

*Wrap Fee Program Brochure*



## Harbour Investments, Inc.

575 D'Onofrio Dr., Suite 300 Madison WI 53719

608-662-6100

[www.harbourinv.com](http://www.harbourinv.com)

March 28, 2017

This wrap fee program brochure provides information about the qualifications and business practices of Harbour Investments, Inc. ("Harbour"). If you have any questions about the contents of this brochure, please contact your Harbour financial advisor or Harbour at [info@harbourinv.com](mailto:info@harbourinv.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Harbour Investments, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Harbour Investments, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

The following is a summary of changes since our last annual update dated March 8, 2016. Item 4 has been updated to include language regarding our full discretionary asset management services. Items 4, 5 and 6 have been updated to reflect a new American Funds F-2 Direct Program. Disclosures were updated in Item 9 regarding share class conversions, Pershing Advisor Solutions, participating sponsors, 12b-1 account servicing fees and solicitors.

Our brochure may be requested by contacting us at 608-662-6100 and/or email [info@harbourinv.com](mailto:info@harbourinv.com). Our brochure is also available on our web site [www.harbourinv.com/clients](http://www.harbourinv.com/clients) also free of charge.

### **Item 3 -Table of Contents**

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Services, Fees and Compensation.....	1-5
Item 5 – Account Requirements and Types of Clients.....	5
Item 6 – Portfolio Manager Selection and Evaluation.....	5-8
Item 7 – Client Information Provided to Portfolio Managers.....	8
Item 8 – Client Contact with Portfolio Managers .....	8
Item 9 – Additional Information.....	8-11

## **Item 4 – Services, Fees and Compensation**

### **Asset Management Services – Wrap Fee Programs – Non-Discretionary**

Harbour sponsors a Wrap Fee Program in which typically begins with IAR assisting each new client in determining the client's investment and financial objectives. IAR and client will develop strategies based on all or some of the following items, but will not be limited to: current resources, level of income, net worth statement, risk tolerance, time horizon, investment objectives, present and deferred employee benefits, self-employed income and benefits, tax situation, insurance programs and estate planning considerations. Information is provided to Harbour and IAR by client and is believed to be reliable. The scope of the asset management service will be as broad or detailed as the client wishes which will influence the depth of investigation into the client's financial situation by Harbour and IAR. The IAR will be available to consult with, and respond to questions of the client as well as any advisors the client may designate concerning the recommendations and/or general suggestions regarding client's financial situation. Harbour and IAR do not guarantee the results of any recommendation.

Asset Management Services include management of most forms of investments including, but are not limited to, common and preferred stocks, bonds, exchange-traded funds, municipal securities, load and no-load mutual funds and annuities. Although Harbour and IAR may recommend various short-term investment strategies, they will generally recommend strategies for the long-term. A client's securities portfolio will typically be custodied at one of Harbour's transaction clearing firms, Pershing, LLC (a Bank of New York Securities Co.), Pershing Advisor Solutions, Charles Schwab Institutional, TD Ameritrade Institutional, Wedbush Securities or American Funds Service Company. Harbour and its IARs may also participate in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Harbour and its IARs may also participate in American Funds F-2 Direct Program. Class F-2 mutual funds may be purchased directly through American Funds. Clients may be subject to annual maintenance fees and set up costs for IRA accounts through American Funds.

Monthly, quarterly or annual reports will be generated directly by the clearing firm holding the client's portfolio, and Harbour and IAR in general, may generate quarterly or annual investment reports in addition to the statements provided by the clearing firm. Harbour and IAR will not normally generate a written report when requested to review specific or generic products or to discuss planning or investment strategies. In general, Harbour and IAR report generation beyond that provided by clearing firm will be agreed upon between client and IAR. A client's holdings that are being actively managed may be held at a custodian other than those listed above upon Harbour approval.

