



Harbour Investment Management L.L.C.

ADV Part 2A – Firm Brochure

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This Brochure provides information about the qualifications and business practices of Harbour Investment Management L.L.C. If you have any questions about the contents of this Brochure, please contact us at 425-742-1557. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Harbour Investment Management L.L.C. (Harbour) is also is available on the SEC's website at www.adviserinfo.sec.gov.

Harbour Investment Management L.L.C. 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.

Item 2 – Material Changes

Since our prior annual update on March 27, 2019, we made the following material changes to our Brochure:

- We described a change in ownership that took place in early 2019 and for which we previously provided separate notice to our clients. One of the firm’s former equity owners, Northwest Capital Management, Inc., sold its interest in Harbour to Pacific Harbour Advisors, LLC, a company wholly-owned by Aalok Shah. See Item 4 and Item 10 for additional information.
- Aalok Shah became an indirect equity owner in and an elected manager of ZUNA, LLC. Though Mr. Shah is a manager and owner of both Harbour (through his interest in Pacific Harbour Advisors, LLC) and ZUNA, LLC (through this interest in Lair Hill Partners, Inc. DBA ZUNA Holdings), the two firms have different ownership, different management teams, and different business models. Harbour and ZUNA, LLC have entered into solicitor arrangements with each other. See Item 10 and Item 14 for additional information.

We will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year, without charge. Our complete Brochure may be requested by contacting Erika Berkenhoff, Chief Compliance Officer, at 425-742-1557.

Additional information about Harbour Investment Management L.L.C. is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Harbour Investment Management who are registered, or are required to be registered, as investment adviser representatives of Harbour Investment Management L.L.C.

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Item 4 – Advisory Business

About Harbour Investment Management L.L.C.

Harbour Investment Management L.L.C. (“Harbour”) is a Registered Investment Adviser founded by Hans D. Berkenhoff in 1991 and based in Edmonds, Washington. Harbour has no subsidiaries or other business lines.

Principal Owners and Managers

Harbour is a Limited Liability Company (LLC) structured as follows:

<u>Individual or Entity</u>	<u>Ownership Interest</u>	<u>Relationship</u>
Erika Berkenhoff	55%	Member & Portfolio Manager
Pacific Harbour Advisors, LLC	35%	Member & Portfolio Manager
Hans Berkenhoff	10%	Member & Portfolio Manager

In 2019, Northwest Capital Management, Inc. transferred its 35% passive ownership interest in Harbour to Pacific Harbour Advisors, LLC. Pacific Harbour Advisors is wholly-owned by Aalok Shah, who was formerly a principal of Northwest Capital Management, Inc. Aalok is a portfolio manager with Harbour and, along with Hans and Erika, a member of the firm’s management team.

Advisory Services

Investment management services are limited to stocks, mutual funds and exchange-traded funds (ETFs), bonds, CDs and cash/money market instruments. Client portfolios are individually managed by Harbour’s portfolio managers and are tailored to the individual needs of clients. When one investor has multiple accounts, these are managed together as a single portfolio for investment purposes. Harbour does not participate in wrap fee programs and does not utilize other investment managers. In 2017, Harbour began offering financial planning services to clients, in addition to investment management.

Clients agree on an investment objective prior to our management of their portfolio, and portfolios are managed in accordance with this objective. From time to time, clients may impose restrictions on investments, such as directing Harbour to hold a stock that was purchased prior to Harbour’s management. In these cases the client would typically sign a direction letter stating their intent.

As of December 31, 2019, assets under management totaled \$345,206,026, all of which were managed with discretion. Harbour charges a percentage of assets under management, as detailed in Item 5.

Item 5 – Fees and Compensation

How We Are Paid

Harbour's compensation is generally based on a percentage of assets under management. In the month following the end of each calendar quarter, fees are charged based on the quarter-end closing market value (including any accrued interest and dividends). A few accounts are charged a fixed dollar fee. Most clients authorize Harbour to directly debit fees from client accounts, but may elect to be billed directly for fees.

Current Fee Schedule

Investment Management:

<u>Market Value of Portfolio</u>	<u>Annual Fee (% of Assets)</u>
First \$1,000,000	0.80%
Next \$1,000,000	0.70%
Next \$3,000,000	0.50%
Amount over \$5,000,000	0.25%

Accounts opened under our current fee schedule are subject to a minimum quarterly fee of \$ 250. Accounts opened under previous fees schedules may be subject to a different minimum, or no minimum quarterly fee. Fees may be negotiated based on account size and complexity of investments.

