

# Disclosure Brochure

August 18, 2011

## **Harmon Securities, LLC**

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This brochure provides information about the qualifications and business practices of Harmon Securities, LLC (hereinafter "Harmon Securities"). If you have any questions about the contents of this brochure, please contact Thomas Kiesow at (949) 373-6925. 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 Harmon Securities, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Harmon Securities, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

Since this Harmon Securities's initial Disclosure Brochure, there are no material changes to report.

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### Supervised Person Brochure Supplements

## Item 4. Advisory Business

Harmon Securities, LLC is an investment management firm that offers global diversification and wealth management strategies to affluent individuals, families, corporations, public entities and the institutions that advise them. The range of investment solutions provided by Harmon Securities offers clients both scope and scale for achieving their strategic objectives. We then draw on the local expertise of our worldwide network of carefully selected external professionals, to develop, implement and manage highly customized solutions that meet the clients exact needs and circumstances.

Harmon Securities provides financial planning, consulting, and investment management services. Prior to engaging Harmon Securities to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Harmon Securities setting forth the terms and conditions under which Harmon Securities renders its services (collectively the "Agreement").

Harmon Securities has been in business since August 2011 and offers discretionary and non-discretionary investment management services. Thomas Kiesow is the principal owner of the firm. As of August 2011, Harmon Securities does not have any assets under management.

This Disclosure Brochure describes the business of Harmon Securities. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of Harmon Securities's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Harmon Securities's behalf and is subject to Harmon Securities's supervision or control.

### Consulting Services for Individual Investors

Harmon Securities may provide its clients with a broad range of comprehensive financial planning and consulting services. For individual investors, these services include business planning, investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client.

In performing its services, Harmon Securities is not 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. Harmon Securities may recommend the services of itself, its Supervised Persons 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 Harmon Securities recommends its own services. The client is under no obligation to act upon any of the recommendations made by Harmon Securities under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Harmon Securities itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Harmon Securities's recommendations. Clients are advised that it remains their responsibility to promptly notify Harmon Securities if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Harmon Securities's previous recommendations and/or services.

### Consulting Services for Institutional Investors

Harmon Securities's institutional consulting services are specialized engagements individually negotiated with each institution based upon their specific needs. Harmon Securities's institutional consulting services are generally investment-related. Harmon Securities will charge a fixed fee and/or hourly fee for these services and shall not render such institutional consulting services to its investment advisory clients. Harmon Securities offers the following institutional consulting services:

- **Asset Allocation Review**

This service is designed to identify one or more optimal risk and return investment portfolios for the client. The asset allocation service does not consist of ongoing management of the client's assets or recommendations regarding specific securities or other investment vehicles.

- **Investment Manager/Mutual Fund Search Report/Interviews**

This service is designed to identify investment managers and/or mutual funds whose investment philosophies and policies are compatible with the client's Investment Policy, objections and risk tolerance. Harmon Securities shall produce a report identifying these managers and/or mutual funds. The decision to retain any particular manager rests with the client.

- **Due Diligence**

This service is designed to monitor investment managers to ensure policy compliance within established guidelines; analysis of portfolio style characteristics, performance, etc.

- **Past Performance Review**

This service is designed to evaluate the historical performance of the client's portfolio for a particular time period and to compare various aspects of such performance to mutually agreed-upon benchmarks. Account data will be derived from custodian statements for the agreed upon time period. Harmon Securities will not be responsible for verification of the information supplied by the custodian.

- **Performance Monitoring Reports**

Harmon Securities will periodically provide Performance Monitoring Reports evaluating the historical performance of the Client's portfolio over various time periods, as well as comparing various aspects of such performance to mutually agreed upon benchmarks. Account data will be derived from custodial statements for each period. Harmon Securities will not be responsible for verification of the information supplied by the custodian.

- **Tactical Institutional Asset Management Service**

The Tactical Institutional Asset Management ("TIAM") service is a comprehensive consulting program designed to manage the overall investment management process for institutional organizations. This includes investment policy decisions, asset and investment style allocation decisions, investment adviser selection and review, trustee education, and tailoring of the investment program to the client's overall investment policy and objectives. The minimum account size to participate in this service is generally \$10 million of client investment assets or greater.

Harmon Securities anticipates that it will devote approximately 25% of its time to such consulting services.

