



**Form ADV Part 2A**

**JFF Portfolio Management Program Brochure**

**Item 1**

**Brochure Cover Page**

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August 24, 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 JFF Portfolio Management Program ADV Part 2A – (“JFF Program Brochure”) since its first publishing on March 30, 2015.

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.

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#### **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 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.

In addition to the advisory services outlined in this JFF Program Brochure, the Advisor’s services also include portfolio management, financial planning, and consulting services. This Brochure provides information about the Advisor and its advisory services. Full descriptions of these programs are available in the Advisors ADV Part 2A Brochure, which is available upon request. 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).

#### **JFF Portfolio Management Program**

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.

The ongoing asset management services can be described as follows:

**Discretionary Management:** On a discretionary basis, the Advisor may design, revise, and reallocate a custom investment portfolio for a client. Investments are determined based upon factors such as the client's investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors. With regard to variable contracts (i.e. variable annuities, variable universal life policies, etc.) the Advisor will not have or exercise investment discretion of any kind.

**Non-Discretionary Management:** On a non-discretionary basis, the Advisor may provide periodic investment recommendations to a client and if such recommendations are approved/authorized, the Advisor will ensure that the authorized recommendations are carried out for the client.

In making investment decisions on behalf of a client or when making recommendations to a client, the Advisor shall rely on a client profile document or client questionnaire, which would be completed by the client or in conjunction with the client. Restrictions and guidelines imposed by the client may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and the client should not expect that the performance of his/her custom portfolios will be identical to any other individual's portfolio performance) as well as any recommendations provided to the client.

Clients are free to impose any restrictions or other conditions with regard to how the Advisor provides its advisory services. If the Advisor agrees to such restrictions and/or conditions, please be advised that restrictions and guidelines that a client imposes on the Advisor's investment management functions may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and the client should not expect that the performance of a custom portfolio will be identical to any other individual's portfolio performance) as well as any recommendations provided to the client.

As of August 21, 2015, the Advisor managed \$249,493,980 in client assets on a discretionary basis and \$98,170,717 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.

#### Other Advisory Services and Programs

Information regarding the Advisor's wrap program, Flaharty Investment Management Program, may be found in the Advisor's Wrap Brochure, which clients may contact their IAR for a copy.

Information regarding the Flaharty Portfolio Management Program, Separately Managed Account Program, Financial Planning, and Consulting may be found in the Advisor's ADV Part 2A Brochure, which clients may contact their IAR for a copy.

## Item 5 Fees and Compensation

### *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 - \$1,500,000	1.75%
Greater than \$1,500,000	1.25%

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 incurs brokerage and other transaction costs charged by broker-dealer(s) executing the transactions and the custodians maintaining the client's assets. These costs 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).

The Advisory Fee under the JFF Portfolio Management Program may cost the client more than other investment management programs offered by the Advisor. For example, the Advisor offers a wrap program where the advisory fee includes the cost of brokerage transactions and it also offers an investment management program that charges lower fees for larger accounts. Inasmuch as the advisory fees in JFF Portfolio Management Program exceed the costs of other investment management programs the Advisor offers, the Advisor may have an incentive to recommend the JFF Portfolio Management Program over them.

Factors that bear upon the cost of other investment management accounts offered by the Advisor in relation to the cost of the same services through the JFF Portfolio Management Program 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 JFF Portfolio Management Program, which may be more than what the client would pay to another investment advisory firm.

#### *Fees for Other Advisory Services and Programs*

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

Information regarding the Advisor's fees and compensation related to Flaharty Portfolio Management Program, Separately Managed Account Program, Financial Planning, and Consulting may be found in the Advisor's ADV Part 2A 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, high net worth individuals, foundations/charitable organizations, trusts for non-natural persons, trusts for natural persons, and estates for natural persons

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**

#### Methods of Analysis

In the course of the Advisor's management process and as appropriate on a case by case basis, the Advisor will employ some or all of the following methods of analysis. For a description of the risks related to each particular method of analysis, see the information following each analysis method description. A description of each key risk appears later in this section.

#### **Technical**

In most cases, technical analysis involves the evaluation of historical market data such as price and volume of a particular security or investment instrument. Technical analysis often times involves the use of charts, graphs, and other tools to evaluate historical factors relating to the investment instrument and perhaps the market as a whole. The goal of technical analysis is to try to identify historical trading patterns that suggest future trading activity or price targets.

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Market Risk, Operational Risk, and Strategy Risk.

#### **Fundamental**

Fundamental analysis is generally considered the opposite approach to technical analysis. Fundamental analysis involves the attempt to identify the intrinsic value (i.e. the actual, true/real value) of an investment instrument by examining any related economic, financial, and other quantitative/qualitative factors relevant to that instrument. Fundamental analysis can take into account anything that may impact the underlying value of the instrument. Examples of such things may include large-scale economic issues such as the overall condition or current cycle of the economy, industry-specific or sector-specific conditions, etc. Other company/issuer-specific factors may also be taken into consideration such as the company's/issuer's current financial condition, management experience and capabilities, legal/regulatory matters, the overall type and volume of current and expected business, etc.

One of the goals of fundamental analysis is to attempt to derive a value that can be compared to the current market price for a particular financial instrument in hopes of determining whether the instrument is overpriced (time to sell) or underpriced (time to buy).

