

Firm Brochure

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of The Harbor Group, Inc. If you have any questions about the contents of this brochure, please contact us at: 603-668-0634, or by email at: info@harborgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about The Harbor Group, Inc. is available on the SEC's website at www.adviserinfo.sec.gov

March 8, 2012

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The only material change since our last update is an update of The Harbor Group's assets under management. Normally this would not be a material change but The Harbor Group experienced a significant shift in assets under discretionary management from non-discretionary management as a result of our ongoing conversations with our existing and new clients on the benefits of discretionary management.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 603-668-0634 or by email at: lmalone@harborgroup.com.

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Advisory Business

Firm Description

The Harbor Group, Inc. was founded in 1981.

The Harbor Group provides personalized financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, and charitable organizations. Advice is provided through consultation with the client and may include determination of financial objectives, identification of financial problems, preparation of net worth exhibits, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning recommendations.

Investment advice is an integral part of financial planning. In addition, The Harbor Group advises clients regarding cash flow, college planning, retirement planning, tax planning, estate planning and any other areas that the client requests us to review, providing we feel ourselves competent to do the work.

Investment advice is provided, with the client making the final decision on initial investment selection. The Harbor Group does not act as a custodian of client assets. The client always maintains asset control. The Harbor Group places trades for clients under a limited power of attorney. In the case of accounts that do not allow for third party authorization, The Harbor Group uses access information provided by the client to access the account via the internet to place trades, and to obtain values and transactional data.

Typically a written evaluation of each client's initial situation is provided to the client. Periodic reviews may also be done to provide reminders of the specific courses of action that need to be taken or to track progress toward a goal. For asset management clients, accounts are reviewed on at least a quarterly basis.

Other professionals (e.g., lawyers, accountants, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

Principal Owners

Marc A. Hebert is a 50% stockholder. Timothy M. Riley is a 50% stockholder.

Types of Advisory Services

The Harbor Group provides investment supervisory services, also known as asset management services. We also provide financial planning services.

Financial planning services can be included with asset management services or may be completed on a standalone basis and billed separately.

As of December 31, 2011, THG manages approximately \$782,276,110 in assets for approximately 535 clients. Approximately \$728,427,906 is managed on a discretionary basis, and \$53,848,204 is managed on a non-discretionary basis.

Tailored Relationships

The goals and objectives for each client are documented in their initial financial plan or in meeting notes. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

Types of Agreements

The following agreements define the typical client relationships.

Financial Planning Agreement

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations may be provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The fee is based on the hourly rate of the planner completing the financial plan or it may be on a flat fee basis. The fee is NEGOTIABLE. The fee will be agreed upon prior to beginning work on the financial plan. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement.

The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary. Follow on implementation work may be billed separately at rates ranging from \$125 per hour to \$300 per hour depending on the financial planner completing the work.

For clients who do not wish to complete a full financial plan a scope of work is agreed on which identifies the specific financial planning areas to be reviewed. At that time, an engagement letter is prepared which specifies the maximum number of hours to be billed. The hourly rate ranges from \$125 per hour to \$300 per hour depending on the financial planner completing the work.

All rates are NEGOTIABLE.

Advisory Service Agreement

Most clients choose to have The Harbor Group, Inc. manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, sometimes including those of their children. Goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement may include: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning; and tax preparation, as well as the implementation of recommendations within each area. Financial planning work is usually billed separately on an hourly or quoted basis, however, in some instances it may be included as part of the asset management fee.

The annual Advisory Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

- 1.00% on the first \$1,000,000;
- 0.75% on the next \$1,000,000;
- 0.50% on the next \$2,000,000;
- 0.40% on the next \$2,000,000,
- 0.30% on the next \$2,000,000, and
- 0.20% on assets over \$8,000,000.

