

# Disclosure Brochure

January 3, 2011

## **New Harbor Financial Group, LLC**

*a Registered Investment Adviser*

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**NEW HARBOR**

*Client-centered financial guidance*

This brochure provides information about the qualifications and business practices of New Harbor Financial Group, LLC. If you have any questions about the contents of this brochure, please contact Michael Preston at (978) 537-7701. 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 New Harbor Financial Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

New Harbor Financial Group, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This section of the brochure discusses only the material changes that have occurred since the Registrant's last annual update.

The Registrant opened its advisory business in January 2011. As such, the Registrant did not have a prior annual update.

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## Item 4. Advisory Business

The Registrant has been in business since January 3, 2011. Michael Preston and John Llodra are the principal owner(s) of the Registrant.

The Registrant is an investment adviser providing investment management, financial planning, and consulting, services. Prior to engaging the Registrant to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with the Registrant setting forth the terms and conditions under which the Registrant shall render its services (collectively the “*Agreement*”). Neither the Registrant nor the client may assign the *Agreement* without the consent of the other party. Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.

### **Investment Management and Wealth Management Services**

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The Registrant can be engaged to manage all or a portion of a client’s assets on a discretionary and/or non-discretionary basis. In addition, the Registrant may provide its clients with wealth management services which may include a broad range of comprehensive financial planning and consulting services.

The Registrant intends to primarily allocate its client’s investment management assets, on a discretionary and/or a non-discretionary basis among exchange-traded funds, options, and to a less frequent extent among mutual funds, individual equities, and other types of securities. The Registrant may also provide advice about any type of investment held in a client’s portfolio.

It is the Registrant’s practice to tailor its advisory services to the individual needs of clients. The Registrant will ensure that each client’s investments are suitable for that client and consistent with their investment needs, goals, objectives and risk tolerance.

Clients shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct the Registrant not to purchase certain securities or types of securities.

The Registrant’s clients are advised to promptly notify the Registrant if there are ever any changes in their financial situation or investment objectives or if they wish to impose or change any restrictions upon the Registrant’s management services.

### **Financial Planning and Consulting Services**

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The Registrant may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). These services include the types of planning requested by the client.

In performing its services, the Registrant shall not be required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized

to rely on such information. The Registrant may recommend the services of itself, its *Advisory Affiliates* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if the Registrant recommends its own services. The client is under no obligation to act upon any of the recommendations made by the Registrant under a financial planning / consulting engagement and/or engage the services of any such recommended professional, including the Registrant itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of the Registrant's recommendations. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the Registrant's previous recommendations and/or services.

### Management Through Similarly Managed Accounts

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The Registrant generally manages client portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"), including the purchase, sale, or exchange of securities. The Registrant may maintain legacy positions that the client brings to the relationship outside of the model.

The Registrant's management using the *investment strategy* has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following features have been specifically included in the Registrant's management using the *investment strategy*:

1. **Initial Interview** – an initial interview is conducted with each client to determine the client's financial circumstances, goals, acceptable levels of risk, any reasonable restrictions on the management of their account, and other relevant circumstances;
2. **Individual Treatment** – the client's account is managed on the basis of the client's financial circumstances and investment objectives;
3. **Consultation** – an *Advisory Affiliate* of the Registrant knowledgeable about the client's account shall be reasonably available to consult with the client relative to the status and management of their account;
4. **Notice of Transactions** – the client shall receive notice of all transactions in their account as if they had maintained a similar account outside of the investment strategy;
5. **Quarterly Statement** – the client shall be provided with a quarterly statement containing a description of all activity in the their account;
6. **Ability to Impose Restrictions** – the client shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct the Registrant not to purchase certain securities or types of securities;

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7. **No Pooling** – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the client's account;
8. **Separate Account** – a separate account is maintained for the client with the custodian; and
9. **Ownership** - each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. In limited circumstances, securities in the *investment strategy* may be exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to the Registrant's clients may be limited. As further discussed in response to Item 12B (below), in order to meet its fiduciary duties to all of its clients, the Registrant will endeavor to allocate investment opportunities among its clients on a fair and equitable basis.

