

# Harbor Financial Services, LLC

(Disclosure Brochure)

March 30, 2012

11 N. Water Street, STE 21290

Mobile, AL 36602

251-650-0840

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

Form ADV, Part 2, our “Disclosure Brochure” or “Brochure” as required by Investment Advisors Act of 1940 is a very important document between clients and Harbor Financial Services, LLC.

This Brochure provides information about the qualifications and business practices of Harbor Financial Services, LLC. If you have any questions about the contents of this Brochure, please contact us at 888-397-7358

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.

Harbor Financial Services, LLC is a registered Investment Adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship with us.

Additional information about Harbor Financial Services, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There have been no material changes since our last brochure dated March 31, 2011.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. We may, at any time, update this Brochure and either send you a copy or offer to send you a copy (either by electronic means (internet/email) or in hard copy form).

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## **Item 4 – Advisory Business**

### **INVESTMENT ADVISORY SERVICES**

We are a registered investment adviser with our home office based in Mobile, Alabama. We are organized as a limited liability company under the laws of the State of Alabama and we have been providing investment advisory services since 2006. Marc Whitehead is a principal owner of the firm and Brown Corp. and Daria Corp. are indirect owners. We are also a registered broker dealer member of the Financial Industry Regulatory Authority Inc. (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”), as well as, a licensed insurance agency. We provide investment advisory services to individuals, trusts, estates, charitable organizations, pension and profit sharing plans, corporations, and other business entities.

This narrative provides clients with information regarding HFS and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of the Firm.

You may also find further information on the Firm’s broker-dealer operations or the registered representatives associated with HFS by entering the Firm or the representative’s name at [www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm](http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm). (FINRA Broker Check).

We provide investment advice based on the particular objectives, needs and financial goals of each client. We recommend the purchase of securities which we believe are appropriate based on your individual needs and the investment restrictions imposed by you, if any.

The following paragraphs describe our fees and services. Please refer to the description of each advisory service listed below for information on how we tailor advisory services to your individual needs. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing advice on behalf of our firm.

Investment Adviser Representatives (“IARs”) of our firm are also registered representatives of the Firm, in its capacity as a broker-dealer. Investment advisory clients are offered the choice of utilizing the Firm’s Broker/Dealer and clearing Raymond James & Associates, Inc., although they are not required to and may use the broker-dealer/custodian of their choice.

## **PORTFOLIO MANAGEMENT SERVICES**

We offer portfolio management services through the FREEDOM Account, OPPORTUNITY Account and AMBASSADOR Account which are custodied with Raymond James and Associates, Inc. ("Raymond James"). Sub-advisory portfolio management services are also offered through Raymond James Consulting Services and the Eagle High Net Worth Program. We also offer portfolio management through Harbor Managed Accounts which are custodied at TD Ameritrade. In addition, we may also refer you to third party investment advisers to manage all or a portion of your account custodied at TD Ameritrade, Inc. You should also refer to the Raymond James Brochure/Wrap fee Program Brochure for further information on any accounts/programs provided through Raymond James.

### **FREEDOM ACCOUNT**

The FREEDOM Account ("FREEDOM") is an investment advisory account which allocates your assets, through discretionary mutual fund or exchange traded fund ("ETF") management, based upon your individual financial objectives and risk tolerances.

A Raymond James Investment Committee selects the representative funds and monitors their performance on a continuing basis. These services are offered nationwide in all fifty states, the District of Columbia, and Puerto Rico.

FREEDOM offers six investment strategies, including Aggressive Equity, Growth Equity, and Balanced with Growth, Balanced, Equity Income and Income portfolios.

The advisory fees for FREEDOM Accounts are as follows: (All fees are incremental)

	Advisory Fee
First \$200,000	1.75%
Next \$300,000	1.50%
Over \$500,000	1.00%
Accounts greater than \$5,000,000	Negotiable

The annual asset-based fee is paid quarterly in advance. When your account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on your initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day.

In this program, you authorize and direct Raymond James & Associates, Inc. as Custodian to deduct asset-based fees from the your account; you further authorize and direct the

Custodian to send a quarterly statement to you which show all amounts disbursed from your account, including fees paid to us.

You understand that your quarterly statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

You may also incur charges for other account services provided by us not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, and fees for legal transfers of securities.

The FREEDOM account offers investors asset allocation investment portfolios utilizing either ETFs or mutual funds. You should be aware that ETFs and mutual funds have unique distinguishing characteristics and their cost structures differ, sometimes significantly.

Because mutual funds are typically actively managed, the underlying management fees and operating expenses assessed by the fund companies are generally higher than those for ETFs (typically 1% to 1.5% for mutual funds versus .20% to .30% for ETFs).

Those most appropriate for the mutual fund version of FREEDOM are those willing to pay more for the potential to outperform the market or benchmark indices over the long term, but should be aware the potential to underperform is just as great.

