendered. Advisory services are provided separately and independently of the insurance services the IARs offer through Flaharty Insurance, LLC unless otherwise disclosed.

As discussed previously, certain associated persons of the Advisor are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about the Advisor's clients, even if the client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Cindy Smith at (727) 252-1050 or csmith@flahartyllc.com.

#### **Item 11 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.

## **Item 12 Brokerage Practices**

Flaharty Asset Management, LLC does not provide brokerage services. The Advisor may recommend that clients establish brokerage accounts with either LPL Financial LLC (“LPL”) or TD Ameritrade, Inc. to maintain custody of clients’ assets and to effect trades for their accounts. LPL and TD Ameritrade are not affiliated.

### LPL Financial LLC

The Advisor may recommend that clients establish brokerage accounts with LPL Financial LLC (“LPL”), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although the Advisor may recommend that clients establish accounts at LPL, it is the client’s decision to custody assets with LPL or another custodian. The Advisor is independently owned and operated and not affiliated with or supervised by LPL.

Clients may utilize the broker-dealer of their choice and have no obligation to purchase or sell securities through LPL. However, if the client does not use LPL, the Advisor will reserve the right not to accept the account. LPL is obligated to seek the best execution pursuant to FINRA Rule 2320 for all trades executed, however better executions may be available via another broker-dealer based on a number of factors including volume, order flow and market making activity.

LPL’s brokerage services include the execution of securities transactions, 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.

For client accounts maintained in LPL’s custody, LPL generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through LPL or that settle into LPL accounts.

In recommending broker-dealers, the Advisor considers “best execution.” Best execution means in recommending a broker-dealer, the Advisor will comply with its fiduciary duty to obtain best execution and as defined by the Securities Exchange Act of 1934 and will take into account such relevant factors as (i) price; (ii) the broker-dealer’s facilities, reliability, and financial responsibility; (iii) the ability of the broker-dealer to effect transactions, particularly with regard to such aspects as timing, order size, and execution of order; (iv) the research and related brokerage services provided by such broker-dealer to the Advisor, notwithstanding that a client’s account may not be the direct or exclusive beneficiary of such services; and (v) any other factors the Advisor considers to be relevant.

### *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.

LPL’s products and services that assist the Advisor in managing and administering clients’ accounts may include software and other technology that (i) provide access to client account data (such as trade

confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of the Advisor's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

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.

#### TD Ameritrade

The Advisor also participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, The Advisor participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the Advisor's participation in the program and the investment advice it gives to its clients, although the Advisor receives economic benefits through its participation in the program that are typically not available to TD

Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving the Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the Advisor but may not benefit its client accounts. These products or services may assist Advisor in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Advisor manage and further develop its business enterprise. The benefits received by the Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, 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 Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

#### Aggregation of Orders

When the Advisor buys or sells the same security for more than one client, it may place concurrent orders with the brokerage firm to be executed together as a single "block" in order to facilitate orderly and efficient execution. Where orders are aggregated, each client account will be charged or credited with the average price per unit. The Advisor receives no additional compensation or remuneration from aggregating transactions.

#### Directed Brokerage

LPL will be the primary broker/dealer and custodian the Advisor recommends due to the relationship that its associated persons have with LPL. LPL may limit or restrict the broker/dealer or custodian platforms for LPL registered representatives (that are also independently registered) due to LPL's duty to supervise the transactions implemented by those individuals.

If a client directs the Advisor to use a specific firm for brokerage or custodial services or maintains an account with LPL because their IAR is affiliated with LPL, the client should be aware that there may be brokerage and execution services available elsewhere at lower cost. Clients should consider whether directing brokerage to a particular broker-dealer firm may result in certain costs or disadvantages, such as higher commissions, less favorable executions, or being limited in investment options.

If a client's account is invested in mutual funds or variable annuities, these directed brokerage arrangements might limit the investment options for the Advisor's use in managing the client's account. The reasons for a brokerage firm to limit these options are many, such as the brokerage firm offers only its proprietary investment products or is paid a higher commission when the volume of a particular product attains a certain

level. In addition, with directed brokerage arrangements, the client is responsible for negotiating the brokerage firm's commission rates and other fees.

### **Item 13          Review of Accounts**

For client accounts maintained at LPL, LPL will deliver account statements at least quarterly that include a summary of the 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.

### **Item 14          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, which may be up to 50% of the investment advisory fee the Advisor receives. 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.

### **Item 15          Custody**

The Advisor does not maintain custody of client assets. The Custodian will send quarterly account statements to clients. 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.

Executing broker-dealers, custodians, or other investment vendors provide account statements and confirmations. The Advisor urges clients to compare statements received from custodians with any reports the Advisor may provide. If there are any differences, please contact the Advisor immediately for resolution.

### **Item 16          Investment Discretion**

Clients who have entered into a discretionary Investment Advisory Agreement with the Advisor grant Flaharty

Asset Management, LLC power of attorney to exercise discretion over the selection of the investments, timing of placing the trade, and amount of securities to be bought or sold. This investment authority may be subject to specified investment objectives and guidelines and/or conditions imposed by the client in writing, as described above in “Advisory Business.”

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

The Firm 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 18          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.