Accounts may be terminated at any time by either the client or by Harbour, in which case pro-rata fees will apply at such time for the portion of the quarter said assets were under management. Accounts initiated during a calendar quarter may be charged a pro-rated fee.

Financial Planning:

Financial planning services are included with the investment management fee. For clients who are not investment management clients, a base rate of \$1,500 will be assessed on an annual basis for financial planning services. An additional hourly rate of \$200 per hour may be charged if there are multiple planning scenarios, further changes, and/or supplemental meetings.

If a financial planning client elects to sign up for investment management services, their financial planning fee will be rebated upon commencement of investment management.

Other Expenses

Harbour's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as custodial fees, 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 does not receive any portion of these commissions, fees, and costs. Employees of Harbour do not accept compensation for the sale of securities or other investment products.

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

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

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).

Item 7 – Types of Clients

Harbour provides portfolio management services to individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and trusts and estates.

Our minimum portfolio size is \$500,000 per investor. This minimum is comprised of the total of all investor's accounts (taxable, trust and retirement accounts). However, in some cases this minimum is waived when assets are considered as part of a larger client relationship, or when a pre-arranged savings plan is agreed upon with the client to bring the account to the minimum size over time.

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

Our Investment Strategies

Harbour utilizes a variety of methods of analysis in managing investment portfolios and selecting securities, including fundamental, interest rate, and economic analysis. The main sources of information used by Harbour are financial newspapers and magazines, annual reports, prospectuses and other filings with the SEC, company press releases, research prepared by others and corporate rating services. Harbour's investment strategies focus on the purchase of

securities intended to be held for one year or more; short-term trading is generally avoided due to tax considerations.

Risk

Harbour uses a variety of methods of analysis in managing investment portfolios and selecting securities, including fundamental, interest rate, and economic analysis. The main sources of information we use are financial newspapers and magazines, annual reports, prospectuses and other filings with the SEC, company press releases, research prepared by others and corporate rating services.

Investing in securities involves risk of loss that clients should be prepared to bear. Risks include a general stock or bond market decline, an economic slowdown (domestic or global), inflation or loss of purchasing power risk, interest rate fluctuations, liquidity risk, and business or company-specific risk. All of these factors, and others, may contribute to investment losses. We seek to minimize these risks by diversification of portfolio assets amongst various asset classes, industry sectors and individual securities. However, clients should understand that these risks cannot be eliminated, and should be prepared to accept volatility of portfolio returns.

Risks of Particular Asset Classes, Types of Investments, and Strategies

We describe below both the primary types of securities we may hold directly or by mutual funds we own. Additionally, we describe the risks, depending on holdings, applicable to the underlying assets.

While we primarily invest in individual common stocks and fixed income securities, we do employ both actively-managed and passive mutual funds for retirement plans, foundations and smaller-sized accounts.

Passive (index) funds generally have lower internal expenses than actively-managed funds. This can have a significant impact on overall performance over time. Passive funds will tend to track whatever index they were designed to follow and this can result in significant volatility. We attempt to address this by allocating investments to different asset classes and sectors and changing the weight of those allocations when we believe it makes sense to do so. No investment strategy, including asset allocation, can guarantee the prevention of loss or any particular return.

- **Common Stocks and Equity-Related Securities.** Prices of common stock react to the economic conditions of the company that issued the security, industry and market conditions, as well as other factors, and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic

factors. Similarly, the value of other equity-related securities, including preferred stock, warrants and options, may also vary widely.