Clients most appropriate for the ETF version of FREEDOM are those willing to achieve market-like returns, less management fees and operating expenses, with little potential for the individual ETFs outperforming the respective indices they track.

The Raymond James Investment Committee's decisions will be driven by Asset Management Services ("AMS") Manager Research and Due Diligence, and the mutual fund strategies may include "Highly Recommended" funds from the Raymond James Mutual Fund Research ("MFR") coverage list.

However, the Raymond James Investment Committee is under no obligation to select funds exclusively from MFR's "Highly Recommended" list. For funds selected by the Raymond James Investment Committee that are not covered by MFR, it is likely that MFR will at some point in the future assume research coverage of the fund(s), and that such funds may be rated "Highly Recommended" by MFR.

AMS Manager Research and Due Diligence continually monitors the funds in the FREEDOM Account. If a fund is downgraded by MFR, the Raymond James Investment Committee will convene and determine the appropriate course of action, which may include replacing the downgraded fund in all FREEDOM Accounts, if necessary.

You should be aware that only those mutual fund companies with which Raymond James has a selling agreement with will be considered for purchase within the FREEDOM program.

As a result, not all mutual funds available to the investing public will be considered. However, Raymond James has selling agreements with over 200 fund companies, offering over 9,000 separate mutual funds that are available for potential investment.

The Investment Management Agreement may be terminated by you or us at any time upon providing written notice pursuant to the provisions of the Investment Management Agreement.

There is no penalty for terminating your account in this program. Upon termination, you will receive a refund of the portion of the prepaid asset-based fee which is not utilized. We will not accept instructions to terminate the Agreement unless you provide instructions in writing.

## **OPPORTUNITY ACCOUNT**

The OPPORTUNITY Account ("OPPORTUNITY") is an investment advisory account, administered by Raymond James & Associates, Inc., which offers you, on a non-discretionary basis (or discretionary, provided certain qualifications are met), the ability to pay an advisory fee on the assets in your account and a transaction charge in lieu of a commission for each transaction. These services are offered nationwide in all fifty states, the District of Columbia and Puerto Rico.

Generally, your IAR (Investment Advisory Representative) provides investment advice on a non-discretionary basis.

There is a minimum investment of \$25,000 for OPPORTUNITY Accounts, although smaller accounts may be accepted based upon the specific circumstances of an account. The advisory fees for OPPORTUNITY Accounts are as follows:

### BLENDED RATE FEE SCHEDULE

OPPORTUNITY Fee Investments:

Account Value	Total Fee
First \$200,000	1.75%
Next \$300,000	1.50%
Next \$500,000	1.00%
Over \$1,000,000	1.00%
Over \$5,000,000	Negotiable

### THREE TIER ASSET CLASS FEE SCHEDULE

OPPORTUNITY Fee Investments Excluding Open-Ended Mutual Funds, Cash and Bonds:

Account Value	Total Fee
First \$200,000	2.00%
Next \$300,000	1.50%
Next \$500,000	1.00%
Over \$1,000,000	1.00%

OPPORTUNITY Fee Investment Open-End Mutual Funds and Cash:

Account Value	Total Fee
First \$100,000	1.75%
Next \$100,000	1.50%
Next \$300,000	1.25%
Next \$500,000	0.75%
Over \$1,000,000	0.75%

OPPORTUNITY Fee Investment Bonds:

Account Value	Total Fee
First \$100,000	1.50%
Next \$100,000	1.25%
Next \$300,000	1.00%
Next \$500,000	0.75%
Over \$1,000,000	0.75%
Over \$5,000,000	Negotiable



The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day.

In this program, you authorize and direct Raymond James & Associates, Inc. as Custodian to deduct asset-based fees from your account; you also authorize and direct the Custodian to send a quarterly statement to you which shows all amounts disbursed from your account, including fees paid to us.

You understand that your brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated. There is also a Processing Fee for the execution of each trade, as follows:

<b><u>SECURITY TYPE</u></b>	<b><u>PROCESSING FEE</u></b>
Stocks: Listed and OTC/Closed End and Exchange Traded Funds	\$30
Mutual Funds	\$30
Real Estate Investment Trusts/Unit Investment Trusts	\$30
Preferred Stocks	\$50
Options Contracts	\$50
Bonds	\$50

Representatives of Harbor Financial Services, LLC have the option to pay this transaction fee on behalf of their clients if they so choose.

In addition to the above transaction charge, you will incur a charge per transaction for handling and postage charges. As of November 2010, this charge is \$4.75 per transaction and is subject to change.

You may also incur charges for other account services provided by Raymond James & Associates, Inc. not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

Your agreement in this program may be terminated by you or us at any time upon providing notice pursuant to the provisions of the agreement. In the event of termination of the agreement, we will refund to you the prorated portion of the fee for the quarter of termination, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

With respect to advisory relationships established in connection with a brokerage account utilizing our clearing firm, Raymond James & Associates (Opportunity, Freedom accounts) as custodian and clearing broker dealer, termination may be permitted on shorter notice, but additional fees may be due in connection with relationships cancelled within six (6) months from inception.