Harbour and IAR offer its client a range of payment options in order to compensate Harbour and its IARs. In most cases, where the client wishes an ongoing investment advisory relationship, compensation is calculated as a percentage of assets under management. These service fees typically range from 0.50% to 1.50% of assets under management. Since the IAR receives fees as a result of the client's participation in the program, the IAR may have a financial incentive to recommend the wrap fee program over other programs or services. The IAR may negotiate the percentage of assets under management fee with the client outside the stated typical range, and is subject to Harbour approval. In a situation where the IAR is using commissioned products to implement an investment strategy, fees on the assets under management may be waived for an IAR and client agreed upon time frame succeeding a sale which generates a commission. Refunds will not be allowed unless specifically approved by Harbour. In most cases, the assets under management are valued at the time the account is established or at the end of the first month or quarter after the account is established. Harbour and IAR can be compensated by client for advisory services on a monthly, quarterly or any other Harbour, IAR and client agreed upon schedule. Fees are calculated on the basis of the market value of the assets under management multiplied by the stated assets under management fee agreed upon in the advisory agreement between Harbour and client. The fee may exclude all transaction and custodian costs including brokerage commissions and account maintenance fees. The transaction costs may be per transaction or a percentage of assets. Such costs, if any, and the costs or charges not included in the fee will be separately charged to the account. Accounts with account values under \$25,000 may have higher service fees due to higher costs of the IAR maintaining the account. Harbour will receive a portion of the wrap fee charged for our services. In having non-discretionary accounts, clients may choose not to invest in certain securities or types of securities. Clients may authorize client's account custodian(s) to deduct, upon Harbour's instruction, fees when due from assets held in the account. Money market funds and other securities in the client's account in amounts sufficient to cover Harbour's fees may be liquidated to pay fees. It is also possible for Harbour and IAR to calculate and submit a fee invoice to client for account deduction which would then be liquidated by the custodian upon client permission. The service fees for American Funds F-2 Direct Program are 1.0% and are not negotiable. Harbour and IAR do not take custody of any clients' funds or securities. The investment advisory contract between Harbour and client can be terminated by either party upon receipt of written notification. The client has the right to rescind the contract within five business days of the date the contract was signed.

### **Asset Management Services – Wrap Fee Programs – Limited Discretionary**

Harbour sponsors a Wrap Fee Program in which an IAR may suggest a limited discretionary account. In having a limited discretionary account, a client gives the IAR and Harbour limited authority to rebalance a client account portfolio consisting of mutual funds and/or exchange traded funds. A range is determined by the IAR for each individual holding as a percentage of total assets. Due to different performance of each individual holding, the value of each holding as a percentage of total assets may differ from the

original range. In the case where an individual holding as a percentage of total assets differs greater than the range, the IAR may rebalance the model portfolio as needed to bring the percentage back into desired range. The IAR may also rebalance the account portfolio back to the desired range at any time deemed necessary by the IAR. The IAR may decide to replace an individual holding with a similar mutual fund or exchange traded fund. For example, if an individual holding is invested in large-cap stocks, then a similar mutual fund or exchange traded fund that invests in large-cap stocks may be chosen to replace a holding. All other aspects of a limited discretionary account follow the non-discretionary account noted directly above.

### **Asset Management Services – Wrap Fee Programs – Full Discretionary**

Harbour sponsors a Wrap Fee Program in which an IAR may suggest a full discretionary account. In having a full discretionary account, a client gives the IAR and Harbour authority to execute which securities are bought and sold as well as the total amount to be bought and sold without obtaining the clients consent prior to each transaction. Clients grant this authorization by executing a discretionary trading power of attorney. All other aspects of a full discretionary account follow the non-discretionary account noted directly above.

### **Third Party Manager – Wrap Fee Programs**

Harbour sponsors a Wrap Fee Program in which the Investment Advisory Representative ("IAR") may determine that it is in the interest of the client to have a third party investment manager(s) not affiliated with Harbour, provide portfolio management services for the client. Harbour has therefore sought out and entered into various forms of agreements with third party manager platforms. Such programs include: Lockwood, Loring Ward, BTS Asset Management, SEI, LVZ Advisors and others. To facilitate account reporting when utilizing third party managers, account assets are usually custodied at a custodian designated by the third party manager. They will also generally require a client to have all securities transactions for the client's account processed by the custodian. Once a client has selected a manager program from those presented, Harbour and IAR supplies the program with information regarding the financial background and investment objectives of the client to the extent such information is provided by the client. The client then enters into an advisory agreement with the managers program whereby the manager(s) agrees to accept and manage the clients account on a discretionary basis in accordance with objectives of the client. Client may also utilize a third party manager platform such as Horter Investment Management or TD Ameritrade Institutional. These platforms have access to numerous third party managers in one platform.

