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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
8-41965

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2009 AND ENDING 12/31/2009  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Harbor Financial Services, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

11 North Water Street, STE 21290

(No. and Street)

Mobile

AL

36609

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Linette Clausman

(251) 650-0840

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Carr, Riggs & Ingram, LLC

(Name - if individual, state last, first, middle name)

1117 Boll Weevil Circle Enterprise, AL

36330

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Marc Whitehead, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Harbor Financial Services, LLC, as of December 31, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

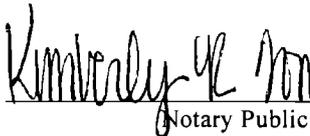
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Signature

President  
Title

TRUE & CERTIFIED COPY

  
Notary Public

NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: Feb 28, 2011  
ADDED THRU NOTARY PUBLIC UNDERWRITERS

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# Harbor Financial Services, LLC

## Financial Statements

December 31, 2009

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**Harbor Financial Services, LLC**  
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**December 31, 2009**

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1117 Boll Weevil Circle  
Enterprise, Alabama 36330

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P.O. Box 311070  
Enterprise, Alabama 36331

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## INDEPENDENT AUDITORS' REPORT

To the Members' of  
Harbor Financial Services, LLC

We have audited the accompanying balance sheet of Harbor Financial Services, LLC (the Company) as of December 31, 2009, and the related statement of income, members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harbor Financial Service, LLC as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplemental Schedules is presented for the purpose of additional analysis and not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 23, 2010

# Harbor Financial Services, LLC

## Statement of Financial Condition

December 31,

2009

### Assets

Cash and cash equivalents	\$	885,180
Receivable from broker dealers		327,329
Receivable from representatives		81,474
Receivable from operations		6,808
Furniture and equipment, net		26,894
Other assets		21,313

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Total assets	\$	1,348,998
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### Liabilities and Members' Equity

#### Liabilities

Commissions payable	\$	298,389
Accounts payable, accrued expenses and other liabilities		68,529

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Total liabilities		366,918
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Members' equity		982,080
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Total liabilities and members' equity	\$	1,348,998
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See accompanying notes to financial statements.

# Harbor Financial Services, LLC

## Statement of Income

Year ended December 31,

2009

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### Revenues

Commissions	\$	6,571,140
Investment advisory fees		1,331,982
Representatives fees		1,020,002
Other income		29,457

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Total revenues		8,952,581
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### Expenses

Commission expense		7,449,254
Employee compensation and benefits		446,919
Occupancy		64,153
Professional fees		51,788
Communications and data processing		34,398
Regulatory fees and expense		31,072
Other expenses		73,143

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Total expenses		8,150,727
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### Net Income

	\$	801,854
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See accompanying notes to financial statements.

## Harbor Financial Services, LLC

### Statement of Changes in Members' Equity

	<b>Marc Whitehead</b>	<b>Brown Corporation</b>	<b>Darai Corporation</b>	<b>Total</b>
Balance at December 31, 2008	\$ 157,384	\$ 111,421	\$ 111,421	\$ 380,226
Share of net income	400,926	200,464	200,464	801,854
Withdrawals	(100,000)	(50,000)	(50,000)	(200,000)
<b>Balance at December 31, 2009</b>	<b>\$ 458,310</b>	<b>\$ 261,885</b>	<b>\$ 261,885</b>	<b>\$ 982,080</b>

See accompanying notes to financial statements.

# Harbor Financial Services, LLC

## Statement of Cash Flows

Year ended December 31,

2009

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**Cash Flows from Operating Activities:**

Net income	\$	801,854
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation		6,455
Changes in operating assets and liabilities:		
Receivable from broker dealer		(164,139)
Receivable from representatives		(48,068)
Receivable from operations		(6,808)
Other assets		(15,238)
Broker commissions payable		193,389
Accounts payable, accrued expenses and other liabilities		(9,458)

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Net cash provided by operating activities 757,987

**Cash Flows from Investing Activities:**

Purchase of furniture and equipment (21,612)

**Cash Flows from Financing Activities:**

Member withdrawals (200,000)

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**Net Increase in Cash** 536,375

**Cash and Cash Equivalents, beginning of year** 348,805

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**Cash and Cash Equivalents, end of year** \$ 885,180

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See accompanying notes to financial statements.