Key risk(s): Economic Risk, Financial Risk, Inflation Risk, and Interest Rate Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

### Investment Strategies

In the course of the Advisor's management process and as appropriate on a case by case basis, the Advisor will employ any of the following investment strategies. For a description of the risks related to each particular investment strategy, see the information following each strategy description. The codes used below relate to risks described further below in this section.

#### **Long-Term Purchases**

Long-term purchases generally involve the acquisition of an investment instrument and holding it for a period of at least one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Inflation Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

#### **Short-Term Purchases**

Short-term purchases generally involve the acquisition of an investment instrument and holding it for a period of not more than one year.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

#### **Trading**

Trading generally involve the acquisition of an investment instrument and holding it for a period of at not more than thirty days.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

#### **Short Sales**

Selling short involves the sale of an investment instrument that a client does not own. In most cases, a short seller will have to go out and borrow or arrange for the borrowing of a particular investment instrument before selling short. When selling short, the seller is expecting the price of the underlying investment instrument to decline but if it does, the seller is able to sell the investment instrument(s) at the present day price (in effect at the time of entering into the short sale) and the profit potential is the difference between

the sale price of the borrowed shares and the cost of purchasing the borrowed shares in order to make good on the delivery of the investment instrument(s) to the party on the other side of the initial short sale.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Margin Trading**

Margin trading, or “trading on margin,” as it is generally stated, involves the ability to purchase a dollar value of securities that is greater than the dollar value of funds the client has available for the purchase.

Essentially, trading on margin means that the client can borrow additional funds, generally from the firm that holds the client’s brokerage account, to purchase investment instruments that exceed the amount with which the client has funded their account.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Margin Risk, Market Risk, Operational Risk, and Strategy Risk.

### **Option Writing** (including covered/uncovered options or spreading strategies)

The Advisor will also employ the use of options trading in the event that such trading complements an investment strategy we may be carrying out for a particular client. An option is the right either to buy or sell a specified amount or value of a particular underlying investment instrument at a fixed price (i.e. the “exercise price”) by exercising the option before its specified expiration date. Options giving the client the right to buy are called “call” options. Options giving the client the right to sell are called “put” options. When trading options on behalf of a client, the Advisor may use covered or uncovered options or various strategies such as spreads and straddles. Covered options involve options trading when the client owns the underlying instrument on which the option is based. Uncovered options involve options trading when the client does not own the underlying instrument on which the option is based. Spread options are options whose values are derived from the difference in price of two different underlying assets or components.

Key risk(s): Capital Risk, Economic Risk, Financial Risk, Higher Trading Costs, Interest Rate Risk, Legal/Regulatory Risk, Liquidity Risk, Market Risk, Operational Risk, and Strategy Risk.

Investing in securities or other investment products involves the risk of loss and you should be prepared to bear such losses.

### **Risk Disclosures**

#### **Capital Risk**

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that a client may lose 100 percent of their money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

## **Credit Risk**

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

## **Currency Risk**

Fluctuations in the value of the currency in which a client's investment is denominated may affect the value of a client's investment and thus, a client's investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment a client owns, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

## **Economic Risk**

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

## **Financial Risk**

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

## **Higher Trading Costs**

For any investment instrument or strategy that involves active or frequent trading, a client may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

## **Inflation Risk**

Inflation risk involves the concern that in the future, a client's investment or proceeds from a client's investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from

that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

### **Interest Rate Risk**

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

### **Legal/Regulatory Risk**

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

### **Liquidity Risk**

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, a client may experience the risk that their investment or assets within their investment may not be able to be liquidated quickly, thus, extending the period of time by which a client may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

### **Margin Risk**

A client can lose more funds than they deposit in a margin account. A decline in value of securities that are purchased on margin may require the client to provide additional funds to the custodian holding their margin account in order to avoid a forced sale of those securities or other securities in their account.

The custodian holding a client's margin account can force the sale of securities in their margin account. If the equity in the account falls below the margin maintenance level required by law or below the custodian's "house" requirement, the custodian can sell the securities in your account to cover the margin deficiency. The client will be responsible for any shortfall in the account after such sale.

Securities can be sold without contacting a client prior to sale. Some investors mistakenly believe they must be contacted before a margin call becomes valid and that securities in their accounts cannot be liquidated to meet the call unless they have been contacted ahead of time. Most firms will attempt to notify you of margin calls, however, they are not required to do so. Even if the custodian has contacted the client to provide a specific date by which they can meet a margin call, the custodian can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the client.

Clients are not entitled to choose which securities in their margin account are liquidated or sold to meet their margin call. Because the securities are used as collateral for the margin loan, the custodian has the right to decide which securities to sell in order to protect its interests.

The custodian can increase its “house” maintenance requirement at any time and is not required to provide clients with advance, written notice. These changes in policy can take effect immediately and may result in the issuance of a margin maintenance call. A client’s failure to satisfy this call may cause a forced liquidation in their account.

Clients are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have the right to the extension.

### **Market Risk**

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

### **Operational Risk**

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

### **Past Performance**

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment’s future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

### **Strategy Risk**

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

There is no single type of investment instrument that the Advisor predominantly recommends, however, please be mindful that all investments carry some form and degree of risk. Certain types of investments

carry greater types and levels of risk than others and clients should make sure that they fully understand not only the investment product itself but also the attendant risk factors associated with such products.

#### **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 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 receives 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](mailto: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 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 pays referral fees to or enters 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.