To the extent Harbour and IAR become aware of changes in a client's financial circumstances or objectives, this information is relayed to the client's manager. Updated financial information about a client is not collected by Harbour and IAR on a regular basis or given to a manager unless Harbour and IAR are made aware of changes by the client.

Clients may communicate such changes to the client's manager at any time. Harbour will receive a portion of the wrap fee charged for our services.

Manager fees usually range between 0.35% to 2.00% per annum which may be higher than those charged by other management services. Harbour and IAR will provide periodic assistance in evaluating manager(s) performance and, if necessary, recommend replacing a manager selected. Under the terms of Third Party Managers agreements with Harbour, in return for referring a Harbour client in need of management services to a third party manager, the manager program pays Harbour a fee typically calculated as a percentage of assets under management or as a percentage of the advisory fee received by the investment manager from the client. Such fees are generally paid for as long as the account remains under management. A conflict of interest exists when Harbour recommends managers, or a manager's platform from which it will receive compensation. In all cases, the total management fees must be disclosed to the client. The third party manager's platforms provide reports to clients at the frequency specified in the investment management agreements entered into with the clients. A client's IAR is available to discuss reports and to assist the client with other matters associated with the third party account. Third party managers platform fees vary based upon the value of assets under management. Annual asset-based fees usually range from .25% to 1.50% of the assets under management and cover Harbour and IAR fees only, not manager, transaction or custodial fees. Fees are generally payable quarterly in advance. Upon termination, all unearned prepaid fees are returned to the client. Clients usually authorize both the manager and Harbour to debit the client's account for the amount of fees due.

## **Considerations**

Harbour recognizes that since it's Investment Adviser Representatives ("IARs") are also registered representatives with the broker/dealer; there is an inherent conflict of interest. Prior to transacting any securities or advisory business, the IAR must disclose the fee structure and the commission structure to the client so that he or she may better evaluate the compensation arrangement, as the program may cost the client more or less than purchasing such services separately or paying on a commission structure basis. If there are 12b-1 trail commissions generated by a recommended product, this must be disclosed to the client prior to implementation. In a situation where Harbour and IAR are using commissioned products to implement the investment strategy, fees can be waived or offset in lieu of commission which must be properly disclosed in writing. The IAR must also disclose whether the purchase of a particular investment product will add to the IAR's production volume for incentives such as gifts, trips, etc. An IAR who is managing an investment account positioned in mutual funds or variable contracts must disclose all management fees and expenses as described in prospectus. Fees may be paid six months in advance up to \$500, or may be billed in arrears on a monthly, quarterly or other client agreed upon periodic schedule. Harbour and its IARs cannot assign, sell or otherwise transfer a client's investment advisory contract unless they have written permission to do so from the client or the client's designated legal representative.

Harbour's fees are exclusive of brokerage ticket charges, transaction fees, and other related costs and expenses which shall be incurred by the client unless otherwise noted. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Harbour's fee, and Harbour shall not receive any portion of these associated fees and costs.

The broker/dealers that Harbour work with may provide products and services that benefit Harbour but may not directly benefit its clients' accounts. These benefits may include specific educational events organized and sponsored by the broker/dealer and occasional business entertainment of personnel of Harbour including meals, lodging and invitations to sporting events. Other product and services assist in managing and administering clients' accounts. These include software and technology that provide access to client account data, facilitate trade execution, provide research, and facilitate payment of advisory fees from its client's accounts. The broker/dealer may make available, arrange and/or pay vendors for these types of services rendered to Harbour by independent third parties. While, as a fiduciary, Harbour endeavors to act in its clients' best interests, Harbour may recommend that clients maintain their assets in accounts at a specific broker/dealer may be based in part on the benefit to Harbour of the availability of some of the forgoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by a particular broker/dealer, which may create a potential conflict of interest.