### **Investment Management Services**

Individual clients can engage Harmon Securities to manage all or a portion of their assets on either a discretionary or non-discretionary basis. The discretionary services are referred to as Investment Management accounts, and non-discretionary services are known as Advisory accounts.

Harmon Securities primarily allocates clients' investment management assets among Independent Managers (as defined below), mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and/or options as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. In addition, Harmon Securities may recommend that institutional and certain individual clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. Harmon Securities also provides advice about any type of investment held in clients' portfolios.

Harmon Securities tailors its advisory services to the individual needs of clients. Harmon Securities consults with clients initially and on an ongoing basis to develop an investment policy statement to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Harmon Securities ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Harmon Securities if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Harmon Securities's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g. require that a portion of their assets be invested in socially responsible funds) if, in Harmon Securities's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Use of Independent Managers**

As mentioned above, Harmon Securities recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("Independent Managers"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the Independent Managers are set forth in a separate written agreement between Harmon Securities or the client and the designated Independent Managers. Harmon Securities renders services to the client relative to the discretionary recommendation of Independent Managers. Harmon Securities also monitors and reviews the account performance and the client's investment objectives. Harmon Securities receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated Independent Managers.

When recommending or selecting an Independent Manager for a client, Harmon Securities reviews information about the Independent Manager such as its disclosure brochure and/or material supplied by the Independent Manager or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Factors that Harmon Securities considers in recommending an Independent Manager include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Harmon Securities's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Harmon Securities, the designated Independent Managers, and corresponding broker-dealer and custodian.

In addition to Harmon Securities's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than Harmon Securities. In such instances, Harmon Securities may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

### **Educational Services**

Harmon Securities may provide non-personalized investment-related training to certain institutional clients as part of its educational services. Harmon Securities will charge a fixed and/or hourly fee for these services and shall not render such educational services to its investment advisory clients. Harmon Securities anticipates that it will devote approximately 5% of its time to such consulting services.

### **Sponsor / Manager of Wrap Program**

For individual clients, Harmon Securities offers a wrap fee program ("Program") pursuant to which the firm provides its investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the Program may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the Program's terms and conditions (including fees) are contained in the Program's wrap fee brochure.

## **Item 5. Fees and Compensation**

Harmon Securities offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management and/or the performance of the client's portfolio.

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## Financial Planning and Consulting Fees

Harmon Securities may charge a fixed fee and/or hourly fee for financial planning and consulting services to individual clients. These fees are negotiable, but are generally \$300 on an hourly rate basis, depending upon the level and scope of the services. For Investment Management or Advisory clients who wish to have ongoing consulting or financial planning services, Harmon Securities charges a \$100 monthly fee, payable in advance.

Typically, Harmon Securities offers both institutional and individual clients a range of consulting and educational services as discussed in Item 4. These services are negotiable and generally offered on a fixed-fee basis. The following table provides the typical costs of such services:

Service	Basic Fee
Investment Policy Assistance	\$1,500 - \$4,000 per investment policy statement.
Investment Monitoring	0.20% of the value of the investments being monitored.
Performance Monitoring Report	\$2,000 for each individual manager with a minimum of \$10,000 per year.
Asset Allocation Review	\$3,000 - \$10,000.
Manager Due Diligence	\$2,000 - \$5,000 per year for each individual manager.
Past Performance Review	\$5,000 - \$10,000.
Searches:	
- Investment Managers	\$3,000 - \$10,000 for each manager search.
- Mutual Fund Searches	\$1,500 - \$3,000 for each individual mutual fund search.
- Exchange Traded Funds Searches	\$1,500 - \$3,000 for each individual ETF search.
- Exchange Traded Notes Searches	\$1,500 - \$3,000 for each individual ETN search.
- Other Managed Investments	\$3,000 - \$10,000 for each individual investment search.

Prior to engaging Harmon Securities to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Harmon Securities setting forth the terms and conditions of the engagement. Generally, Harmon Securities 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.

## Investment Management Fee (Discretionary Accounts)

Harmon Securities provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Harmon Securities. Harmon Securities's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client (except for clients participating in the wrap fee program). In certain circumstances, Harmon Securities does receive a portion of these commissions, fees, and costs, while in other circumstances, it does not.