## **AMBASSADOR ACCOUNT**

The AMBASSADOR Account (“AMBASSADOR”) is an investment advisory account administered by Raymond James & Associates, Inc., which offers you, on a non-discretionary basis (or discretionary, provided certain qualifications are met), the ability to pay an advisory fee on the assets in their account.

Generally, your Investment Advisor Representative provides investment advice on a non-discretionary basis. There is a minimum investment of \$100,000 for AMBASSADOR Accounts, although smaller accounts may be accepted based upon the specific circumstances of an account. The advisory fees for AMBASSADOR Accounts are as follows: (All fees are incremental)

<u>Advisory Fee*</u>	
First \$200,000	2.25%
Next \$300,000	1.75%
Next \$500,000	1.25%
Next \$4,000,000	1.25%
Over \$5,000,000	Negotiable

\* Minimum annual asset-based fee per Account: \$1,500

Ambassador Account Clients will not pay any transaction charges, postage or handling fees for the first 50 trades per year, with the total number of transactions used being reset each year on October 1st (regardless of in what month the account was first established). The representative has the option of paying this transaction charge after the first 50 trades or the fee can be passed onto you.

This might result in a conflict of interest as it could provide an incentive for an Investment Advisory Representative to limit trading to no more than 50 trades during the 12 month period beginning annually on October 1st. Beginning on the 51st trade, transaction charges per trade will apply as follows\*:

<b><u>SECURITY TYPE</u></b>	<b><u>PROCESSING FEE</u></b>
Stocks: Listed and OTC/Closed End and Exchange Traded Funds	\$30
Mutual Funds	\$30
Real Estate Investment Trusts/Unit Investment Trusts	\$30
Preferred Stocks	\$50
Options Contracts	\$50
Bonds	\$50

\*In addition to the above transaction charges, a nominal fee for postage and handling for each transaction will be assessed.

You may also incur charges for other account services provided by Raymond James & Associates, Inc. not directly related to the advisory, execution and clearing services provided including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day.

You authorize and direct RJA as Custodian to deduct asset-based fees from your account. You also authorize and direct Raymond James & Associates, Inc. to send a quarterly statement to you which shows all amounts disbursed from your account, including fees paid to us.

You understand that the brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

The Investment Management Agreement may be terminated by you or us at any time upon providing written notice pursuant to the provisions of the Investment Management Agreement.

There is no penalty for terminating your account from this program. Upon termination, you will receive a refund of the portion of the prepaid asset-based fee which is not utilized. We will not accept instructions to terminate the Agreement unless you provide instructions in writing.

## **RAYMOND JAMES CONSULTING SERVICES**

Raymond James Consulting Services (RJCS), a division of Raymond James & Associates, Inc.:

- selects portfolio managers (“sub-advisors”) for the program,
- establishes custodial facilities,
- monitors performance of your account, and;
- provides you with accounting and other administrative services and assists the portfolio managers with certain trading activities.

Based upon your financial needs and investment objectives, your Investment Advisor Representative assists you in selecting the appropriate sub-advisor(s). The Investment Management Agreement is solely between you and Raymond James & Associates, Inc.

There is no direct agreement between you and the sub-advisor selected. You may contact the sub-advisor, but generally do so through your Investment Advisor Representative or the Raymond James Consulting Services Client Services Department.

There generally is a minimum investment of \$100,000 for all equity and balanced accounts, and \$200,000 for most fixed income accounts, although smaller accounts may be accepted based upon the specific circumstances of an account.

You are provided standard information on each sub-advisor prior to entering into the Investment Management Agreement. Potential sub-advisors are considered for the program if they meet the following:

- A well-defined investment style
- Proven past performance results
- Consistency of portfolio returns
- Risks taken within acceptable bounds of investment objectives
- Complementary philosophy of the manager with the existing managers.

Other factors considered in the screening process include:

- low turnover of personnel;

- in-depth interviews with top personnel;
- personal visit to the investment manager's office; the size of the firm;
- review of the firm's current ADV; and
- no naked options, short sales or futures; and a cooperative, open attitude.

After a sub-advisor has been selected to participate in the Raymond James Consulting Services program, Raymond James & Associates, Inc. monitors, on a quarterly basis each sub-advisor's activity to ensure they maintain consistent investment discipline and philosophy with that for which they were originally selected.

This review is performed by the Due Diligence Director. Please note, however, that past performance does not guarantee future results. For all performance analysis provided to you, Raymond James Consulting Services requires that all sub-advisors utilize the AIMR (Association for Investment Management & Research) standards to calculate performance, but the information is not presented in this format.