The current minimum annual fee is \$5,000. Fee schedules and minimum fees are *NEGOTIABLE*. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

The Harbor Group has many clients who engaged our services prior to the creation of the current fee schedule and \$5,000 annual minimum fee. These client relationships were established under lower minimum fee schedules. We have made it a practice not to raise the minimum fees for these clients. This practice may change in the future. At the present, out of loyalty to those clients, their minimum fees have remained unchanged.

Asset Management

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. The Harbor Group does not receive any compensation from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through The Harbor Group.

Termination of Agreement

A Client may terminate any of the agreements at any time by providing The Harbor Group thirty days notice in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination or the end of the thirty day notice period for asset management services. The Harbor Group does not accept advance payments so no refunds of unearned fees will be necessary. For investment advisory clients, fees will be billed on a pro rata basis for the portion of the quarter completed.

The Harbor Group may terminate any of the aforementioned agreements at any time by notifying the client in writing and providing 30 days notice.

Fees and Compensation

Description

The Harbor Group bases its fees on a percentage of assets under management, hourly charges, and fixed fees (not including subscription fees).

Some Agreements may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fees are *NEGOTIABLE*.

Fee Billing

Investment management fees are billed quarterly, in *ARREARS*, meaning that we invoice you *AFTER* the three-month billing period has *ENDED*. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Fees for financial plans are billed upon delivery of the financial plan.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. In addition, the custodian may charge commission for the sale of securities transferred into the investment account or for the purchase of exchange traded funds or other securities. These commissions are not under the control of The Harbor Group. They are paid to the custodian based on the account agreement between the customer and the custodian. The Harbor Group does not receive any portion of these transaction fees or commissions. Please refer to the Brokerage Practices section of this document for additional information.

The Harbor Group, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For

example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to The Harbor Group.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Past Due Accounts and Termination of Agreement

The Harbor Group reserves the right to stop work on any account that is more than 30 days overdue. In addition, The Harbor Group reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in The Harbor Group's judgment, to providing proper financial advice. As stated in our client agreements, The Harbor Group reserves the right to charge interest at the rate of 1.5% per month on balances outstanding for more than 60 days.

Performance-Based Fees

Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

The Harbor Group does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Types of Clients

Description

The Harbor Group generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations or business entities. The majority of clients are individuals.

Client relationships vary in scope and length of service.

Account Minimums

The current minimum account size is \$500,000 of assets under management, which equates to an annual fee of \$5,000.

When an account with the current \$5,000 minimum fee falls below \$500,000 in value, the minimum annual fee of \$5,000 is charged to those clients who have agreed to the current fee schedule. An alternate fee schedule may be negotiated with lower minimum fees.

The Harbor Group has the discretion to waive the current account minimum. Accounts of less than \$500,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$500,000 within a reasonable time. Other exceptions may apply.

Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

The Harbor Group has many older clients with lower minimum fee limits. At the current time we have no intention to change those agreements.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

The Harbor Group is not generally involved in the selection, recommendation or analysis of individual equity securities. The Harbor Group typically utilizes mutual funds, unit investment trusts, and exchange traded funds when recommending investments to clients.

The main sources of information include financial newspapers and magazines, research materials prepared by others, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that The Harbor Group may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Charles Schwab & Company's Institutional web site, Fidelity Investments web site for registered investment advisors, Advisor Intelligence, and other resources available via the internet.

Investment Strategies

The primary investment strategy used on client accounts is strategic asset allocation using mutual funds. Portfolios are globally diversified to control the risk associated with traditional markets. The Harbor Group's approach emphasizes prudent diversification of assets and long term investment planning consistent with the client's objectives.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

For some clients, other strategies may be utilized. If a client wants to include an individual equity in the portfolio, The Harbor Group will hold the security and report on performance. However, we explicitly state in our Investment Policy Statement the conditions for including the security, which include that the client must be the individual to specify the time to sell the asset. The Harbor Group may also include individual fixed income securities such as

Certificates of Deposit, investment grade bonds, government and agency bonds, and exchange traded funds as part of a portfolio. The Harbor Group may also recommend the use of fixed or variable annuities when appropriate for the client.