Notes to the Financial Statements

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**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

Harbor Financial Services, LLC (the Company), a limited liability company organized in 2004, is a licensed broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the Financial Industry Regulatory Authority (FINRA). The Company acts primarily as a broker in municipal securities, government securities, corporate debt and equity securities, equity trading on a fully disclosed basis, options, life insurance and annuities, mutual funds and investment advisory services. The Company's office is located in Mobile, Alabama.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Securities Owned***

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached contractual settlement date are recorded net on the statement of financial condition.

Securities are recorded at fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*.

***Commissions***

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

***Depreciation***

Depreciation is provided on a straight-line basis using estimated useful lives of five to seven years.

Notes to the Financial Statements

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Income Taxes***

The Company adopted the provisions of FASB ASC Topic 740 *Income Taxes*, on January 1, 2009. This topic requires, among other things, the Company to assess uncertain tax positions and the likelihood that such positions will be upheld by applicable taxing authorities. For the purposes of taxation, the members of the Company have elected to be treated as a limited liability company under the Internal Revenue Code and the Alabama Revenue Code. As such, a provision for income taxes has not been provided since all income and expenses of the Company will be allocated to the members for their respective income tax reporting.

***Compensated Absences***

Employees of the Company are entitled to paid vacation, paid sick days and personal days off depending on job classifications, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when actually paid to employees.

***Statement of Cash Flows***

For the purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months that are not held for sale in the ordinary course of business.

***Recently Issued Accounting Standards***

Effective July 1, 2009, the Company adopted new accounting guidance related to U.S. GAAP (Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105, *Generally Accepted Accounting Principles*). This guidance establishes FASB ASC as the source of authoritative U.S. GAAP recognized by FASB to be applied by nongovernmental entities. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP. This guidance is effective for the Company as of December 31, 2009.

Effective April 1, 2009, the Company adopted new accounting guidance related to recognition and presentation of other-than-temporary impairment ("Pending Content" of FASB ASC 320-10). This recent accounting guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for other-than-temporary impairment losses on debt and equity securities. The recent guidance replaced the "intent and ability" indication in current guidance by specifying that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does

Notes to the Financial Statements

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

The Company adopted accounting guidance related to fair value measurements and disclosures (FASB ASC 820, *Fair Value Measurements and Disclosures*). This guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The Company did not have any assets or liabilities as of December 31, 2009 measured at fair value.

FASB issued ASU 2009-05 ("Pending Content" of FASB ASC 820) which describes the valuation techniques companies should use to measure the fair value of liabilities for which there is limited observable market data. If a quoted price in an active market is not available for an identical liability, an entity should use one of the following approaches: (1) the quoted price of the identical liability when traded as an asset, (2) quoted prices for similar liabilities or similar liabilities when traded as an asset, or (3) another valuation technique that is consistent with the accounting guidance in FASB ASC for fair value measurements and disclosures. When measuring the fair value of liabilities, this guidance reiterates that companies should apply valuation techniques that maximize the use of relevant observable inputs, which is consistent with existing accounting provisions for fair value measurements. In addition, this guidance clarifies when an entity should adjust quoted prices of identical or similar assets that are used to estimate the fair value of liabilities. This guidance is effective for the Company as of December 31, 2009 with adoption applied prospectively.

The Company adopted the provisions of FASB ASC 855, *Subsequent Events*, during the period ended December 31, 2009. FASB ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of FASB ASC 855 did not impact the financial statements. The Company evaluated all events or transactions that occurred after December 31, 2009 through February 23, 2010, the date the Company issued these financial statements. During this period, the Company did not have any material recognizable subsequent events that required recognition in our disclosures to the December 31, 2009 financial statements.

**NOTE 3 – DEPOSITS**

The Company maintains cash on deposit with two banking institutions. At times, deposits may exceed Federal Deposit Insurance Corporation (FDIC) coverage of \$250,000. At December 31, 2009, the Company had one deposit account with a balance \$632 in excess of FDIC coverage.