## **EAGLE HIGH NET WORTH PROGRAM**

Asset Management Services ("AMS"), a division of Raymond James & Associates, Inc. sponsors the Eagle High Net Worth Program ("EHNW"). EHNW is offered exclusively through RJA's AMS division and is available only to Clients of RJA and its affiliates.

In this program, you may select one or more investment objectives managed by Eagle Asset Management, Inc. ("Eagle"). Eagle is a wholly owned subsidiary of Raymond James Financial ("RJF"), an affiliate of Raymond James & Associates, Inc. and is an investment adviser registered with the U.S. Securities and Exchange Commission.

With this program, you sign an Investment Management Agreement with Raymond James & Associates, Inc., and the Agreement authorizes Eagle as sub-advisor to manage your account(s) in accordance with your objective(s) on a discretionary basis.

Services include assisting you in choosing the appropriate Eagle objective(s), monitoring the performance of all of Eagle's objectives, communications and providing you reports, assistance with certain trading activities, and other administrative services.

EHNW offers a full range of investment objectives, including equity, balanced and fixed income portfolios. Eagle will consult with Clients and their IAR(s) to customize portfolios to fit your individual needs, circumstances and objectives.

There generally is a minimum investment of \$100,000 for all equity and balanced accounts, and \$200,000 for most fixed income accounts, although smaller accounts may be accepted based on the specific circumstances of an account.

Raymond James & Associates, Inc. negotiates with sub-advisors the management fee payable to the sub-advisors, based on factors including, but not limited to:

- the sub-advisor's assets under management in the Raymond James Consulting Program,
- average number of portfolio holdings,
- average annual turnover; and,
- anticipated sales and administrative service levels, among others.

The management fee payable to sub-advisors is typically 0.40% – 0.50% for equity and balanced accounts, and 0.25% - 0.30% for fixed income accounts, but may be lower due to incremental rate negotiation.

Although the basis of Raymond James & Associates, Inc.'s recommendation of sub-advisors is not based on this negotiated management fee, a conflict may exist due to the potential incentive that Raymond James & Associates, Inc. may have to recommend a sub-advisor(s) with a lower management fee. We are free to make a choice.

Participants in the wrap program(s) may be entitled to discounted asset-based fees if they maintain one or more related accounts with Raymond James Consulting Services or the Eagle High Net Worth Program.

Related accounts are accounts of you, your spouse and your children under the age of twenty-one. The term includes individually owned accounts, individual retirement accounts (IRAs), self-directed accounts (i.e., directed by individual participants) under an employee benefit plan (ERISA plan) and ERISA plan accounts in which an individual is the sole participant.

For purposes of aggregating related accounts, there are two account classes, Equity (Growth, Value, Equity Income, Small Cap Equity, Equity Blend, and Selected Balance), and Premium Income and Fixed Income.

Related accounts of the Raymond James Consulting Services and Eagle High Net Worth Programs which fall within an account class may be combined for management fee

purposes, so that each account will pay a fee which is calculated on the basis of the total of all Related Accounts in that particular class.

Further, premium income accounts will be aggregated with Equity accounts to determine the Equity account fees. However, the reverse will not apply. Accounts which fall under the minimum for account asset size, but which are related with another account in the asset class will not be charged a minimum fee.

Finally, your assets in the Eagle International Equity Portfolio will be aggregated with Equity accounts to determine the Equity account fees (this will have no effect on fees and other expenses of the Eagle portfolio.)

It is your responsibility to include all related managed accounts for purposes of qualifying for an aggregated account fee discount. While Asset Management Services/Raymond James Consulting Services may attempt to identify related accounts, it shall not be held responsible for failing to consider any related accounts that you did not identify.

Employees of Raymond James & Associates, Inc. or its affiliates are entitled to lower management fee arrangements for their personal accounts.

The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day.

You authorize and direct Raymond James & Associates, Inc. as Custodian to deduct asset-based fees from your account; you further authorize and direct the Custodian to send a quarterly statement to you which shows all amounts disbursed from your account, including fees paid to us.

For the Raymond James Consulting Services and Eagle High Net Worth programs, you may elect either an all-inclusive wrap fee or pay a management fee and commissions. If the Client elects a wrap fee, the fees are set forth as follows:

Equity and Balanced - All Accounts:

Accounts less than \$500,000

First \$200,000	3.00%
Next \$300,000	2.50%

Accounts equal to or greater than \$500,000

First \$500,000	2.50%
Next \$500,000	2.00%
Next \$1,000,000	1.60%
Next \$3,000,000	1.40%
Next \$5,000,000	1.30%
Over \$10,000,000	Negotiable

Fixed Income - All Accounts:

First \$500,000	1.25%
Next \$500,000	0.90%
Next \$1,000,000	0.80%
Next \$8,000,000	0.65%
Over \$10,000,000	Negotiable

If the Client selects the management fee and commissions option, the management fee is as follows:

Equity and Balanced: (Retroactive Schedule)

Accounts less than \$500,000	0.85%
Accounts between \$500,000 and \$1,000,000	0.75%
Accounts equal to or greater than \$1,000,000	0.70%
Over \$10,000,000	Negotiable

Fixed Income: (Incremental Schedule)

First \$500,000	0.50%
Next \$1,500,000	0.40%
Next \$8,000,000	0.35%
Next \$10,000,000	Negotiable



In addition to the management fee, you will pay a commission on each transaction to us. You may negotiate commission rates with your Investment Advisor Representative, and such decision is at the sole discretion of your Investment Advisor Representative.