### Additions and Withdrawals to Accounts

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Clients may make additions to and withdrawals from their account at any time, subject to the Registrant's right to terminate an account. Clients may withdraw account assets on notice to the Registrant, subject to the usual and customary securities settlement procedures. However, the Registrant designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

## Item 5. Fees and Compensation

The Registrant, depending upon the engagement, offers its services on a fee basis which may include fees based upon assets under management, hourly and/or fixed fees. Alternatively, certain of the Registrant's *Advisory Affiliates* may offer securities brokerage services and insurance products under a commission arrangement.

### **Investment Management and Wealth Management Fee**

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In the event the client determines to engage the Registrant to provide investment management services, the Registrant shall do so on a fee basis. If engaged, the Registrant shall charge an annual fee based upon a percentage of the market value of the assets being managed by the Registrant. The Registrant's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, the Registrant shall not receive any portion of these commissions, fees, and costs. The Registrant's annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets being managed by the Registrant on the last day of the previous quarter. The annual fee shall vary (between 1.00% and 2.25%) depending upon the market value of the assets under management and the type of investment management or wealth management services to be rendered.

The Registrant, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Financial Planning and Consulting Fees**

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The Registrant will charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$5,000 on a fixed fee basis and/or from \$150 to \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Registrant for additional investment advisory services, the Registrant may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging the Registrant to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with the Registrant setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to the Registrant commencing services. Generally, the Registrant requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party may terminate the agreement by written notice to

the other. In the event the client terminates the Registrant's financial planning and/or consulting services, the balance of the Registrant's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

### **Fees Charged by Financial Institution**

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As further discussed in response to Item 12 (below), the Registrant shall generally recommend that clients utilize the brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. for investment management accounts. The Registrant participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("*TD Ameritrade*"), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Registrant receives some benefits from *TD Ameritrade* through its participation in the program

The Registrant may only implement its investment management recommendations after the client has arranged for and furnished the Registrant with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, *TD Ameritrade*, any other broker-dealer recommended by the Registrant, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institution(s)*").

Clients may incur certain charges imposed by the *Financial Institution(s)* and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to the Registrant's fee.

The Registrant's *Agreement* and/or the separate agreement with the *Financial Institution(s)* may authorize the Registrant through the *Financial Institution(s)* to debit the client's account for the amount of the Registrant's fee and to directly remit that management fee to the Registrant in accordance with applicable custody rules. The *Financial Institution(s)* recommended by the Registrant have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the Registrant.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the first period's fees shall be calculated on a *pro rata* basis commencing on the day the assets are designated to the Registrant for management. The *Agreement* between the Registrant and the client will continue in effect until terminated by either party



pursuant to the terms of the *Agreement*. The Registrant's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Additions may be in cash or securities provided that the Registrant reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Registrant may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Commissions or Sales Charges for Recommendations of Securities**

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In the event the client desires, the client can engage certain persons associated with the Registrant (but not the Registrant) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with the Registrant. Under this arrangement, the client may implement securities transactions through certain of the Registrant's *Advisory Affiliates*, in their respective individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of the FINRA. Brokerage commissions may be charged by PKS to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to such *Advisory Affiliates*. Prior to effecting any transactions, the client will be required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, certain of the Registrant's *Advisory Affiliates* (as applicable), may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

While the Registrant does not sell such securities products to its investment advisory clients, the Registrant does permit its *Advisory Affiliates*, in their individual capacities as registered representatives of PKS, to sell securities products to its investment advisory clients. A conflict of interest exists to the extent that the Registrant recommends the purchase of securities where the Registrant's *Advisory Affiliates* receive commissions or other additional compensation as a result of the Registrant's recommendations. The Registrant has procedures in place to ensure that any recommendations made by such *Advisory Affiliates* are in the best interest of clients regardless of any additional compensation earned.

For accounts covered by ERISA (and such others that the Registrant, in its sole discretion deems appropriate), the Registrant shall provide its investment advisory services on a fee-offset basis. In this scenario, the Registrant may offset its fees by an amount equal to the aggregate commissions and 12b-1

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fees earned by the Registrant's *Advisory Affiliates* in their individual capacities as registered representatives of *PKS*.