Harmon Securities's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Harmon Securities on the last day of the previous quarter. The annual fee is 1.95% of assets under management, subject to a monthly minimum fee of \$100 (if the Client's reference currency is not USD but CHF, GBP or EUR, then the debiting of the monthly minimum fee to the CHF, GBP or EUR account will result in a foreign-exchange transaction (USD are bought against CHF, GBP or EUR), and Harmon Securities charges an additional fee for this transaction (for further details, see section below entitled "Miscellaneous Fee")).

## Advisory Fee (Non-Discretionary Accounts)

Harmon Securities provides Advisory services for an annual fee based upon a percentage of the market value of the assets being advised upon. As with the Investment Management fee, Harmon Securities's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related

costs and expenses which are incurred by the client. In certain circumstances, Harmon Securities does receive a portion of these commissions, fees, and costs, while in other circumstances, it does not. Harmon Securities's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by Harmon Securities on the last day of the previous quarter. For accounts with less than \$1 million USD under management, the annual fee is 1.20% for equity investments, and 0.60% for fixed income investments, subject to a monthly minimum fee of \$100 (If the Client's reference currency is not USD but CHF, GBP or EUR, then the debiting of the monthly minimum fee to the CHF, GBP or EUR account will result in a foreign-exchange transaction (USD are bought against CHF, GBP or EUR), and Harmon Securities charges an additional fee for this transaction (for further details, see section Miscellaneous Fee)).

### **Performance Fee**

Harmon Securities generally provides investment management services to institutions and qualified clients for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, Harmon Securities charges a fee based upon a percentage of the market value of the assets being managed by Harmon Securities ("base fee") in addition to a fee based on the performance of the account ("performance fee").

Harmon Securities's performance fee is charged according to one of the following methods, depending on which of the firm's various trading programs the client is invested:

- Base fee of 1.65% as well as a percentage equal to the gross performance of the portfolio against an agreed-upon benchmark.
- Base fee of 1.65% as well as 10% of the net performance by which the account exceeds an agreed upon benchmark.
- Base fee of 1.65% as well as 20% of the net performance by which the account exceeds an agreed upon benchmark, subject to a "highwater" mark.

Harmon Securities's annual base fee is prorated and charged quarterly, in arrears, based upon the market value of the assets on the last day of the previous quarter. Harmon Securities's performance fee is charged annually, in arrears, based on the net gains of the client's portfolio at the end of the calendar period.

Harmon Securities, 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.).

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), Harmon Securities generally recommends that clients utilize the brokerage and clearing services of certain financial institutions such as any broker-dealer recommended by Harmon Securities, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Harmon Securities may only implement its investment management recommendations after the client has arranged for and furnished Harmon Securities with all information and authorization regarding accounts with appropriate financial institutions. Clients may incur certain charges imposed by the Financial Institutions and other third parties such as fees charged by Independent Managers (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are 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 Harmon Securities's fee.



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Harmon Securities's Agreement and the separate agreement with any Financial Institutions may authorize Harmon Securities or Independent Managers to debit the client's account for the amount of Harmon Securities's fee and to directly remit that management fee to Harmon Securities or the Independent Managers. Any Financial Institutions recommended by Harmon Securities 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 Harmon Securities.

## Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees are calculated on a pro rata basis.

The Agreement between Harmon Securities and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Harmon Securities's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Harmon Securities's right to terminate an account. Additions may be in cash or securities provided that Harmon Securities reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Harmon Securities, subject to the usual and customary securities settlement procedures. However, Harmon Securities designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Harmon Securities may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are 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 of the portfolio value prior to the withdrawal, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

## Miscellaneous Fees

Harmon Securities's fee schedule includes the additional fees to those clients using the following services:

Service	Fee
Quarterly Performance Reports:	\$100 per report (1 annual performance review report included in investment management services)
Duplicate account documents:	\$25.00 for each document but not more than \$150.00 per order (confirmations of portfolio balance, account statement, income statements, annual tax receipt, etc.)
Form of Delivery:	PDF (no charge), USPS additional \$50.00
Withholding Tax Rebate Request:	\$25.00 per hour, but at least \$150.00 per order
Withholding Tax Rebate Reminder charge (from the second warning):	\$15.00
Transfer of custody of securities per CUSIP:	\$150.00
Online document management:	Included in Management Fee (no extra charge)
Paper document delivery:	\$25.00 per delivery (for clients who choose paper delivery of financial documents; as a safety measure, paper delivery also required for those online clients who have not retrieved statements within 4 weeks of posting in online archive)
Address investigation:	\$25.00
Inquiry fee:	\$25.00 Standard; \$150.00 per hour according to expenditure

Re-allocation fee: \$150.00 or percentage of value of assets being re-allocated (0.8%), whichever is higher.