You may also incur charges for other account services provided by Raymond James & Associates, Inc. not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, and fees for legal or courtesy transfers of securities.

The Investment Management Agreement may be terminated by the either party at any time upon providing written notice pursuant to the provisions of the Investment Management Agreement.

There is no penalty for terminating your account in this program. Upon termination, you will receive a refund of the portion of the prepaid asset-based fee which is not utilized. We will not accept instructions to terminate this agreement unless you provide instructions in writing.

You should understand that the annual advisory fees charged in the programs outlined in this disclosure document are in addition to the management fees and operating expenses charged by open-end, closed-end and exchange traded funds.

To the extent that you intend to hold mutual fund shares for an extended period of time, it may be more economical for you to purchase fund shares outside of these programs.

You may be able to purchase mutual funds directly from their respective fund families without incurring our advisory fee. When purchasing directly from fund families, you may incur a front or back end sales charge.

You should also understand that shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of times. These short-term charges are imposed by the funds (not us) to deter "market timers" who trade actively in fund shares.

You should consider these short-term trading charges when selecting the program and/or mutual funds in which you invest. These charges, as well as operating expenses and management fees, which may increase the overall cost to you by 1%-2% (or more), are available in each fund's prospectus.

Your total cost of each of the services provided through these programs, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include:

- your ability to obtain the services provided within the programs separately with respect to the selection of mutual funds,
- invest and rebalance the selected mutual funds without the payment of a sales charge; and,
- obtain performance reporting comparable to those provided with each program.

When making cost comparisons, you should be aware that combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation and fees.

If your account is actively traded or you otherwise do not qualify for the reduced sales charges for fund purchases, the fees may be less expensive than separately paying the sales charges and advisory fees.

If your account is not actively traded or you otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

## **HARBOR MANAGED ACCOUNTS**

Advisory services provided through Harbor Managed Accounts are custodied with TD Ameritrade, Inc.

In our standard HARBOR MANAGED ACCOUNT, we provide discretionary and non-discretionary portfolio management services where the investment advice provided is tailored to meet your individual needs and investment objectives. In our HARBOR BUY WRITE ACCOUNT, select Investment Adviser Representatives provide discretionary and non-discretionary portfolio management services where accounts are managed through a covered-call writing strategy with a goal of generating additional income and performance and reducing risk.

At the inception of the relationship, we will gather information from you such as:

- your risk tolerance,
- investment objectives; and,
- other relevant information and will recommend an initial portfolio to you.

There is a minimum investment of \$25,000 for these accounts, although smaller accounts may be accepted based upon the specific circumstances of an account.

Standard Harbor Managed Account fees range up to 2% per annum and Harbor Buy Write Account fees range up to 3% per annum. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day. Fees will be assessed pro rata in the event your client agreement is executed at any time other than the first day of a calendar quarter.

You may terminate the client agreement by providing 30 days written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

You may also incur charges for other account services provided by TD Ameritrade, not directly related to the advisory, execution and clearing services provided including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The qualified custodian holding your funds and securities will debit your account directly for the advisory fees. Where your account is debited directly for the advisory fee, you will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to you. You are encouraged to review your account statements for accuracy.

Generally, your Investment Adviser Representative provides investment advice on a non-discretionary basis. For non-discretionary accounts, we will contact the client prior to executing any transactions. For discretionary accounts, your Investment Adviser Representative may decide which securities and amount of securities to be purchased/sold. Once the initial portfolio is constructed, your Investment Adviser Representative will monitor the account on a continuous basis and re-balance the portfolio as changes in market conditions and your circumstances require.

On occasion, in lieu of an asset based fee, our Investment Adviser Representatives may charge a negotiable fixed fee or hourly fee. Fee and fee paying arrangements will vary on a case by case and client by client basis.

## **SELECTION OF OTHER ADVISERS**

We may refer certain clients who participate in the Harbor Managed Account to various third-party investment advisers for asset management services. After gathering information about your financial situation and investment objectives, an investment adviser representative of our firm may assist you in selecting a particular third-party adviser/program. We utilize a number of factors in determining which third-party investment advisers to refer clients including but not limited to performance, investment objectives, fees and methods of analysis.

Third party investment advisers to which we refer our clients may not achieve the best rate of returns or charge the lowest fees in comparison to other third-party investment advisers.