The Registrant's *Advisory Affiliates* currently devote approximately two percent (2%) of their time to commission securities brokerage business.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

The Registrant does not provide any services for performance based fees. Performance based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7. Types of Clients**

The Registrant provides its services to individuals, trusts, estates, charitable organizations, corporations and other business entities, and pension and profit sharing plans.

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## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

The Registrant focuses on risk-management using a tactical and dynamic approach. The Registrant's primary methods of analysis are technical and cyclical analysis with a lesser emphasis on fundamental analysis.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that the Registrant will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that the Registrant is recommending. The risks with cyclical analysis are similar to those of technical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. The Registrant will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### ETFs

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The Registrant generally recommends the use of exchange-traded funds (ETFs) for client portfolios. Most ETFs seek to achieve the same return as a particular market index and the ETF will primarily invest in the securities of companies that are included in a selected market index. ETFs seek to achieve their stated objectives on a daily basis, and their performance over longer periods of time can differ significantly from the multiple or inverse multiple of the index performance over those longer periods of time. ETFs are subject to secondary market trading risks. Shares of an ETF are listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue.

### Options

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The Registrant may recommend the use of options for clients. Specifically, in conducting its investment strategy, the Registrant may elect to engage in the selling of covered call options or the purchase of protective put options. Options allow the Registrant to hedge (limit) certain potential losses on positions

clients hold. In addition, options may allow the Registrant to lessen the volatility that a client's account might otherwise be subjected to.

If the Registrant sells a covered call option, the client's account will receive a payment in the amount of the call option premium less any transaction costs. This payment is retained by the client and can limit potential downside risks of owning the underlying security against which the option was written. However, such downside protection is limited to the amount of the net option premium received by the client. In return for this downside protection, the client potentially foregoes some upside appreciation in the underlying security if the call option buyer exercises their right to purchase the client's shares of the underlying security.

In the case of purchasing protective put options, the client will incur a cost (known as the option premium, plus a potential transaction charge). In return for payment of this premium, the client will be protected from losses on the underlying security if it falls below the strike price of the put option. If the price of the underlying security does not drop after the put option is purchased, the client may not recoup the cost incurred to purchase the option.

The Registrant may actively manage covered call or protective put options by entering into closing transactions prior to the option expiration date, in which case the client may experience a capital gain or loss on the option position.

### **Market Risks**

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The profitability of a significant portion of the Registrant's recommendations may depend to a great extent upon correctly assessing the future course of price movements of securities, including ETFs, stocks and bonds. There can be no assurance that the Registrant will be able to predict those price movements accurately.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

The Registrant is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. The Registrant does not have any required disclosures to this Item.

### Item 10. Other Financial Industry Activities and Affiliations

The Registrant is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. The Registrant has described such relationships and arrangements, below.

#### **Receipt of Insurance Commission**

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Certain of the Registrant's *Advisory Affiliates*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While the Registrant does not sell such insurance products to its investment advisory clients, the Registrant does permit its *Advisory Affiliates*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that the Registrant recommends the purchase of insurance products where the Registrant's *Advisory Affiliates* receive insurance commissions or other additional compensation. The Registrant's *Advisory Affiliates* currently devote approximately three percent (3%) of their time to insurance sales.



## Item 11. Code of Ethics

The Registrant and persons associated with the Registrant (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with the Registrant’s policies and procedures.

The Registrant has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Registrant or any of its associated persons. The *Code of Ethics* also requires that certain of the Registrant’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in the Registrant’s *Code of Ethics*, none of the Registrant’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Registrant’s clients.

When the Registrant is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Registrant is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact the Registrant to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, the Registrant shall generally recommend that clients utilize the brokerage and clearing services of *TD Ameritrade*.

Factors which the Registrant considers in recommending *TD Ameritrade*, or any other broker-dealer, to clients include their respective financial strength, reputation, execution, pricing, research, and service. *TD Ameritrade* enables the Registrant to obtain many ETFs and mutual funds without transaction charges and other securities at nominal transaction charges. In addition, *TD Ameritrade* has agreed to compensate clients for any transfer fees that may be assessed for moving their account(s) to *TD Ameritrade*. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other broker-dealers.