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Clients whose accounts are held in non U.S.-based currency will be billed in their reference currency (i.e. CHF, GBP or EUR) and subject to a foreign currency exchange transaction fee of \$25 per transaction.

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

### Performance-Based Fees

As discussed in response to Item 5, above, Harmon Securities may render investment management services to institutional or qualified clients for a performance-based fee. It may also charge this fee to certain of its international clients. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Harmon Securities to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Harmon Securities charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee.

Harmon Securities has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

### Side-By-Side Management

As a general rule, Harmon Securities does not advise clients to purchase securities of issuers in which Harmon Securities has an interest, or sell securities to or purchase securities from clients. Harmon Securities does not own any securities. From time to time, however, Harmon Securities may recommend or cause a client to invest in a security in which Harmon Securities or a person associated with Harmon Securities has an ownership position. Harmon Securities has adopted certain procedures intended to prevent advisory persons and immediate family from benefiting from any price movements that may be caused by client transactions or Harmon Securities's recommendations regarding such securities. Under those procedures, without specific approval, advisory persons are not allowed to purchase securities for their own account or an account in which they have a beneficial interest for a period of time before and after a client account purchases that security. Thus, if an advisory person purchases a security in an account in which he or she has a beneficial interest, he or she generally cannot cause any client accounts to purchase that security within the stated time period unless circumstances warrant such action without likelihood of non-negligible impact to our clients. In certain situations Harmon Securities may have an incentive to favor the performance-based fee account. To address this conflict of interest, Harmon Securities manages both types of accounts in a similar manner, with similar investments and similar allocations.

## Item 7. Types of Clients

Harmon Securities provides its services to individuals, investment companies, pension and profit sharing plans, public funds and municipalities, institutions, foundations, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Fee

Harmon Securities does not require a minimum portfolio size, but does require varying minimum fees for different types of accounts as outlined on Item 5 above. Harmon Securities, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

Additionally, certain Independent Managers may impose more restrictive account requirements and varying billing practices than Harmon Securities. In such instances, Harmon Securities may alter its

corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

### Methods of Analysis

Harmon Securities primarily employs fundamental and technical methods of investment analysis:

- **Fundamental analysis** involves the fundamental financial condition and competitive position of a company. Harmon Securities 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.
- **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 Harmon Securities 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 Harmon Securities is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### Investment Strategies

Harmon Securities's investment approach includes asset allocation based on the following strategies:

- Trading strategies based on potential relative value opportunities.
- Use of when-issued or delayed delivery instruments.
- Foreign currency investments for modifying currency exchange exposure.
- Buying or selling of futures, options, or swap agreements, as well as other derivatives, to manage risk or to enhance return.

### Risks of Loss

#### Mutual Funds and Exchange Traded Funds (ETFs).

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at

least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### **Options**

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### **Market Risks**

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

### **Use of Independent Managers**

Harmon Securities may recommend the use of Independent Managers for certain clients. Harmon Securities will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the Independent Managers ability to successfully implement their investment strategy. In addition, Harmon Securities does not have the ability to supervise the Independent Managers on a day-to-day basis other than as previously described in response to Item 4, above.

### **Use of Private Collective Investment Vehicles**

Harmon Securities may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### **Use of Margin**

To the extent that a client authorizes the use of margin, and margin is thereafter employed by Harmon Securities in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Harmon Securities will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

**Liquidity Risk**

Due to unusual market conditions or unusually high volume, investments can have higher volatility than normal and therefore generate high gains/losses.

**Credit Risk**

The risk that an issuer of fixed-income securities held in the different investment strategies may default on its obligation.

**Developing Countries Risk**

Investment in securities of issuers of developing countries involves special considerations and risks, including the risks associated with international investment, such as currency fluctuations, the risks of investing in countries with smaller capital markets, limited liquidity, price volatility, different conditions applying to transaction and control and restrictions on foreign investment, as well as risks associated with developing countries' economies, including high inflation and interest rates, large amounts of external debt as well as political and social uncertainties.

