

# SARA-BAY FINANCIAL Corp.

## Registered Investment Advisor

### Disclosure Brochure

January 1, 2021

This Brochure provides information about the qualifications and business practices of Sara-Bay Financial Corp., a registered investment adviser. Registration does not imply a certain level of skill or training but only indicates that Sara-Bay Financial has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission (SEC number 801-79508). The information in this Brochure has not been approved or disapproved, nor verified by the United States Securities and Exchange Commission or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact us at (941) 371-8027 or [info@sara-bay.com](mailto:info@sara-bay.com). Additional information about Sara-Bay Financial Corp. is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

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## **Item 2 MATERIAL CHANGES**

Please see item number 12 Brokerage Practices and notice of our Trade Error policy.

Please see item number 15 regarding Custody.

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## ITEM 4 Advisory Business

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### Who We Are

Sara-Bay Financial Corp. (hereinafter referred to as, "the Company", "we", "us" and "our") is a registered investment advisor incorporated as a Florida corporation in November of 1993.

#### Owners

The Company is controlled by the following person: Benjamin Hard, President, CRD# 4362335

#### Total Assets

As of December 31, 2020, total assets: \$256,502,534.70

### Our Mission

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

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

### What We Do

We specialize in active asset management – offering clients a choice of growth, income, and a blended strategy. We are different from many financial advisors in that we build and actively manage client portfolios using our own research. When a client opens an account through Sara-Bay Financial Corp., client assets are held by the custodian, Charles Schwab & Company, Inc. Sara-Bay Financial is a fee only advisory firm and does not earn commissions on any Charles Schwab & Company, Inc., transactions. Transaction costs are passed on to the client. As of 2019, there are no transaction costs associated with equity trades.

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

All assets that we manage are managed on a discretionary basis.

For more information on our investment strategies, see Methods of Analysis, Investment Strategies and Risk of Loss on Page 8.

### How We Get to Know You

We get to know you through one-on-one consultations to discuss issues such as your current income and expenses, career and personal goals, investment return expectations, and prior investment experience.

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

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

## Item 5 MANAGEMENT FEES

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

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

Sara-Bay Financial earns income from the fees charged to manage investment assets. Sara-Bay recognizes the incentive in such a fee structure is to invest additional assets into the account and thus be charged a lesser fee. This could be perceived as a conflict of interest.

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

### Individual Stock Growth or Blend Portfolio

Account Value	Annual Rate
Up to \$500,000 .....	1.35%
\$500,001 to \$1,000,000 .....	1.25%
Over \$1,000,000 .....	1.00%

### Individual Stock Dividend Income Portfolio

Account Value	Annual Rate
Up to \$500,000 .....	1.00%
\$500,001 to \$1,000,000 .....	.90%
Over \$1,000,000 .....	.80%

### Growth ETF or Balanced ETF Portfolio

Account Value	Annual Rate
Up to \$500,000 .....	.90%
\$500,001 to \$1,000,000 .....	.80%
Over \$1,000,000 .....	.70%

### Fixed Income

Account Value	Annual Rate
Up to \$1,000,000 .....	.50%
Over \$1,000,001 .....	.40%

*There is not an absolute minimum investment required to open a portfolio management account. Managed accounts are subject to a minimum annual fee charge of \$500.00 (\$125.00 billed quarterly). The portfolio management fee will be fully disclosed to you in an Investment Advisory Agreement prior to conducting any investment management services. Fee schedule is negotiable.*

## **MANAGEMENT FEES (Cont'd.)**

### **Protocols for Portfolio Management Services**

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

#### **Discretion**

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

#### **Billing**

Your account will be billed quarterly in advance based on the aggregate fair market portfolio value of the assets in your account on the last day of the quarter. For the first billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets to be managed for the period. Advisory fees will be withdrawn from money market funds or cash balances.

#### **Deposits and Withdrawals**

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

#### **Fee Exclusions**

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

#### **Termination of Portfolio Management Services**

To terminate investment advisory services, either party (you or us), by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received at least 30 days prior to the date of termination.

Such notification should include the date the termination will go into effect along with any final instructions on the account; i.e., liquidate the account, finalize all transactions, and/or cease all investment activity.

## **Item 6 PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT**

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

## **Item 7 TYPES OF CLIENTS**

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Most clients are individuals. Account types include, but are not limited to, the following: Qualified Retirement, Individual, Joint Accounts, Trusts, Foundations and Corporate Accounts. There is no account size minimum.

## **Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS**

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Our portfolio management approach incorporates your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using primarily equities (stocks), a mix of debt instruments (bonds), and the occasional exchange traded funds (ETFs) to design your unique investment strategy. We may purchase securities for certain clients which may not be offered to you. This would be subject to your risk tolerance and the suitability of the security.