## **Item 5 – Account Requirements and Types of Clients**

Harbour provides portfolio management services to individuals and high net worth individuals. Harbour generally has account minimums of \$5,000 for Asset Management Services. Accounts with account values under \$25,000 may have higher service fees due to higher costs of the IAR maintaining the account. An IAR may require account minimums in excess of these numbers. Third party manager programs will have different account minimums depending on the manager. Harbour's American Funds F-2 Direct Program minimums are set per individual mutual fund prospectus which may be considerably lower than Harbour general account minimums.

## **Item 6 – Portfolio Manager Selection and Evaluation**



## Asset Management Services – Wrap Fee Programs

Harbour sponsors a Wrap Fee Program through Pershing Advisor Solutions, Pershing LLC, Wedbush Securities, American Funds Service Company, TD Ameritrade Institutional and Charles Schwab Advisor Services division of Charles Schwab & Co., Inc to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA account holder. Harbour and its IARs offer its clients a range of payment options in order to compensate Harbour and its IARs. In most cases, where the client wishes an ongoing investment advisory relationship, compensation is calculated as a percentage of assets under management. These service fees typically range from 0.50% to 1.5% of assets under management. The service fees are made up of advisor compensation, transaction and custodian costs including brokerage ticket charges and account maintenance fees that may be all wrapped together. In doing so, this may result in a higher charge that the client might pay were the fees unbundled rather than wrapped.

Harbour requires its IARs to pass the Series 65 (Investment Adviser Representatives Examination) or equivalent examination (Series 66) or have a noted designation, (i.e., CFP, ChFC, CFA, etc.) to qualify to provide advice. In all cases, individual state and federal licensing and exam regulations will govern. IARs are also required to have a minimum of 5 years experience in the securities industry. Harbour reserves the right to make exceptions to 5 year minimum securities industry experience if circumstances warrant.

IAR portfolio manager performance may not be calculated on a uniform and consistent basis.

IAR's may act as a portfolio manager for a wrap fee program, but on a non-discretionary basis and a fee calculated by assets under management. Although this limits possible conflicts of interest, *Item 9* below discusses the code of ethics for which the IAR must follow. Prior to transacting any securities or advisory business, the IAR must disclose the fee structure and the commission structure to the client so that he or she may better evaluate the compensation arrangement, as the program may cost the client more or less than purchasing such services separately or paying on a commission structure basis. If there are 12b-1 trail commissions generated by a recommended product, this must be disclosed to the client prior to implementation. In a situation where Harbour and IAR are using commissioned products to implement the investment strategy, fees can be waived or offset in lieu of commission which must be properly disclosed in writing. The IAR must also disclose whether the purchase of a particular investment product will add to the IAR's production volume for incentives such as gifts, trips, etc. An IAR who is managing an investment account positioned in mutual funds or variable contracts must disclose all management fees and expenses as described in prospectus.

Investment Adviser Representatives ("IARs") that act as a portfolio manager are subject to the same selection and qualifications review as other Harbour IAR's. However, exceptions

may be granted for the 5 years minimum experience required if the IAR is only providing advisory services through a third party manager.

Harbour does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Harbour has IARs that manage the accounts themselves and provide Asset Management – Wrap Fee Program Services. The IARs generally may use fundamental and technical analysis as well as others. The IAR is not limited to a specific analysis.

Fundamental analysis gives the tools to understand the underlying value of securities and to determine whether securities are under- or over-valued. Fundamental analysis can be applied to all types of securities, whether equities (valuation) or bonds (credit risk). It can also be applied to broader markets through economic analysis and investment strategy.

Technical analysis focuses on taking information from the market itself. Markets and securities develop trends, whether up, down or sideways, and technical analysis is adept at measuring the characteristics of those trends. Momentum investing is a form of trend-following investing used by a variety of investors. Technical analysis is an important tool for momentum investors, especially in determining when trends change.

### **Third Party Manager – Wrap Fee Programs**

Harbour has elected to have agreements with certain third party managers that use a variety of methods for analyzing stocks, bonds, mutual funds and other investments that go into their portfolios. Some examples of different methods of analysis are:

- Sophisticated, analytical modeling techniques to identify intermediate to long-term market trends
- Macro economic model which analyzes economic data such as gross domestic product, inflation, unemployment, money flows and overall market conditions to determine the current phase of the business cycle (expansion, peak, contraction or trough)
- Academic research modeling called Modern Portfolio Theory.