The commissions paid by the Registrant's clients shall comply with the Registrant's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests the Registrant to arrange for the execution of securities brokerage transactions for the client's account, the Registrant shall direct such transactions through broker-dealers that the Registrant reasonably believes will provide best execution. The Registrant shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

The client may direct the Registrant in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by the Registrant (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Registrant may decline a client's request to direct brokerage if, in the Registrant's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

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Transactions for each client generally may be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant will generally (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Registrant’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among the Registrant’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Registrant determines to aggregate client orders for the purchase or sale of securities, including securities in which the Registrant’s *Advisory Affiliate(s)* may invest, the Registrant shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. The Registrant shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Registrant determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, the Registrant may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist the Registrant in its investment decision-making process. Such research generally will be used to service all of the Registrant’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because the Registrant does not have to produce or pay for the products or services.

## Commissions or Sales Charges for Recommendations of Securities

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As discussed above, certain *Advisory Affiliates* in their respective individual capacities, are registered representatives of *PKS*. These *Advisory Affiliates* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *PKS* provides written consent. Therefore, clients are advised that certain *Advisory Affiliates* may be restricted to conducting securities transactions through *PKS* unless they first secure written consent from *PKS* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *PKS*, these *Advisory Affiliates* are prohibited from executing securities transactions through any broker-dealer other than *PKS* under *PKS*'s internal supervisory policies. Registrant is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

## Software and Support Provided by Financial Institutions

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The Registrant may receive from *TD Ameritrade*, without cost to the Registrant, computer software and related systems support, which allow the Registrant to better monitor client accounts maintained at *TD Ameritrade*. The Registrant may receive the software and related support without cost because the Registrant renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and related systems support may benefit the Registrant, but not its clients directly. In fulfilling its duties to its clients, the Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Registrant's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the Registrant's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

There is no direct link between Registrant's participation in the program and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. Additionally, the Registrant may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist the Registrant in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help the Registrant manage and further develop its business enterprise. The benefits received by the Registrant participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of *TD Ameritrade* for custody and brokerage services.



### Item 13. Review of Accounts

For those clients to whom the Registrant provides investment management services, the Registrant monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom the Registrant provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of the Registrant’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Registrant and to keep the Registrant informed of any changes thereto. The Registrant shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the Registrant provides investment advisory services may also receive a report from the Registrant that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may reasonably request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from the Registrant.

Those clients to whom the Registrant provides financial planning and/or consulting services will receive reports from the Registrant summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by the Registrant.

### **Item 14. Client Referrals and Other Compensation**

The Registrant is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, the Registrant is required to disclose any direct or indirect compensation that it provides for client referrals.

The Registrant may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 11, above.

### Item 15. Custody

As discussed above, the Registrant's *Agreement* and/or the separate agreement with the *Financial Institution(s)* may authorize the Registrant through the *Financial Institution(s)* to debit the client's account for the amount of the Registrant's fee and to directly remit that management fee to the Registrant in accordance with applicable custody rules. The *Financial Institution(s)* recommended by the Registrant have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the Registrant. In addition, as discussed in Item 13, the Registrant may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institution(s)* and compare them to those received from the Registrant.



### Item 16. Investment Discretion

The Registrant is/may be given the authority to exercise discretion on behalf of clients. The Registrant is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. The Registrant is given this authority through a power-of-attorney included in the agreement between the Registrant and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). The Registrant takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### Item 17. Voting Client Securities

The Registrant may vote client securities (proxies) on behalf of its clients. When the Registrant accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in the Registrant's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in the Registrant's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, clients may contact the Registrant to request information about how Registrant voted proxies for that client's securities or to get a copy of the Registrant's Proxy Voting Policies and Procedures. A brief summary of the Registrant's Proxy Voting Policies and Procedures is as follows:

- The Registrant has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to the Registrant's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the Registrant shall devote an appropriate amount of time and resources to monitor these changes.
- Where the Registrant is responsible for voting proxies on behalf of a client, clients cannot direct the Registrant's vote on a particular solicitation. The Registrant's authority to vote proxies can, however, be revoked.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that the Registrant maintains with persons having an interest in the outcome of certain votes, the Registrant will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

The Registrant does not require or solicit the prepayment of more than \$1,200 in fees, six months or more in advance.

## **New Harbor Financial Group, LLC**

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Prepared by:



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