Risk of Loss

All investment programs have risks for the investor. Our investment approach keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may need to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of

financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

Legal and Disciplinary

The firm and its employees are not involved in legal or disciplinary events related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Affiliations

The Harbor Group has an affiliate (Harbor Risk Management, Inc.) that is in the business of selling insurance products on a commission basis. Associates and principals of The Harbor Group may be licensed to broker insurance products for a number of different companies. Those associates, principals, or Harbor Risk Management, Inc. are paid commissions when insurance products are sold to the client. All other investments are recommended and managed strictly on a fee for service basis. Clients are under no obligation to purchase products from Harbor Risk Management, Inc.

For some high net worth clients, The Harbor Group may recommend other investment advisors, usually separate account managers. The selection of these managers will be discussed with the client and agreed to in advance. If separate account managers are chosen, the fees charged by that manager are disclosed in the account opening documents which are delivered to the client by that manager. If a separate account manager is chosen, the client is paying two fees, similar to the fee structure of mutual funds, one to The Harbor Group and one to the separate account manager. Clients that use separate account managers may also be charged brokerage fees exceeding the transaction charge for mutual fund purchases.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The employees of The Harbor Group have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

The Code of Ethics and Insider Trading policy require employees to avoid any potential conflicts of interest involving personal trades. Among other things, the policy requires that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, and colleagues in the investment profession.
- Place the integrity of the investment profession, the interests of clients, and the interests of The Harbor Group above their own personal interests.
- Adhere to the fundamental standard that they should not take inappropriate advantage of their position.
- Avoid any actual or potential conflict of interest.
- Conduct all personal securities transactions in a manner consistent with the policy
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities
- Practice in a professional and ethical manner that will reflect credit on themselves and the profession
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals
- Comply with applicable provisions of the federal securities laws.

Participation or Interest in Client Transactions

The Harbor Group and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of The Harbor Group's *Compliance Manual*.

Personal Trading

The Chief Compliance Officer of The Harbor Group is Timothy Riley. He or his designee reviews all employee trades each quarter. His trades are reviewed by Marc Hebert. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund or exchange-traded fund trades, the trades do not affect the securities markets. Employees are required to pre-clear certain personal

securities transactions to avoid any potential conflict of interest with client trades.

Brokerage Practices

Selecting Brokerage Firms

The Harbor Group does not have any affiliation with product sales firms. Specific custodian suggestions are made to clients based on their need for such services. The Harbor Group recommends custodians but the final selection is up to the client. The Harbor Group regularly reviews the transaction fees charged by the custodians for mutual fund transactions since these constitute the vast majority of our trade recommendations.

The Harbor Group recommends discount brokerage firms (qualified custodians), such as Charles Schwab & Company, Fidelity Investments, Vanguard, and TD Ameritrade.

The Harbor Group *DOES NOT* receive fees or commissions from any of these arrangements.

Charles Schwab and Company, TD Ameritrade, and Fidelity Investments may provide access to institutional trading and custody services. These services are not contingent on The Harbor Group committing to the brokerage any specific amount of business. Brokerage services may 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.

Charles Schwab, TD Ameritrade and Fidelity Investments do not charge separately for custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the brokerage or that settle into the brokerage accounts.

Schwab, TD Ameritrade and Fidelity Investments make available other products and services that benefit The Harbor Group but may not directly benefit its clients' accounts.

Products and services that assist The Harbor Group in managing and administering clients' accounts include software and other technology that provide access to client account data, facilitate trade execution, provide research, pricing and other market data, facilitate payment of The Harbor Group's fees directly from client accounts, and assistance with back office functions, recordkeeping and client reporting.

Schwab, TD Ameritrade and Fidelity Investments may also offer other services intended to help The Harbor Group manage and further develop its business enterprise. These services could include, but are not limited to, compliance, legal and business consulting, publications and conferences.