### **Methods of Analysis**

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

### **Fundamental Analysis**

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

### **Technical Analysis**

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

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

### **Investment Strategy**

It is our belief that within the context of all market climates, whether overall conditions are positive, negative, or neutral, there are always individual companies which represent unusual value. It is our job to attempt to ferret out these golden nuggets and select them for your portfolio.

For the selection process, both the fundamental factors, as well as technical considerations relating to the companies are evaluated. Investment results are dependent not only on proper stock selection, but upon effective management technique. These decisions include the number of dollars to be invested in a particular investment and what percentage of the entire portfolio should remain in money markets or cash. Also, control of risk is paramount. Within the portfolio, those companies which fail to fulfill our expectations are routinely and systematically eliminated. While our strategy does not eliminate risk, its purpose is to reduce it. There is an ongoing effort to enhance and upgrade your portfolio. While occasional opportunities arise, which result in the realization of short-term gains, it is anticipated that the greatest enhancement to the portfolio will be derived from the "core" longer term holdings; i.e., stocks held one to five years or longer.

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

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The focus for our growth stock selection is primarily in three areas:

1. Among stock selection considerations are the following: strong annual earnings growth; improving or anticipated increase in quarterly sales; return on equity; cash flow; profit margin; long-term debt low or at manageable levels compared to other companies in the same industry.
2. Shares of companies which show promise of future dynamic profitability because of the introduction of new products, a unique technology or valuable patents.
3. Stocks of corporations which have become severely depressed, but have the potential to be rejuvenated and become turnaround situations (This could be a result of management changes, new products, elimination of costly operations, or new and innovative ideas.)

We do not feel compelled to be fully invested in equities (stocks) when an alternative investment (cash reserves) offers a more attractive opportunity. It is our belief that avoiding severe losses is more important in determining overall market performance over the course of an entire market cycle. As in any investment plan, there is risk involved, and there is no guarantee that the goals set forth will be achieved.

**The Growth Strategy** is an equity portfolio comprised of 15-20 small, medium and large cap companies. The objective is to own an industry diverse stable of both domestic and international companies that demonstrate above average growth.

**The Equity Dividend Income Strategy** is a portfolio comprised of approximately 18-25 domestic and international large cap companies. The objective is to own an industry diverse stable of large growing companies with the primary focus on dividend income. Among the key metrics, companies are screened by market capitalization, industry group, consistent annual earnings, payout ratio, consistent yield. This strategy tends to have considerably lower volatility when compared to the equity growth portfolio.

**The ETF Growth Strategy** is a portfolio consisting of ultra-low-cost equity exchange funds (ultra-low cost refers to the gross expense ratios which are the internal expenses charged by the ETF). The objective is long term growth. The strategy encompasses a broad diversification of small to large equity funds with exposure to domestic, international, emerging markets and the real-estate sector.

**The Balanced ETF Strategy** is a portfolio consisting of ultra-low-cost equity exchanged traded funds (ultra-low cost refers to the gross expense ratios which are the internal expenses charged by the ETF). The primary objective is a combination of dividend income and fixed income. The strategy encompasses a broad diversification among both equity and bond funds with exposure to domestic, international, emerging markets and the real-estate sector.

**The Fixed Income Strategy** is a portfolio with the primary objective interest income and capital preservation. Dependent upon the current interest rate environment the portfolio may be comprised of money market funds, certificates of deposit, and exchange traded bond funds.



### Primary Risks:

**Equity risk** – applies to an investment in shares. The market price of shares varies all the time depending on demand and supply. Equity risk is the risk of loss because of a drop in the market price of shares.

**Socio-political risk:** This involves risk related to political and social events -- such as a terrorist attack, war, pandemic, or elections -- that could impact financial markets. Such events, whether actual or anticipated, can affect investor attitudes and outlooks, resulting in system wide fluctuations in stock prices.

**Currency risk:** Any change in the exchange rate between two relevant currencies can increase or reduce your investment return. You probably have exposure to currency risk if you own stock in a foreign firm or in a large U.S. company with significant foreign sales.

**Interest rate risk:** This is the risk that the value of a security can fluctuate due to changes in interest rates. Interest rate changes directly affect bonds: As interest rates rise, the price of a previously issued bond falls; conversely, when interest rates fall, bond prices increase.

**Inflation risk** (or purchasing power risk): The risk that general increases in the prices of goods and services will reduce the purchasing power of money and likely negatively impact the value of investments.