- **Exchange-Traded Funds.** Exchange-traded funds (“ETFs”) are funds bought and sold on a securities exchange that attempt to track the performance of a specific index (e.g., S&P 500), a commodity, or a basket of assets such as a set of technology-focused, country-specific, or other sector-specific stocks. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying securities. ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable. Mutual funds commonly hold positions in ETFs.
- **Small- and Mid-Cap Securities.** Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.
- **Foreign Securities.** The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the US, and securities of some foreign companies are less liquid and more volatile than securities of comparable US companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors’ trading significant blocks of securities, or by large dispositions of securities, than US markets. Further, many foreign governments are less stable than the US. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries. While we typically gain exposure to foreign markets through ETFs, funds, or similar pooled vehicles rather than investing directly in foreign securities, the limited liquidity of some foreign markets may affect our ability to acquire or dispose of securities at a price and at the time we think is advisable. We may also obtain exposure to foreign markets through debt securities with multi-national banks. These securities pose the risks associated with domestic fixed income securities, as well as the risks posed by foreign securities. Overseas investments

are subject to fluctuations in the value of the dollar versus the local currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Fixed Income Securities.** Prices of fixed income instruments (e.g., bonds) can exhibit volatility and change daily. Fixed income investments present numerous risks, including credit, interest rate, reinvestment and prepayment risk, all of which affect price. For instance, an increase in interest rates will generally cause the price of bonds to go down. If the security is held to maturity and the issuer does not default, the client should receive the face amount of the bond at the maturity date, as well as stated interest payments while the bond is held. In this case, the change in price prior to maturity may not affect the client. If the client sells prior to maturity, however, the investor would likely experience a loss. Where a client's fixed income exposure is to bond funds the fund does not itself "mature," although different issues held by the fund will mature and will experience price fluctuations. Investors are therefore highly dependent on the manager's ability to accurately anticipate the impact of rate changes and to appropriately manage the portfolio to achieve both adequate returns and reasonable risk. The US has experienced a prolonged period of historically low interest rates; future rate increases could have a material negative impact on the value of current fixed income holdings. In addition, the value of fixed income securities may decline in response to events affecting the issuer, its credit rating or any underlying assets backing the instruments. For corporate bonds prices may be especially sensitive to developments affecting the company's business and to changes in the ratings assigned by rating agencies. The prices of high-yield, fixed income securities fluctuate more than high-quality debt issues. High-yield securities can experience sudden, sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default, or other factors. In the event of a default, the investment may suffer a partial or total loss.
- **Alternative Strategy Mutual Funds/ETFs.** Certain mutual funds or ETFs invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates, and price volatility because of the fund's concentration in the real estate industry.
- **Market Liquidity Risks.** The value of securities held in client accounts that are traded on exchanges and the risks associated with holding these positions vary in response to events that affect asset markets in general. Market disruptions such as those that occurred in 1987, in 2001, 2008, and the "Flash Crash" in May 2010 (the biggest one-day point decline, 998.5 points, on an intraday basis in Dow Jones Industrial average history) could

lead to violent price swings in securities held within client portfolios and could limit the ability to buy or sell securities. Liquidity risks can result in substantial losses.

- **Volatile Markets.** Securities prices can be highly volatile. Many things influence prices, including interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs, government policies, and national and international political and economic events. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.
- **Short Selling.** We do not employ short selling in our client portfolios but funds purchased for clients may use short selling. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the client of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Harbour seeks to minimize these risks by diversification of portfolio assets amongst various asset classes, industry sectors and individual securities. However, clients should understand that these risks cannot be eliminated, and should be prepared to accept volatility of portfolio returns.

Item 9 – Disciplinary Information

All 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.

Item 10 – Other Financial Industry Activities and Affiliations

As **described in Item 4**, Pacific Harbour Advisors ("Pacific Harbour") is a 35% owner of Harbour. Pacific Harbour is wholly-owned by Aalok Shah, who is also a member of Harbour's management team and also a portfolio manager of Harbour.

Aalok also maintains a 17% ownership interest in a holding company, Lair Hill Partners, Inc., DBA ZUNA Holdings ("Lair Hill"). Lair Hill owns three firms listed below:

- **ZUNA, LLC:** Lair Hill owns 100% of ZUNA, LLC, a registered investment advisory firm located in Portland, Oregon. Mr. Shah provides investment advisory services to

ZUNA's clients. ZUNA and Harbour generally operate independently, though ZUNA and Harbour do have a solicitor arrangement in which the two firms refer prospective clients to each other and receive a portion of the other firm's management fee. This is described generally in **Item 14 of this Brochure**.