Custodians may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to The Harbor Group. Brokerage firms may also provide other benefits such as educational events or occasional business entertainment of The Harbor Group personnel. In evaluating whether to recommend which brokerage the clients' use to custody assets, The Harbor Group may take into account the availability of some of the listed products and services, which may create a potential conflict of interest.

Best Execution

The Harbor Group does not review execution of trades in individual equities since the purchase and sale of these assets is not part of our investment strategy. Even when Exchange Traded Funds are purchased we do not aggregate client trades. Transaction fees charged by the custodians are also reviewed on a periodic basis. The Harbor Group does not receive any portion of the transaction fees.

Soft Dollars

The Harbor Group has established relationships with discount brokers Charles Schwab, Fidelity, Vanguard, and TD Ameritrade. We are considered part of their financial advisory groups which allows us to receive duplicate copies of trade confirmations and statements, electronically or in hard copy. In addition, these relationships allow us to complete client transactions using a limited power of attorney. These custodians, except Vanguard, will also deduct our fees directly from client accounts if the client provides the appropriate authorization. Clients are not obligated to pay fees from the brokerage account and may opt to receive an invoice directly.

As a result of these relationships, economic benefits may be received. These benefits may include access to institutional trading and custody services. The listed custodians may provide products and services that assist The Harbor Group in managing and administering client accounts. This includes software and other technology that provide access to client account data. They may also provide research, pricing and other market data. The Harbor Group may also receive assistance with back office functions, recordkeeping and client reporting.

In addition, the custodians may offer other services which help The Harbor Group manage and develop its business. These services may include consulting on various topics, publications and conferences on practice management and business succession, access to employee benefits providers, human capital consultants and insurance providers. The custodians may make available, arrange and/or pay third-party vendors for the services rendered to The Harbor Group. Fees may be discounted or waived. The custodians may pay all or part of the fees of a third-party providing these services to The Harbor Group. Custodians may also provide

other benefits such as educational events or occasional business entertainment of The Harbor Group personnel.

In evaluating whether to recommend custodians, there is a potential conflict of interest based on the above services as different custodians may provide different services or information. The final decision regarding custodian selection is up to the individual client. If a client chooses to maintain assets with a custodian not listed above, higher fees may be charged due to manual data collection requirements.

Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. Based on this, The Harbor Group does not aggregate client trades.

Review of Accounts

Periodic Reviews

Account reviews are performed quarterly by advisors Marc A. Hebert, MS, CFP®, Timothy M. Riley, MS, CFP®, ChFC, Linda J. Malone, CFP®, and Vickie T. Worrada, CFP®, CPA. Account reviews are performed more frequently when market conditions dictate.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

Regular Reports

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Investment Management clients receive written reports on at least a quarterly basis. Clients may also receive written updates when requested which may include updated net worth statements, tax recommendations, education exhibits, retirement planning updates, or other topics based on the clients request and situation.

Client Referrals and Other Compensation

Incoming Referrals

The Harbor Group has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys,

accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

The Harbor Group formerly participated in Schwab's AdvisorSource™ client referral program. The Harbor Group no longer participates in the program but the company does currently pay Schwab a percentage of fees received from clients who were referred while The Harbor Group did participate in the program. This fee is paid by The Harbor Group and not by the client.

Referrals Out

The Harbor Group does not accept referral fees or any form of compensation from other professionals when a prospect or client is referred to them.

Other Compensation

Not applicable. Other than as disclosed for insurance based products, The Harbor Group's only compensation is from client fees.

Custody

Account Statements

All assets are held at a qualified custodian, which means the custodian provides account statements directly to clients at their address of record at least quarterly.

Performance Reports

Clients are urged to compare the account statements received directly from the custodian to the performance report statements provided by The Harbor Group.