**Liquidity risk:** The risk that you won't be able to buy or sell investments quickly for a price that tracks the true underlying value of the asset, or that you won't be able to sell the investment at all because of a lack of buyers in the market.

**Management risk:** This is inherent to a company's day-to-day operations. For example, the risk that a company's key product line is discontinued, that production costs soar, or that a key executive leaves, potentially impacting the value of the company or its ability to repay its debts. These risks vary by company and sector.

**Credit risk** (or default risk): The risk that a bond issuer will fail to make interest payments or to pay back your principal when your bond matures.

## Item 9: Disciplinary Information

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Sara-Bay Financial Corp. has no legal or disciplinary events to report.

## Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

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Outside of our advisory business, there are no other financial industry activities or affiliations.

## Item 11 CODE OF ETHICS, PARTICIPATION, OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

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### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times to act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair and just by promoting:

- \* Honest and ethical conduct
- \* Full, fair and accurate disclosure
- \* Compliance with applicable rules and regulations
- \* Reporting of any violation of the Code
- \* Accountability

To help you understand our ethical culture and standards, how we control sensitive information, and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

### Participation or Interest

It is against our policies for any of our employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mary Hettig, our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

### Trading Allocation

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

## Code of Ethics, (Cont'd)

### Personal Trading

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

1. No employee acting as an Investment Advisor Representative or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Our Chief Compliance Officer reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (see Trading Allocation on Page 11) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination. Personal trading activities are monitored by Mary Hettig and Benjamin Hard to ensure that such activities do not impact upon your security or create conflicts of interest.

### Class Action Policy

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

### Insider Trading

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

## Item 12 BROKERAGE PRACTICES

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### **Custodial Services**

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

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

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

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

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

Your investment needs, Charles Schwab & Company, Inc.'s reputation, trading capabilities, investment inventory, and financial strength, and our personal experience working with Charles Schwab & Company, Inc., have been considered, in suggesting Charles Schwab & Company, Inc., to you. Sara-Bay Financial seeks the best overall execution of transactions for client accounts. Sara-Bay is not compensated in any way for order execution, order handling, or orders directed to other firms. Sara-Bay does not engage in any "soft dollar" practices involving the receipt of research or other services in connection with client transactions.

### **Trade Errors**

In the event of a trade error occurring in a client's account, Sara-Bay will seek to correct the trade immediately. The firm will ensure the client is made whole for any losses incurred by the trade error.,

## Item 13 REVIEW OF ACCOUNTS

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Each account is reviewed on an ongoing basis to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary. In addition, you will receive monthly statements from Charles Schwab & Company, Inc. Each statement will summarize the specific investments currently held, the value of your portfolio, and account transactions.

It is recommended that we review your account with you at least annually. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so the appropriate adjustments can be made. Reviews will be completed by any of the 3 advisors associated with Sara-Bay Financial. Reviews are not written though notations in our CRM normally follow.

## Item 14 Client Referrals & Other Compensation

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

## Item 15 CUSTODY

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All our client's accounts are held in custody by Charles Schwab. The custodian sends statements directly to the account owners on at least a quarterly basis.

The firm is deemed to have custody due to the ability to auto-deduct investment management fees with client authorization. This level of custody does not require the firm to receive an annual surprise audit.

Additionally, the firm is deemed to have custody due to the Standing Letters of Authorization clients sign authorizing the firm to move money from the client's account to a third party on a scheduled basis or as requested. We believe the firm is not required to have an annual surprise audit as we meet the following seven criteria.

1. The client provides an instruction to the qualified custodian [holding Client Assets], in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment adviser 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.
6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The client's qualified custodian sends the client an initial notice confirming the instructions and an annual notice reconfirming the instruction.

## Item 16 INVESTMENT DISCRETION

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### Securities & Amount Bought or Sold

We execute an Investment Advisory Agreement with you which sets forth the authority to buy and sell securities in amounts determined to be appropriate for your account. We might engage in securities transaction with certain of our clients, which might not be offered to you.

## Item 17 VOTING CLIENT SECURITIES

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As a rule, the Sara-Bay Financial does not vote proxies for its clients. However, the exception to this rule are those accounts which hold a position of Impac Mortgage Holdings, Inc. Preferred B.

For these accounts, the firm accepts the responsibility of exercising voting authority with respect to proxies on all securities held in these accounts. The firm has adopted and implements a written policy and procedure that are designed to ensure that all voting is in the best interest of the client. Clients may request a copy of these procedures by contacting us at 941-371-8027 or emailing us at [info@sara-bay.com](mailto:info@sara-bay.com)

## Item 18 FINANCIAL INFORMATION

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The firm has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