**Exchange Risk**

Each strategy may be invested, according to variable proportions and limits, in values and instruments expressed in other currencies than the base currency of the chosen strategy and, consequently, may lead to be exposed to a variation of the exchange rates.

**Volatility Risk**

The investments may be exposed to the risk of volatility of the equity markets and could thus be subject to strong movements within the limit of the target Value at Risk. A strong movement of the volatility of the equity markets could negatively impact the performance of the portfolio according to its investment objective.

**Risk of Small and Medium-Sized Companies**

Investment in smaller and medium companies offers the possibility of higher returns but may also involve a higher degree of risk, due to higher risks of failure or bankruptcy and due to a more reduced volume of quoted securities and to the accentuated movements that it implies.

**Derivative Product Risks**

Harmon Securities may engage in various strategies in view of reducing certain risks and/or attempting to enhance return. These strategies may include the use of derivatives instruments such as options, warrants, swaps and/or futures. Such strategies might be unsuccessful and incur losses for the portfolio, due to market conditions. Derivatives also involve additional specific risks such as the risk of mispricing or improper valuation and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices. For those clients choosing to invest in alternative investments, such securities come with additional substantial risks as they are speculative in nature.

They may not be registered or regulated under any laws, should be considered illiquid investments, are not freely transferable, may be highly leveraged, may be volatile, and may involve higher fees and expenses than other types of investments. Alternative investments may not be immediately redeemable. Alternative investments such as hedge funds only permit redemptions at specified time periods and in specified advanced notice. As a result, the client may be required to hold alternative investments in its account after termination of this of any investment management agreement with Harmon Securities.

**General Risk of Loss**

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

## Item 9. Disciplinary Information

Harmon Securities 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. Harmon Securities does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

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

### Related Broker-Dealer

Thomas Kiesow, the principal owner of Harmon Securities, is also affiliated with vPE WertpapierhandelsBank AG ("vPE"), an SEC registered broker-dealer and member of FINRA, serving in a managerial capacity. This relationship poses a conflict of interest with respect to those clients who custody their assets with vPE or its affiliates because Mr. Kiesow is directly or indirectly compensated for client transactions effected through vPE. As described in Item 12 below, Harmon Securities has policies and procedures in place to ensure that Harmon Securities is in compliance with its duty of best execution.

### Fees from Independent Managers

As discussed above, Harmon Securities recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Managers. In certain circumstances the advisory fee charged by such Independent Managers includes compensation that is paid to Harmon Securities in addition to its customary advisory fees. There may be a conflict of interest to choose such Independent Managers.

## Item 11. Code of Ethics

Harmon Securities and persons associated with Harmon Securities ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Harmon Securities's policies and procedures.

Harmon Securities 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 Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Harmon Securities or any of its associated persons. The Code of Ethics also requires that certain of Harmon Securities'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 Harmon Securities's Code of Ethics, none of Harmon Securities'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 Harmon Securities's clients.

When Harmon Securities 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 Harmon Securities 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.

If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents.

Clients and prospective clients may contact Harmon Securities to request a copy of its Code of Ethics.

### **Item 12. Brokerage Practices**

As discussed above, in Item 5, Harmon Securities generally recommends that clients utilize the brokerage and clearing services of various custodian broker-dealers.

Factors which Harmon Securities considers in recommending a custodian broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by custodian broker-dealers chosen may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Harmon Securities's clients comply with Harmon Securities's duty to obtain "best execution". Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Harmon Securities determines that the commissions are 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 Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Harmon Securities seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom Harmon Securities and the Financial Institutions have entered into agreements for prime brokerage clearing services. Harmon Securities periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct Harmon Securities in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and Harmon Securities will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Harmon Securities (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, Harmon Securities may decline a client's request to direct brokerage if, in Harmon Securities'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).

Transactions for each client generally will be effected independently, unless Harmon Securities decides to purchase or sell the same securities for several clients at approximately the same time. Harmon Securities may (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 Harmon Securities'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 Harmon Securities's clients pro rata to the purchase and sale orders placed

for each client on any given day. To the extent that Harmon Securities determines to aggregate client orders for the purchase or sale of securities, including securities in which Harmon Securities's Supervised Persons may invest, Harmon Securities generally does 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. Harmon Securities does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Harmon Securities 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, Harmon Securities 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 Harmon Securities in its investment decision-making process. Such research generally will be used to service all of Harmon Securities'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 Harmon Securities does not have to produce or pay for the products or services.