Fees paid by you to third-party investment advisers are established and payable in accordance with the Form ADV Part 2A or other equivalent disclosure document provided by each third-party investment adviser to whom we refer our clients, and may or may not be negotiable.

We will include the assets managed by the third-party adviser in the calculation of our Harbor Managed Account fee as stated above and the fees charged by the third party adviser are separate and in addition to our fees.

Clients who are referred to third-party investment advisers will receive full disclosure, including services rendered and fee schedules, at the time of the referral, by delivery of a copy of the relevant third-party investment adviser's Form ADV Part 2A or equivalent disclosure document. We will review the performance of the third party investment adviser on at least a quarterly basis and make any recommendations to you, as necessary.

You will be required to sign investment advisory agreements with the third-party investment adviser of the program selected. Either party, in accordance with the provisions of those agreements, may terminate the advisory relationship.

Our investment advisory fees, as described herein, are negotiable and may vary on a case by case and client by client basis. In certain circumstances, we may charge hourly or fixed fees in lieu of asset based fees. It is your responsibility to determine if fees charged by us

are suitable for you. Our fees may be higher than other investment advisers offering similar services.

The specific manner in which fees are charged by us is established in your written agreement with us. We will generally bill our fees on a quarterly basis, usually in advance.

You may also elect to have us to directly debit fees from your accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimus contributions and withdrawals).

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which you may be charged. You 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 our fee, and we do not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for your transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **TYPES OF INVESTMENTS**

We primarily offer advice on equity securities, corporate debt securities, certificates of deposit, municipal securities, investment company securities (including mutual funds and variable annuities), exchange traded funds, US Government securities, option contracts on securities, and interest in partnerships investing in real estate, oil and gas interests and others.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or types of securities. You must provide these restrictions to our firm in writing.

## **ASSETS UNDER MANAGEMENT**

Our calculation of assets under management is based on our last required filing with the year ending Dec 31, 2011. The assets under management at that time were as follows:

<b>Type</b>	<b>Amount</b>
Discretionary	\$62,496,786
Non Discretionary	\$94,339,356
Total	\$156,836,142

## **Item 5 – Fees and Compensation**

Our investment advisory fees, as described herein, are negotiable and may vary on a case by case and client by client basis. In certain circumstances, we may charge hourly or fixed fees in lieu of asset based fees. It is your responsibility to determine if fees charged by us are suitable for you. Our fees may be higher than other investment advisers offering similar services. The specific manner in which fees are charged by us is established in your written agreement with us. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimum contributions and withdrawals).

Our advisor fees under certain programs thru Raymond James & Associates, Inc. do not cover any execution related expenses, commissions and margin interest, if any, securities

exchange fees, or other fees required by law or charged by the broker dealer with custody of the account, but they may on accounts custodied at TD Ameritrade.

## **ADDITIONAL FEES AND EXPENSES**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which you may be charged. You 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.

If you participate in a Raymond James sponsored wrap fee program, we will provide you with a separate Wrap Fee Program Brochure explaining the program and costs associated with the program.

Please refer to the “Advisory Business” section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund’s prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the “Brokerage Practices” section of this Disclosure Brochure.

## **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

Our firm is also registered as a securities broker-dealer (member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation) and persons providing investment advice on behalf of our firm are also registered representatives in our firm's capacity as a broker-dealer. Our firm and our registered representatives will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Commissions earned from the sales of securities are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. In advisory accounts, we will, when appropriate, recommend the purchase of no-load mutual funds. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm and you have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with our firm.

In addition, our firm is also licensed as an insurance agency and persons providing investment advice on behalf of our firm are also licensed as insurance agents. We will earn commission-based compensation for selling insurance products to you. Insurance commissions are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through our firm or our insurance agents.

Our primary source of income is derived from commission-based compensation from the sale of investment products we recommend to our advisory clients.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.



## **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 – Types of Clients**

We offer investment advisory services to individuals, corporate pension and profit sharing plans, trusts, estates, charitable organizations, foundations, endowments, corporations and other business entities.

Account minimums vary by program or services as described in the “Advisory Business” section of this brochure.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** – Fundamental analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Technical Analysis** – Technical analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market

and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.
- Short Sales – A securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price. If the stock goes too high, the short seller will have to deposit more money or cover the short by buying the stock and may ultimately have to pay for a loss out of pocket.
- Margin Transactions – A securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. The risk to the investor is that if the transaction they place on margin goes against them, they will have to deposit money or securities possibly over and above the original transaction amount.
- Option Writing/Trading – A securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. Selling an option exposes an investor to the full risk of price movement in the underlying security, but only offers a relatively small potential reward in the form of a cash premium.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any

other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian uses the first in, first out (FIFO) accounting method as the default method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **RISK OF LOSS**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **RECOMMENDATION OF PARTICULAR TYPE OF SECURITIES**

