



**Form ADV Part 2A**

**Item 1  
Brochure Cover Page**

Flaharty Asset Management, LLC

Main Office  
311 Park Place Blvd., Ste 150  
Clearwater, FL 33759  
Phone: (727) 252-1050

South Office  
1107 W. Marion Avenue  
Suite 112  
Punta Gorda, FL 33950  
Phone: (941) 206-6200

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

March 15, 2022

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

**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 last annual brochure dated March 24, 2021.

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 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 and investment advisor representative with LPL Financial LLC since 2007. 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 Chief Investment Officer and an investment advisor representative of Flaharty Asset Management, LLC since September 2013 and a minority owner of Flaharty & Associates, LLC since January 2014. He has been a registered representative with LPL Financial LLC since January 2016. He was Chief Investment Officer of Flaharty & Associates, LLC from 2010 to 2013 and Director of Research of Alpha Street Research from 2010 to 2015. He was Managing Partner of MGTB Capital from 2009 to 2013 and an employee of Raymond James in 2009 and a real estate inspector from 2000 to 2009. Mr. Orr received his bachelor’s degree in Economics from the University of South Florida in 2006 and his Masters in Finance from the University of Tampa in 2009. Mr. 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, the Advisor provides 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. Through the Flaharty Investment Management Program, the Advisor provides customized Investment advice and management to the client. Under the Flaharty Investment Management Program, the Advisor exercises discretion over the client’s account and the corresponding broker-dealer custodian’s execution and transaction charges are included in the advisory fee the Advisor charges for its services. If clients would like more information on this program, clients should contact their investment adviser representative (“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.

As of December 31, 2021, the Advisor had \$771,934,005 of regulatory assets under management managed on a discretionary basis, and \$189,390,339 of assets under advisement.

## *Retirement Plan Consulting and Portfolio Management*

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.

If engaged to provide ongoing monitoring, 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's advice is tailored to the individual needs of the client. 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.

Clients choosing to engage the Advisor's services 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.

### *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 planthrough 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**

#### *Retirement Plan 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.

The Advisor charges no more than 2.00% annually 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.

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. 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 based on and deducted from client's account value when the account is transferred to Custodian. The initial fee will be prorated based upon the number of days from the first day of management to the end of the quarter. Subsequent investment advisory fees are determined as a percentage of the portfolio value on the last business day of the previous quarter or the last value as provided by the Custodian. The quarterly fee payable shall be calculated as set forth in the Terms.

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 unless other arrangements are set forth in the Investment Advisory Agreement.

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 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 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 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 has established a relationship with LPL and TD Ameritrade to facilitate certain additional services which are outlined in the section “Brokerage Practices” below. Clients choosing an alternate broker-dealer may result in additional expenses, fees, and lack of efficiency in reporting account information. 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).

Certain investment adviser representatives of the Advisor are also associated with LPL Financial as broker-dealer registered representatives (“Dually Registered Persons”). In their capacity as registered representatives of LPL Financial, Dually Registered Persons earn commissions for the sale of securities or investment products that they recommend for brokerage clients. They do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through the Advisor. Clients have the option of purchasing many of the securities and investment products the Advisor makes available to its clients through another broker-dealer or investment adviser. However, when purchasing these securities and investment products away from the Advisor, the client will not receive the benefit of the advice and other services the Advisor provides.

### *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 fee rate may be up 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**

In connection with Retirement Plan Portfolio Management, the client's IAR and the Advisor design asset allocation models for a variety of goals and risk tolerances. Each model takes into consideration the expectations of future returns and risk characteristics of the markets. Research is focused on a top-down approach. The Advisor uses its collective experience and studying of capital markets and believes the most important decision governing future returns and portfolio volatility is the allocation between mega asset classes including stocks, bonds, cash, commodities, and REITs. The strategic asset allocation model is determined by identifying what is right for the specific client, their ability and willingness to take risk, as well as the current investment landscape.

The Advisor also considers a secondary input when developing strategy and philosophy on investment research and portfolio creation, which is the goal to add value and reduce risk through sub-asset class tilts. Examples of this include being biased towards growth versus value investment categories, large capitalization stocks versus small capitalization stocks, and credit quality versus credit risk in interest bearing investments.

The Advisor further believes that the direction of investments tends to coincide with the direction of the domestic and global economy. Economic data is included in our analysis, provides valuable information on the direction of stock and bond investments, and helps dictate changes in the strategic asset allocation models.

For separately managed accounts, information regarding the analysis, investment strategies and risk of loss associated with a client's specific third-party manager are set forth in the third-party money manager's Form ADV Part 2.

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;
- Investing in securities with foreign currency may cause losses due to fluctuation in currency exchange rates. Investing in foreign currency may also pose risks due to factors within the foreign country, including but not limited to; political instability, changes in inflation, changes in interest rate, currency price, and liquidity constraints;
- Portfolio values are 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 inverse ETPs 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 IARs of the Advisor are Dually Registered Persons. LPL Financial is a broker-dealer that is Independently owned and operated and is not affiliated with the Advisor. Please refer to Item 12 for a discussion of the benefits the Advisor receives from LPL Financial and the conflicts of interest associated with receipt of such benefits.

For non-advisory accounts held at LPL, a Flaharty Asset Management, LLC IAR receives 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. 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. LPL Financial provides brokerage and custodial services to independent investment advisory firms, including the Advisor. For the Advisor's accounts custodied at LPL Financial, LPL Financial generally is compensated by clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into LPL Financial accounts. For IRA accounts, LPL Financial generally charges account maintenance fees. In addition, LPL Financial also charges clients miscellaneous fees and charges, such as account transfer fees. 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.