Investment Discretion

Discretionary Authority for Trading

The Harbor Group accepts discretionary authority to manage securities accounts on behalf of clients. The Harbor Group has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The Harbor Group does trade in accordance with the clients' individual investment policy statements. The client must provide The Harbor Group with a limited power of attorney acceptable to the custodian of the client's assets. If the assets are held with a custodian other than Charles Schwab, Fidelity, TD Ameritrade or Vanguard, The Harbor Group will utilize internet access credentials provided to us by the client to carry out any necessary trades.

The client approves the custodian to be used and the commission rates or transaction fees paid to the custodian. The Harbor Group does not receive any portion of any transaction fees or commissions paid by the client.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy you have approved in writing. A client may choose to withhold discretionary authority and specify in his or her investment policy statement that he or she is to be consulted before any trades may be placed in the account. In this situation, a client may be holding an asset after discretionary clients have sold or purchasing an asset after it was purchased for discretionary clients.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved or have authorized by granting The Harbor Group discretionary trading authority.

Voting Client Securities

Proxy Votes

The Harbor Group does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, The Harbor Group will provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

Financial Information

Financial Condition

The Harbor Group does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because The Harbor Group does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

General

The Harbor Group has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan also covers man-made disasters. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Loss of Key Personnel

The Harbor Group has sufficient personnel to support the firm in the event of an advisor or owner's serious disability or death. In addition to the business owners, there are currently two Certified Financial Planners® on staff.

Information Security Program

Information Security

The Harbor Group maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

The Harbor Group is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of

information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

The Harbor Group requires that advisors in its employ have a bachelor's degree and/or further coursework demonstrating knowledge of financial planning. Examples of acceptable coursework include that required to receive certain designations such as: an MBA, a CFP®, a CFA, a ChFC, JD, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management. The Harbor Group may also employ advisors who are working towards the appropriate qualifications and/or have work experience which we deem to be the equivalent of a bachelor's degree.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner® (CFP®): The CERTIFIED FINANCIAL PLANNER™, CFP®, and federally registered CFP (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by the Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that the CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). The CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examinations, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and;
- Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interest of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Certified Public Accountant (CPA): Certified Public Accountants are licensed by the New Hampshire Board of Accountancy to use the CPA mark. CPA certification requirements include:

- Baccalaureate degree from an accredited educational institution with at least 120 semester hours of education and 24 semester hours in business, including 12 semester hours of accounting coursework
- Pass a four part exam with a score of 75% or higher
- One to two years of work experience, depending on the educational level attained, under an appropriate individual
- Renewal every three years with ongoing continuing education requirements, including ethics
- Adherence to rules of professional conduct.

Chartered Financial Consultant® (ChFC®): Chartered Financial Consultants are licensed by The American College, a regionally accredited institution of higher education, to use the ChFC mark. ChFC certification requirements include:

- Completion of an advanced college level course of study which includes completion of seven courses which include study of the financial planning process, insurance planning, income taxation, planning for retirement needs, investments, fundamentals of estate planning and financial planning applications.
- Three years of relevant business experience
- Adherence to a code of ethics
- Completion of ongoing continuing education requirements

Master of Science Degree in Financial Planning (MS): Master of Science degrees with a Personal Financial Planning major are issued by accredited institutions of higher education. The Harbor Group has two individuals who have completed the course of study required by the College for Financial Planning.

Chartered Life Underwriter (CLU): Chartered Life Underwriters are licensed by The American College, a regionally accredited institution of higher education, to use the CLU mark. CLU certification requirements include:

- Completion of five required and three elective courses in insurance and financial planning related topics.
- Three years of full time business experience which must be within the five years preceding the date of the award. Experience is required in insurance and health care, financial services and employee benefits, teaching at the university or college level in pertinent topics, government regulatory service, or activities directly or indirectly related to the protection, accumulations, conservation, or distribution of the economic value of human life.
- Adherence to a Code of Ethics.