### **Receipt of Soft Dollars**

Harmon Securities evaluates the amount and nature of research and research services provided by brokers and attempts to allocate a portion of the brokerage business of its clients on the basis of that consideration. When Harmon Securities uses client brokerage commissions (or markups or markdowns) to obtain research or other products and services, Harmon Securities benefits because it does not have to pay for the research, products or services. Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934 ("Section 28(e)"), Harmon Securities may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and research services provided by or through the broker. Harmon Securities believes it is important to its investment decision making process to have access to independent research.

Research furnished by brokers may be used to service any or all of Harmon Securities's clients and may be used in connection with accounts other than those transacting with the broker providing the research, as permitted by Section 28(e). Brokerage and research services provided by brokers may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement, and custody), and providing information regarding: the economy; industries; sectors of securities; individual companies; statistical information; taxation; political developments; legal developments; technical market action; pricing and appraisal services; credit analysis; risk measurement analysis and performance analysis. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, research services may be provided in the form of access to various computer-generated data, computer hardware and software, and meetings arranged with corporate and industry spokespersons, economists and government representatives.



Research payments may be made through traditional soft dollar payments to third parties, paid through bundled commission arrangements with full service brokers or through client commission arrangements (CCA's). Commission sharing arrangements enable Harmon Securities to separate the execution decision from the research decision. Providers of CSAs have designed programs that allow Harmon Securities the flexibility to conduct best execution while simultaneously pooling commissions to compensate both research firms and other service providers that are eligible to be paid by commissions under 28(e). Harmon Securities determines in good faith that the commission rates paid for client commission dollar arrangements are reasonable in relation to the value of the brokerage and research provided. In certain situations, trades may be directed to brokers who refer clients to, or have their own accounts managed by, Harmon Securities.

The use of brokerage commissions to obtain research products and/or other services and to pay for other non-research services creates a conflict of interest because clients pay for such products and services that are not exclusively for the benefit of clients and may be primarily or exclusively for the benefit of Harmon Securities.

### **Software and Support Provided by Financial Institutions**

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

### **Item 13. Review of Accounts**

For those clients to whom Harmon Securities provides investment management services, Harmon Securities 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 Harmon Securities provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Harmon Securities's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Harmon Securities and to keep Harmon Securities informed of any changes thereto. Harmon Securities contacts 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 bank, broker-dealer or custodian for the client accounts. Those clients to whom Harmon Securities provides investment advisory services will also receive a report from Harmon Securities that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on an annual basis, or for a fee, as the client may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from Harmon Securities.

Those individual clients to whom Harmon Securities provides financial planning and/or consulting services will receive one annual report from Harmon Securities summarizing its analysis and conclusions. Additional reports available on request and subject to the fee disclosed in Item 4, above.

## Item 14. Client Referrals and Other Compensation

Harmon Securities 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, Harmon Securities is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to Harmon Securities by either an unaffiliated or an affiliated solicitor, Harmon Securities may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Harmon Securities's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Harmon Securities by an unaffiliated solicitor, the solicitor provides the client with a copy of Harmon Securities's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Harmon Securities discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Harmon Securities's written disclosure brochure at the time of the solicitation.

Harmon Securities 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 12, above.

## Item 15. Custody

Harmon Securities's Agreement and/or the separate agreement with any Financial Institution may authorize Harmon Securities through such Financial Institution to debit the client's account for the amount of Harmon Securities's fee and to directly remit that management fee to Harmon Securities in accordance with applicable custody rules.

The Financial Institutions recommended by Harmon Securities 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 Harmon Securities. In addition, as discussed in Item 13, Harmon Securities also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Harmon Securities.

## Item 16. Investment Discretion

Depending on the type of account and services provided, Harmon Securities may have the authority to exercise discretion on behalf of clients. Harmon Securities 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. Harmon Securities is given this authority through a power-of-attorney included in the agreement between Harmon Securities and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Harmon Securities takes discretion over the following activities:

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

### **Item 17. Voting Client Securities**

Harmon Securities is required to disclose if it accepts authority to vote client securities. Harmon Securities does not vote client securities on behalf of its clients. Clients receive proxies directly from the Financial Institutions.

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

Harmon Securities does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of providing services to clients. In addition, Harmon Securities is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Harmon Securities has no disclosures pursuant to this Item.

## **Harmon Securities, LLC**

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