Each third party manager utilizes a different type of analysis, in which the client and their investment adviser representative will determine which one, will best suit the client's situation. Harbour's selection and review of third party managers includes reviewing assets under management, financial stability, tenure, and performance.

One of Harbour's criteria for replacing managers in the program is based on multiple years of inactivity. Managers are typically given two years without any assets on the books before Harbour looks into replacing them in the program.

The criteria used by the adviser for replacing managers in a client's account are based on different factors like: ongoing suitability of the manager's style with the client objectives, client's overall objectives have changed, cost and/or change of cost of the program & performance.

Harbour does not calculate portfolio manager performance, nor does it review performance information to verify its accuracy or its compliance with presentation standards.

The types of analysis used by Harbour's IARs and third party managers all have inherent risk associated with them because investing in securities involves risk of loss that clients should be prepared to bear. Other risks may include: market risk, default risk of individual bonds, inflation risk, option risk, high turnover risk and foreign investment risk.

As a matter of firm policy and practice, Harbour does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Harbour may provide advice to clients regarding the clients' voting of proxies.

For a complete description of wrap fee services please refer to *Item 4* above.

### **Item 7 – Client Information Provided to Portfolio Managers**

To the extent Harbour and IAR become aware of changes in a client's financial circumstances or objectives, this information is relayed to the client's manager. Updated financial information about a client is not collected by Harbour and IAR on a regular basis or given to a manager unless Harbour and IAR are made aware of changes by the client. Clients may communicate such changes to the client's portfolio manager or IAR at any time.

### **Item 8 – Client Contact with Portfolio Managers**

Generally, there are no restrictions on a client's ability to contact and consult with their IAR or manager.

### **Item 9 – Additional Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Harbour or the integrity of Harbour's management. Harbour has no information applicable to this Item.

Harbour will operate a FINRA broker/dealer, Harbour Investments, Inc., which will sell investment products. Harbour's primary business will be to market investment products to its customers on a commission basis as a FINRA member firm. Approximately 40% of the firm's staff time, including that of its IARs, is spent providing investment advisory services.

Harbour will operate a FINRA broker/dealer firm and in that capacity, may execute securities transactions for its investment adviser and IAR's.

Harbour may receive commissions and/or fees from other Registered Investment Adviser firms and registered third party managers programs which would be fully disclosed in the appropriate selling agreements.

Harbour and investment advisory representatives ("IAR") have a duty to exercise its authority and responsibility for the benefit of the client, to place the interests of the client first, and to refrain from having outside interests that conflict with the interests of the client. Harbour and IAR must avoid circumstances that might adversely affect or appear to affect its duty of complete loyalty to its clients.

It is unlawful for any adviser in connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by the adviser:

- To employ any device, scheme or ploy to defraud;
- To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements, not misleading;
- To engage in any act, practice, or course of business that operates or would operate as a fraud or deceit; or
- To engage in any manipulative practice.

Personal IAR transactions must be properly disclosed to client when the IAR and client hold common securities.

- If entering personal and client orders for the same security, the client's order must always be entered before the IAR's order.
- If the same security is held by the IAR and client, it must be disclosed to the client.
- If selling a personal position in a common security, it must be disclosed to all clients that hold the security, or have open orders to buy that security. The selling price also must be disclosed if setting limit orders.
- If buying a personal position in a common security, it must be disclosed to all clients that hold the security, or have open order to buy that security. The buying price also must be disclosed if setting limit orders.
- Personal activity in a common security ahead of a client must be documented and provide a written explanation for the sequence.

Advisers have a duty to disclose potential and actual conflicts of interest to their clients. IARs and solicitors have a duty to report potential and actual conflicts of interest to their advisory firms. Advisers should not attempt to limit their liability for willful misconduct or gross negligence through the use of disclaimers. \* A copy of the Code of Ethics is available upon request.\*

Accounts receiving asset management services within a wrap fee program are monitored by a client's IAR on a continuous basis and the frequency of client reviews are determined by the investment mix of the account and the desire of the client. Such reviews may also be triggered by economic news, news about a particular security, client requests, and change in client's personal or financial situation, securities research, deposits to or withdrawals from an account or other events.