TIMOTHY M. RILEY, MS, CFP®, CHFC

Educational Background:

- Date of birth: November 14, 1954
- Institutions (Year):
 - University of NH, 1975, BS Admin
 - College for Financial Planning, 1983, CFP Professional Education

- College for Financial Planning, 1993, MS, Financial Planning
- The American College, 1988, ChFC (Chartered Financial Consultant)
- The American College, 1988, CLU (Chartered Life Underwriter)

Business Experience for the past five years:

- 1981 to present – Certified financial planner working with clients – The Harbor Group, Inc.

Disciplinary Information: None applicable

Other Business Activities: Mr. Riley is licensed to broker insurance products for a number of different companies. The client is under no obligation to implement through any particular broker. Harbor Risk Management, Inc. may act as general agent or broker for various insurance companies. A potential conflict of interest exists. Commissions are earned on products recommended to the client. There is a material relationship with Harbor Risk Management, Inc., and a commonality of ownership.

In addition, Mr. Riley serves as a member of the State of New Hampshire University System Board of Trustees.

Additional Compensation: None

Supervision:

Timothy M. Riley is supervised by Marc A. Hebert, President of The Harbor Group, Inc. He reviews Mr. Riley's work through frequent office interactions as well as remote interactions. He also reviews Mr. Riley's activities through our client relationship management system.

Marc Hebert's contact information:

603-668-0634 or mhebert@harborgroup.com

Marc A. Hebert, MS, CFP®

Educational Background:

- Date of birth: April 17, 1955
- Institutions (Year).
 - University of NH, BA, Education, 1980
 - College for Financial Planning, 1985, CFP Professional Education
 - College for Financial Planning, 1997, MS, Financial Planning

Business Experience:

- 1981 to present – Certified financial planner working with clients – The Harbor Group, Inc.

Disciplinary Information: None applicable

Other Business Activities:

Mr. Hebert is licensed to broker insurance products for a number of different companies. The client is under no obligation to implement through any particular broker. Harbor Risk Management, Inc. may act as general agent or broker for various insurance companies. A potential conflict of interest exists. Commissions are earned on products recommended to the client. There is a material relationship with Harbor Risk Management, Inc., and a commonality of ownership.

Additional Compensation: None

Supervision:

Marc Hebert is supervised by Timothy M. Riley, Chief Compliance Officer. He reviews Marc Hebert's work through frequent office interactions as well as remote interactions. He also reviews Marc Hebert's activities through our client relationship management system.

Timothy Riley's contact information:

603-668-0634 or triley@harborgroup.com

Linda J. Malone, CFP®

Educational Background:

- Date of birth: September 30, 1959
- Institutions (Year).
 - Western Oklahoma State College, no degree, 1978 to 1981
 - Community College of the Air Force, no degree, 1977 to 1985
 - College for Financial Planning, 1999, CFP Professional Education

Business Experience:

- 1994 to present – Paraplanner, then Certified Financial Planner working with clients – The Harbor Group, Inc.

Disciplinary Information: None applicable

Other Business Activities:

None

Additional Compensation: None

Supervision:

Linda Malone is supervised by Timothy M. Riley, Chief Compliance Officer. He reviews Linda Malone's work through frequent office

interactions as well as remote interactions. He also reviews Linda Malone's activities through our client relationship management system.

Timothy Riley's contact information:

603-668-0634 or triley@harborgroup.com

Vickie T. Worrad, CPA, CFP®

Educational Background:

- Date of birth: February 4, 1956
- Institutions (Year).
 - Rivier College, BS, Accounting, 1983
 - College for Financial Planning, 1996, CFP Professional Education

Business Experience:

- 2002 to present – Certified financial planner working with clients – The Harbor Group, Inc.

Disciplinary Information: None applicable

Other Business Activities:

None

Additional Compensation: None

Supervision:

Vickie Worrad is supervised by Timothy M. Riley, Chief Compliance Officer. He reviews Vickie Worrad's work through frequent office interactions as well as remote interactions. He also reviews Vickie Worrad's activities through our client relationship management system.

Timothy Riley's contact information:

603-668-0634 or triley@harborgroup.com