As disclosed under the “Advisory Business” section in this Brochure, we primarily recommend equity securities, corporate debt securities, certificates of deposit, municipal securities, investment company securities (including mutual funds and variable annuities), exchange traded funds, US Government securities, options contracts on securities, and interest in partnerships investing in real estate, oil and gas interests, and others however, we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

There are numerous ways of measuring the risk of *equity securities* (also known simply as “equities” or “stock”). In very broad terms, the value of a stock depends on the financial

health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies (“large cap”) tend to be safer than smaller start-up companies (“small cap”) but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

*Corporate debt securities* (or “bonds”) are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

*Certificates of deposit* are generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it’s possible for inflation to outpace the return. Likewise, *US Government securities* are backed by the full faith and credit of the United States government but it’s also possible for the rate of inflation to exceed the returns.

*Municipal securities*, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

*Mutual funds* and *exchange traded funds* are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are “no load” and charge no fee to buy into, or sell out of, other

types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be “closed end” or “open end”. So-called “open end” mutual funds continue to allow in new investors indefinitely which can dilute other investors’ interests.

A *variable annuity* is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point the contract will terminate and the remainder of the fund accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as: **mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features**, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a “step-up” in cost basis when the owner dies like stocks, bonds, and mutual funds do. Some variable annuities offer “bonus credits”. These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges) the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

*Options* give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor’s risk can be unlimited. Options are traded on an exchange and are not issued by the underlying company. Also, the lifetime of an option is measured in months.

*A limited partnership* is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst case scenario for a limited partner, they lose what they invested.

## **Item 9 – Legal & Disciplinary Information**

On May 31, 2006, the Connecticut Banking Commissioner entered a consent order with respect to Harbor Financial Services, LLC, an applicant for Broker-Dealer registration. The consent order alleged that, contrary to representations made in its registration application, our firm had transacted business in Connecticut absent registration under the Connecticut Uniform Securities Act and had employed unregistered agents. The consent order also alleged that the firm's unregistered activity continued while the registration was pending, and that the firm had transacted business from an unregistered branch office. The end result was a \$10,000.00 administrative fine, \$2,000.00 disgorgement of commissions earned as a result of unregistered activity, \$250 past due broker fees, and \$500 reimbursement for division investigative costs. The consent order required that the firm implement revised supervisory and compliance procedures and provide the department with quarterly reports for two years concerning any securities related complaints, actions or proceedings involving Connecticut residents.

We maintain that a large portion of its Connecticut brokerage activity had consisted of automatic dividend reinvestments in mutual fund shares for clients who had transferred their accounts to the firm from another Broker-Dealer.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **REGISTRATION AS BROKER DEALER AND INSURANCE AGENCY**

In addition to being registered as an investment adviser, our firm is also registered as a broker-dealer and associated persons of our firm are also registered representatives with our firm in its capacity as a broker-dealer. We are also a licensed insurance agency and associated

persons of our firm are licensed insurance agents. Our firm and our associated persons earn compensation for selling securities and insurance products to you. Please refer to the fees and compensation section for further information and conflicts of interest including the compensation we earn as a result of these businesses.

## **Item 11 – Code of Ethics, Participation**

### **DESCRIPTION OF OUR CODE OF ETHICS**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting our Compliance Department at 888-397-7358.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

In certain circumstances, we may act as a principal where we buy securities for ourselves or sell securities we own to you. We may affect agency cross transaction between a brokerage client and an investment advisory client or amongst advisory clients. In all cases, we will obtain consent from the client and make necessary disclosures to the client in accordance with the Investment Advisers Act of 1940.

### **PERSONAL TRADING PRACTICES**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to

purchase securities (“block trading”). Please refer to the “Brokerage Practices” section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 – Brokerage Practices**

For brokerage and custodial services, we utilize Raymond James and Associates, Inc. and for the Harbor Managed Account, we utilize TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (“TD Ameritrade”) an unaffiliated SEC-registered broker-dealer and member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

TD Ameritrade offers to independent investment advisers who participate in the TD Ameritrade Institutional Program, services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade (crediting of ACAT fees, paying for software systems, sponsoring compliance events, etc.). Our firm also receives revenue from money market accounts custodied at Raymond James & Associates, Inc.

While we believe that our firm, Raymond James and TD Ameritrade provide best execution. Commission rates/fees charged by these firms may be higher or lower than those charged by other broker-dealers. In determining whether our firm, Raymond James and TD Ameritrade provide best execution, we consider factors that we deem relevant, including among others:

- the value of research provided,
- reputation,
- execution capability,
- commission rates,
- responsiveness;
- the quality of service rendered.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in



cost is reasonably justified by the quality of the brokerage services offered.