Harbour's investment advisory representatives ("IARs") are allowed to conduct their investment advisory activities under separate unaffiliated business names to be processed through Harbour Investments Registered Investment Adviser. Investment checks must be made payable to the corresponding custodian, not the IAR or their unaffiliated business name.

Harbour and its IARs may enter to an agreement with solicitors who may refer clients to Harbour for investment advisory services. Any compensation paid by Harbour to the solicitors is based on the client executing an advisory agreement with Harbour. Compensation to the solicitor is paid based on a written agreement between Harbour and the solicitor. Solicitors are required to provide the client with a copy of Harbour's Form ADV Part 2A and an Investment Advisory Solicitors Disclosure Form. Clients acknowledge receipt of these disclosures by signing the Investment Advisory Solicitors Disclosure Form.

Clients receiving asset management services receive account reports prepared by Pershing, LLC (a Bank of New York Securities Co.), Pershing Advisor Solutions, Charles Schwab Advisor Services division of Charles Schwab & Co., TD Ameritrade Institutional, or Wedbush Securities and other approved custodians on a monthly or quarterly basis. In addition, a report may be prepared by Harbour and IAR according to the frequency agreed upon between IAR and client. In most cases, these reports will be generated annually.

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about Harbour's financial condition. Harbour has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Harbour may convert the share class of a mutual fund holding to a lower cost share class of the same mutual fund, if available and makes economic sense. Each mutual fund, as well as each clearing firm custodian has their own minimum purchase amounts. A clearing firm custodian may also charge for a mutual fund share class conversion. A review will be

conducted on these accounts to determine if a share class conversion makes economic sense.

Harbour has an agreement with Pershing Advisory Solutions (“PAS”) for the marketing of certain brokerage services provided by PAS to registered investment advisors (“RIA”) and their customers. In this agreement Harbour may receive fees from PAS for RIAs that are referred to PAS and as a result utilize PAS services. The fees that may be received are not charged to any clients. Harbour is not affiliated with PAS in any way. Harbour merely has a marketing agreement with PAS for the referral of RIAs and their customers. Harbour endeavors at all times to put the interest of its clients first. Clients should be aware, however, that the receipt of economic benefits by Harbour or its IARs in and of itself creates a potential conflict of interest and may indirectly influence the choice of PAS for custody and brokerage services.

Harbour may receive additional compensation based on a fixed amount and expense reimbursements (“Additional Compensation”) from certain product sponsors which are considered “participating sponsors”. These payments are paid to Harbour out of the revenues of the sponsoring investment company, registered investment adviser or insurance company and are NOT paid out of client assets. Harbour utilizes this Additional Compensation to assist in training, education, and marketing.

In return for this additional compensation, Harbour’s Participating Sponsors have greater access to our investment adviser representatives to provide training and other educational presentations and product information so that they can better serve investors. This potential conflict of interest could lead our investment adviser representatives to focus on these sponsors when recommending products to our clients instead of products from non-sponsors that have normal access.

Harbour and its investment adviser representatives may receive 12b-1 (account servicing) fees from certain mutual fund companies as described in the fund’s prospectus. In receiving such 12b-1 fees, it could result in a possible conflict of interest as there may be an incentive for Harbour and its IARs to recommend funds with 12b-1 fees over funds that have no fees or lower fees. These fees are further discussed within Harbour’s advisory agreements with its clients.

Harbour and its IARs may enter to an agreement with solicitors who may refer clients to Harbour for investment advisory services. Any compensation paid by Harbour to the solicitors is based on the client executing an advisory agreement with Harbour. Compensation to the solicitor is paid based on a written agreement between Harbour and the solicitor. Solicitors are required to provide the client with a copy of Harbour’s Form ADV Part 2A and an Investment Advisory Solicitors Disclosure Form. Clients acknowledge receipt of these disclosures by signing the Investment Advisory Solicitors Disclosure Form.