- **ZUNA Financial Services, LLC.** Lair Hill owns a 49% interest in ZUNA Financial Services, LLC ("ZUNA Financial"). ZUNA Financial provides outsourced controller and payroll services through its majority owner, Brian Miller, who is also a certified public accountant.
- **ZUNA Consulting, LLC.** ZUNA Consulting is an LLC that provides general business consulting to companies, including support for mergers and acquisitions and searches for operational service providers. ZUNA Consulting is wholly owned by Lair Hill.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

Harbour has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other items. All employees of Harbour are required to adhere to the Code of Ethics and must acknowledge this at least annually.

Potential Conflicts of Interest

Employee trading is continually monitored under the Code of Ethics, to reasonably prevent conflicts of interest between Harbour and its clients. Employees of Harbour may invest in the same securities that Harbour purchases for clients. This creates a potential conflict of interest between Harbour, employees and clients.

To address this potential conflict, all employee accounts are invested side by side with client accounts. All portfolios, including employee accounts, are managed in accordance with the model portfolio for the relevant investment objective. Employees must seek pre-clearance from the Chief Compliance Officer or another principal of the Firm prior to effecting securities transactions for an employee's personal account using a Pre-Approval Form. If an employee is participating in a block trade along with other clients, Pre-Approval is not necessary. At least annually, the Chief Compliance Officer reviews all employee trading and asset allocation. It is the belief of Harbour that using such guidelines eliminates potential conflict-of-interest transactions.

Harbour does not engage in trading for its own (corporate) account.

Harbour's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Erika Berkenhoff, Chief Compliance Officer.

Item 12 – Brokerage Practices

The Custodian and Brokers We Use

Harbour does not maintain custody of client assets that we manage (beyond our ability to deduct fees directly from custodial accounts—See Item 5, above, and Item 15, below). Client assets must be maintained in an account at a “qualified custodian”, generally a broker-dealer or a bank. We recommend that our clients use Charles Schwab & Co., Inc (Schwab), a registered broker-dealer, member SIPC, as their qualified custodian. Schwab will hold client assets in a brokerage account and buy and sell securities when we instruct them to. Harbour is independently-owned and operated and is not affiliated with Schwab. While we recommend that clients use Schwab as custodian/broker, clients will decide whether to do so and will open their account with Schwab by entering an account agreement directly with them. Conflicts of interest associated with this arrangement are described below. Clients should consider these conflicts of interest when selecting their custodian.

We do not open the account for clients, although we typically assist with the process. Even though accounts are maintained at Schwab, and we anticipate that most trades will be executed through Schwab, we can still use other brokers to execute trades for client accounts as described Brokerage and Custody Costs, below.

In some instances, Harbour also utilizes the services of brokerage firms other than the client's custodial account to purchase bonds. Clients must sign a Prime Brokerage Agreement with Schwab prior to any trades being made with another broker, and bonds are still held in the client account(s) at Schwab. Schwab imposes certain eligibility requirements for a client to participate in this service. Schwab typically assesses transaction charges to clients when a Prime Broker is used. This is in addition to the charges assessed by the Prime Broker itself. Harbour evaluates the charges incurred and generally recommends a Prime Brokerage Agreement only where Harbour believes the relationship will result in overall best execution for the client. See Brokerage and Custody Costs, below, for more information.

How We Select Brokers/Custodians

In recommending a custodian or selecting brokers for bond execution, we consider a range of factors depending on the service provided. In evaluating whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, we take into account a wide range of factors, including:

- combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for your account)
- capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
reputation, financial strength, security and stability
- prior service to us and our clients
services delivered or paid for by Schwab
- technological capacities
- quality of operational support
- convenient account access for clients, including the availability of retail offices, check writing and money transfer abilities, and Internet access
- availability of other products and services that benefit us, as discussed below (see Products and Services Available to Us From Schwab, below.)

Your Brokerage and Custody Costs

For Harbour's client accounts that Schwab maintains, Schwab generally does not charge separately for custody services and has reduced most stock and ETF trade commissions to zero. Many mutual funds continue to be available without transaction fees but Schwab receives compensation from those funds through its arrangements with the fund companies. Harbour does not participate in this compensation and generally recommends mutual funds Harbour believes represent the overall best investment choice for clients, including relatively low internal expenses even after any fees paid to custodians such as Schwab for being featured on "no transaction fee" platforms.

Schwab is also compensation by earning interest on the unvested cash in client accounts in Schwab's Cash Features Program. Schwab also a number of other fees, including postage and handling, wire fees, fees for serving as retirement plan custodian, etc. Those fees are disclosed by Schwab directly to clients when they open an account.