Notes to the Financial Statements

**NOTE 3 – DEPOSITS (Continued)**

The Company maintains cash balances at a clearing organization insured by the Securities Investor Protection Corporation (SIPC). The Company had no deposit account with a clearing organization in excess of SIPC coverage at December 31, 2009.

**NOTE 4 – RECEIVABLE FROM AND PAYABLE TO BROKER DEALERS**

Account receivable from and payable to broker dealers at December 31, 2009, consist of the following:

<i>December 31, 2009</i>	<b>Receivable</b>	<b>Payable</b>
Receivable from broker dealers	\$ 327,329	\$ -
	\$ 327,329	\$ -

The Company clears all of its propriety and customer transactions through a clearing organization on a fully disclosed basis.

**NOTE 5 – CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

**NOTE 6 – FURNITURE AND EQUIPMENT**

A summary of the cost and accumulated depreciation of premises and equipment follows:

<i>December 31,</i>	<b>2009</b>
Furniture and office equipment	\$ 43,437
Accumulated depreciation	(16,543)
Property and equipment, net	\$ 26,894

Depreciation expense for the years ended December 31, 2009 amounted to \$6,455.

Notes to the Financial Statements

**NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES**

The Company has obligations under operating leases with initial noncancelable terms in excess of one year. Aggregate annual rentals for office space and equipment at December 31, 2009, are approximately listed as follows:

2010	\$	79,523
2011		79,523
2012		84,425
2013		84,425
	\$	327,896

Rent expense for the year aggregated to \$54,001 and is included in the occupancy expense line item on the Statement of Income.

**NOTE 8 – PROFIT SHARING PLAN**

The Company has a defined contribution 401(k) plan, open to all employees who have at least one year of service and are age twenty one or older, subject to a minimum threshold of one thousand hours worked per calendar year. The Plan provides for a 100% match on the first 3% of employee compensation contributed, then 50% match of the next 2% of compensation contributed as defined by the Plan document. The Company's matching contribution to the Plan totaled approximately \$10,500 in 2009. Additional amounts may be contributed at the option of the Company. There were no such discretionary contributions made in 2009.

**NOTE 9 – LEGAL CONTINGENCIES**

The Company is currently a party to lawsuits occurring in the normal course of operations. The Company is vigorously defending itself, and it is not known what amounts, if any, will ultimately become the responsibility of the Company. The Company assesses potential liabilities in connection with these lawsuits and threatened lawsuits under FASB ASC 450. The Company accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. As of December 31, 2009, the Company has not accrued any liability for any lawsuits filed against the Company as the conditions for accrual have not been met. The process of resolving matters through litigation or other means is inherently uncertain and it is possible that an unfavorable resolution of these matters will adversely affect the Company, its results of operations, financial condition and cash flows. The Company's regular practice is to expense legal fees as services are rendered in connection with legal matters, and to accrue for liabilities when payment is probable.

Notes to the Financial Statements

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**NOTE 10 – NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the “applicable” exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2009, the Company had net capital of \$791,237, which was \$741,237 in excess of its required net capital of \$50,000. The Company's net capital ratio was .46 to 1 at December 31, 2009.

## **Supplemental Schedules**

**Harbor Financial Services, LLC**  
**Supplemental Schedule of Computation of Net Capital Under Rule**  
**15c3-1 of the Securities and Exchange Commission**

<i>Year ended December 31,</i>	<b>2009</b>
<b>Net Capital</b>	
Total members' equity	\$ 982,080
Add:	
Liabilities subordinated to claims of general creditors allowable in computation of net capital	-
<hr/>	
Total allowable capital and subordinated liabilities	982,080
Deductions and/or charges:	
Non-allowable assets:	
Furniture and equipment	(26,894)
Receivables over 30 days outstanding	(139,318)
Other assets	(21,192)
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Net capital before haircuts on securities positions	794,676
Haircut on Raymond James cash account	3,439
<hr/>	
Net capital	\$ 791,237
<hr/>	
<b>Aggregate Indebtedness</b>	
Items included in the statement of financial condition:	
Broker commissions payable	\$ 298,389
Accounts payable, accrued expenses, and other liabilities	68,529
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	\$ 366,918
<hr/>	
<b>Computation of Basic Net Capital Requirements</b>	
Minimum net capital required	\$ 50,000
Net capital in excess the greater of 6 2/3% of aggregate indebtness or minimum net capital requirement	741,237
Ratio: Aggregate indebtness to net capital	.46 to 1
<b>Reconciliation with Company's Computation</b>	
Net capital, as reported in Company's Focus Report Part II	\$ 791,237
Net audit adjustments	-
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Net capital per above	\$ 791,237
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**Harbor Financial Services, LLC  
Supplemental Schedule of Computation for Determination of  
Reserves Requirements Under Rule 15c3-3 of the  
Securities and Exchange Commission**