While LPL Financial does not participate in, or influence the formulation of, the investment advice the Advisor provides, certain supervised persons of the Advisor are Dually Registered Persons. Dually Registered Persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by LPL Financial. As a result, the use of other trading platforms must be approved not only by the Advisor, but also by LPL Financial.

Clients should understand that not all investment advisers recommend that clients custody their accounts and trade through specific broker-dealers. 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.

Clients should also be aware that for accounts where LPL Financial serves as the custodian, the Advisor is limited to offering services and investment vehicles that are approved by LPL Financial, and may be prohibited from offering services and investment vehicles that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment vehicles offered through LPL Financial.

Clients should also understand that LPL Financial is responsible under FINRA rules for supervising certain business activities of the Advisor and its Dually Registered Persons that are conducted through broker-dealers and custodians other than LPL Financial. LPL Financial charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because the Advisor has a financial incentive to recommend that clients maintain their accounts with LPL Financial rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

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.

#### *Transition Assistance Benefits*

LPL Financial provides various benefits and payments to Dually Registered Persons to assist with the costs (including foregone revenues during account transition) associated with transitioning business to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the Dually Registered Person's clients transitioning to LPL Financial's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments are often significant in relation to the overall revenue earned or compensation received by the Dually Registered Person at their prior firm. Such payments are generally based on the size of the Dually Registered Person's business established at their prior firm and/or assets under custody on the LPL Financial. Please refer to the relevant Part 2B brochure supplement for more information about the specific Transition Payments a representative receives.

Transition Assistance payments and other benefits are provided to associated persons of the Advisor in their capacity as registered representatives of LPL Financial. However, the receipt of Transition Assistance by such Dually Registered Persons creates conflicts of interest relating to the Advisor's advisory business because it creates a financial incentive for the Advisor's representatives to recommend that its clients maintain their accounts with LPL Financial. In certain instances, the receipt of such benefits is dependent on a Dually Registered Person maintaining its clients' assets with LPL Financial and therefore the Advisor has an incentive to recommend that clients maintain their account with LPL Financial in order to generate such benefits.

The Advisor attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Dually Registered Person. The Advisor considers LPL Financial's (i) price; (ii) facilities, reliability, and financial responsibility; (iii) ability to effect transactions, particularly with regard to such aspects as timing, order size, and execution of order; (iv) the research and related brokerage services when recommending or requiring that clients maintain accounts with LPL Financial. However, clients should be aware of this conflict and take it into consideration in making a decision whether to custody their assets in a brokerage account at LPL Financial.

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 provides the Advisor with other services intended to help the Advisor manage and further develop its business. Some of these services assist the Advisor to better monitor and service program accounts maintained at LPL Financial, however, many of these services benefit only the Advisor, for example, services that assist the Advisor in growing its business.

These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by the Advisor in furtherance of the operation and development of its investment advisory business. 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 CIO 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 enter into arrangements to pay referral fees to or enter into solicitation agreements with third parties (“Solicitors”) to offer the Advisor’s advisory services or programs. Any arrangement will be conducted pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940. In such event, the Advisor compensates the Solicitor directly if a client enters 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 also provides additional compensation to its employees for the referral of clients. This financial incentive creates a conflict of interest in connection with employee referrals to the Advisor.

The Advisor and/or its Dually Registered Persons are incented to join and remain affiliated with LPL Financial and to recommend that clients establish accounts with LPL Financial through the provision of Transition Assistance (discussed in Item 12 above and the IAR’s ADV Part 2B Brochure Supplement).

In connection with the transition of the Advisor’s clients to the LPL Financial custodial platform and/or its Dually Registered Persons, from time to time, the Advisor will receive financial transition support for new representative transitions from LPL Financial in the form of a transition credit. The transition credits received by the Advisor in connection with these new client relationships are in the form of upfront cash payments. The amount of the upfront cash payment represents a substantial payment. Such payments are generally based on the size of a transitioning Dually Registered Person’s business established at their prior firm and assets expected to be under custody on the LPL Financial platform. As a result, the Advisor has a financial incentive when it hires new Dually Registered Persons that recommend that clients establish accounts with LPL Financial. This financial incentive creates a conflict of interest in connection with new Dually Registered Persons’ recommendations of LPL Financial.

LPL also provides other compensation to the Advisor and its Dually Registered Persons, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits. The receipt of any such compensation creates a financial incentive for Dually Registered Persons to recommend LPL Financial as custodian for the assets in their clients’ advisory accounts. The Advisor encourages clients to discuss any such conflicts of interest with its IARs before making a decision to custody their assets at LPL Financial.

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 has custody of clients’ funds to the extent that it has the ability to deduct fees from clients’ accounts. Neither the Advisor nor its associated persons will hold client assets or accept delivery of the client’s securities or funds in the name of the Advisor or its associated person.

The Advisor is deemed to have custody when clients authorize us via standing letters of instruction to direct funds to third-parties from their custodial accounts.

In connection with standing letters of instruction a client must provide signed written instruction to the custodian to direct transfers to a third party, which the client may instruct the custodian to terminate or change at any time. The Advisor has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction. The custodian will verify the instruction with an initial notice, provide the client with a transfer of funds notice promptly after each transfer, and an annual notice reconfirming the instruction. The Advisor and its affiliates may not accept funds in connection with standing letters of instruction, nor may funds be delivered to locations where the Advisor or its affiliates conduct business.

Executing broker-dealers, custodians, or other investment vendors provide account statements at least quarterly and confirmations. Account statements should be carefully reviewed. 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 Flaherty 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.