There is no direct link between our participation in the program and the investment advice we provide to you, although we do receive economic benefits through our participation in the program that is typically not available to TD Ameritrade's retail investors. These benefits include the following products and services (provided without cost or at a discount):

- receipt of duplicate client statements and confirmations;
- research related products and tools;
- consulting services;
- access to a trading desk serving our participants;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts);
- the ability to have our advisory fees deducted directly from your accounts;
- access to an electronic communications network for order entry and account information;
- access to mutual funds with no transaction fees and to certain institutional money managers; and
- discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by our Associated Persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment) expenses for our personnel to attend conferences or meetings relating to the program or to TD Ameritrade's advisor custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit your accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop its business enterprise.

The benefits received by our firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to you, we endeavor at all times to put the interests of you first. You should be aware, however, that the receipt of economic benefits by our firm or its related

persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

We and/or our investment adviser representatives may also receive benefits such as assistance with conferences and educational meetings from product sponsors.

Account assets may, from time to time, be invested in shares of unaffiliated open-end investment companies (mutual funds), provided that no front-end or deferred sales charge is payable in connection therewith. Such mutual funds may provide for the payment of certain Rule 12 (b)-1 and other asset-based charges to entities affiliated with the Firm, including Harbor Financial Services, LLC. Those payments may, where permitted under applicable regulatory requirements, provide additional compensation to Harbor Financial Services, LLC, its Clearing Firm, and its representatives.

## **BROKERAGE FOR CLIENT REFERRALS**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

## **DIRECTED BROKERAGE**

Persons providing investment advice on behalf of our firm who are registered representatives will recommend our firm to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from our firm unless we provide the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through our firm or through approved custodians. It may be the case that our firm or approved custodians charge higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through our firm as broker dealer, these individuals (in their separate capacities as registered representatives of our firm) may earn commission-based compensation as result of placing the recommended securities transactions through our firm. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by registered representatives who are affiliated with our firm. Not all advisers require their clients to direct brokerage.

## **BLOCK TRADES**

We may combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). When block

trading, we will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event orders are not block traded, clients may receive different prices for the same securities transactions. Furthermore, you may not be able to buy or sell the same quantity of securities and may be charged higher fees or commissions, than if transactions were aggregated.

### **Item 13 – Review of Accounts**

The Investment Adviser Representative (IAR) assigned to you is primarily responsible for reviewing your account and ensuring its continuing stability with respect to your investment objectives, time horizons and risk parameters. Investment Adviser Representatives of our firm will individually consult with you in order to better understand your investment goals. IAR's generally monitor accounts on a continuous basis and conduct an internal review periodically. Third party accounts are monitored on a periodic basis.

You are responsible for promptly bringing to the Investment Adviser Representative's attention any material change in your investment objectives or financial condition. Items that could trigger a review include, but are not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

The Investment Adviser Representative will contact you at least annually to confirm your investment goals and will be available for consultation regarding your investment advisory accounts. Generally, for managed accounts with a related brokerage account established through Harbor Financial Services Broker-Dealer, (assets custodied at Raymond James),

the clearing firm will provide you on a quarterly basis with a Portfolio Evaluation Report. This report includes the performance of your account in terms of time weighted rate of return and compares the account's performance to that of the selected benchmark.

The Firm selects the benchmarks on the basis of your investment objectives and preferences. The performance figures reflected in the quarterly Portfolio Evaluation Reports are prepared on a uniform and consistent basis, from account data submitted by the clearing broker/dealer providing custodial services for the accounts. We will also arrange for you to receive the following reports on relevant activity in the account:

1. Trade Confirmations reflecting all transactions effected through our clearing firm;
2. Monthly statements itemizing all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month and listing securities held in the account where there is no monthly activity.

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

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with TD Ameritrade.

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

As disclosed under the “Fees and Compensation” section in this Brochure, we are also registered as a broker-dealer and licensed as an insurance agency. Persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the “Fees and Compensation” section.

## **Item 15 – Custody**

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with an independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s)

will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

You should compare any statements you receive from us with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact the compliance department at 888-397-7358.

## **Item 16 – Investment Discretion**

Before we can buy or sell securities on your behalf on a discretionary basis, you must first sign our discretionary management agreement and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). Please refer to the “Advisory Business” section in this Brochure for more information on our discretionary management services.

Should you wish to impose or modify existing restrictions, or the financial condition or investment objectives have changed, you should contact your Investment Advisor Representative or our Compliance Department at 888-397-7358.

## **Item 17 – Voting *Client* Securities**

### **PROXY VOTING**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 – Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## **Additional Information**

### **YOUR PRIVACY**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact the compliance department at 888-397-7358, if you have any questions regarding this policy.

### **CLASS ACTION LAWSUITS**

We do not determine if securities held by you are the subject of a class action lawsuit, nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

Should we receive written or electronic notice of a class action lawsuit, settlement or verdict affecting securities owned by you, we will forward all notices, proof of claim forms and other materials to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward the information electronically.

## **TRADE ERRORS**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.