The Company is exempt from this requirement under SEC Rule 15c3-3(k)(2)(ii).

## **Other Reports**

To the Members' of  
Harbor Financial Services, LLC

In planning and performing our audit of the financial statements of Harbor Financial Services, LLC (the Company) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- (1) Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
- (2) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2009, to meet the SEC's objectives.

This report is intended solely for the information and use of the Members', management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 23, 2010

To the Members' of  
Harbor Financial Services, LLC

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Transitional Assessment Reconciliation (the Form SIPC-7T) to the Securities Investor Protection Corporation (SIPC) for the period from April 1, 2009 to December 31, 2009, which were agreed to by Harbor Financial Services, LLC (the Company) and the Securities and Exchange Commission and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the Form SIPC-7T. The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement records entries noting no differences.
2. Compared the Total Revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2009 less revenues reported on the FOCUS reports for the period from January 1, 2009 to March 31, 2009, as applicable, with the amounts reported in Form SIPC-7T for the period from April 1, 2009 to December 31, 2009 noting no differences;
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7T on which it was originally computed. There was no overpayment noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

February 23, 2010

**SIPC-7T**

(29-REV 12/09)

SECURITIES INVESTOR PROTECTION CORPORATION  
805 15th St. N.W. Suite 800, Washington, D.C. 20005-2215  
202-371-8300

**Transitional Assessment Reconciliation**

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

**SIPC-7T**

(29-REV 12/09)

Received

Harbor Financial Services  
Compliance Dept.

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which paid for purposes of the audit requirement of SEC Rule 17a-5: DEC 22 2009

041965 FINRA DEC  
HARBOR FINANCIAL SERVICES LLC 13\*13  
RSA BATTLEHOUSE TOWER  
11 N WATER ST STE 21290  
MOBILE AL 36602-5021

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Unette Clausmen 251-445-2429

- 2. A. General Assessment [item 2e from page 2 (not less than \$150 minimum)] \$ 7580<sup>-</sup>
- B. Less payment made with SIPC-6 filed including \$150 paid with 2009 SIPC-4 (exclude interest) (1762<sup>-</sup>)  
7/30/2009  
Date Paid
- C. Less prior overpayment applied (0)
- D. Assessment balance due or (overpayment) 5818<sup>-</sup>
- E. Interest computed on late payment (see instruction E) for 0 days at 20% per annum 0
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 5818<sup>-</sup>
- G. PAID WITH THIS FORM:  
Check enclosed, payable to SIPC  
Total (must be same as F above) \$ 5818<sup>-</sup>
- H. Overpayment carried forward \$ (0)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

N/A

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Harbor Financial Services, LLC

(Name of Corporation, Partnership or other organization)

[Signature]

(Authorized Signature)

President & CEO

(Title)

Dated the 19<sup>th</sup> day of February, 2010.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates:                                                                 
Postmarked                      Received                      Reviewed

Calculations                      Documentation                      Forward Copy                     

Exceptions:                     

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning April 1, 2009  
and ending Dec 31, 2009  
Eliminate cents

**Item No.**

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 6,947,900 -

**2b. Additions:**

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

0  
0  
0  
0  
0  
0  
0

Total additions

**2c. Deductions:**

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

2,801,337 -  
0  
0  
0  
0  
31,002 -  
107,590 -

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 0

(ii) 40% of interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960)

\$ 0

Enter the greater of line (i) or (ii)

0  
3,915,929 -

Total deductions

2d. SIPC Net Operating Revenues

\$ 3,031,971 -

2e. General Assessment @ .0025

\$ 7,580 -

(to page 1 but not less than \$150 minimum)