Schwab charges a flat dollar amount as a "prime broker" fee for each trade that we execute by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited into the client's Schwab account. Because of this, in order to minimize trading costs, we have Schwab execute most trades in client accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors.

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide Harbour and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us or another advisor. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees. Following is a more detailed description of Schwab's support services:

Services That Benefit Clients. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

Services That Do Not Directly Benefit Clients. Schwab also makes available to Harbour other products and services that benefit us but do not directly benefit clients or client accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements)

- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide pricing and other market data
- facilitate payment of our fees from our clients' accounts
- assist with back-office functions, recordkeeping, and client reporting.

Services That Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- consulting on technology, compliance, legal, and business needs
- publications and conferences on practice management and business succession.

Schwab offers other services, such as access to employee benefits providers, and marketing consulting and support, that we do not take advantage of, but could in the future. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

Our Interest in Schwab's Services. The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to require that clients maintain their account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on client interests in receiving the best value in custody services and the most favorable execution of their transactions. This is a potential conflict of interest.

We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us. We manage over \$200 million in client assets. We do not believe that our clients collectively maintaining at least \$10 million of their assets at Schwab—and thus precluding us paying Schwab quarterly service fees--presents a material conflict of interest.

Harbour may have an incentive to select or recommend a broker-dealer based on our interest in receiving research or other products or services, rather than on our clients' interest in receiving most favorable execution.

Item 13 – Review of Accounts

Each portfolio is managed in accordance with an investment objective selected by the client. These objectives are reviewed at least annually for any required changes. At Harbour, we work on a team basis. Our investment outlook is determined jointly by our investment committee, which includes our three portfolio managers. Details on each of these portfolio managers are found in ADV Part 2B (“Brochure Supplement”), available upon request by contacting Erika Berkenhoff, Chief Compliance Officer. All portfolios are reviewed on a regular schedule by these individuals.

On a daily basis, investment transactions and securities holdings are downloaded from the custodian into a computer-based portfolio management system. It is the shared responsibility of all portfolio managers to review these transactions and cash balances on a daily basis. Accounts are also reviewed following material deposits or withdrawals.

Where appropriate, aggregate sales and purchases are allocated to all managed portfolios on a pro-rata basis based on investment objectives, asset allocation and cash availability.

Reports

Monthly or quarterly account statements and annual tax reports are provided by the custodian of the securities. Quarterly investment reports are provided by Harbour and distributed to clients. These written reports typically include:

- an asset allocation chart,
- a portfolio appraisal, which includes market value and costs basis information,
- a maturity schedule, if relevant,
- a performance report, including inception- and year-to-date performance for the portfolio,
- a quarterly letter reviewing market conditions,
- and, a copy of the most recent quarterly invoice.

Meetings are scheduled according to individual client preferences, as desired, and may take place in person or via telephone.

Item 14 – Client Referrals and Other Compensation

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other investment advisors whose clients maintain their account at

Schwab. These products and services, how they benefit us, and the related conflicts of interest are described earlier (see Item 12- Brokerage Practices).

Most referrals come from existing clients. Other sources of referrals include attorneys and accountants that work with our clients.

We maintain some solicitor relationships, in which a third-party introduces clients to us and we pay that third-party a portion of our advisory fee. We pay solicitors in accordance with applicable federal and state securities laws. Unless otherwise disclosed in the documents the solicitor must deliver to prospective clients, any referral fee is paid solely from our investment management fee and does not result in any additional charge to the client.

Item 15 – Custody

Our preferred custodian Charles Schwab maintains actual custody of client assets, and clients should receive at least quarterly statements directly from the custodian. These documents will be sent to the email or postal mailing address provided by the client to Schwab. Harbour urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to them. Our statements may vary from custodial statements based on accounting procedures, dividend and interest accruals, reporting dates, or valuation methodologies of certain securities.

Pursuant to the Investment Advisers Act of 1940, Harbour is deemed to have a limited form of custody of client funds because the Firm has the authority and ability to debit its fees directly from the accounts of those clients receiving Harbour's investment advisory services.

Additionally, we permit clients to execute a Standing Letter of Authorization (SLOA) that gives Harbour the authority to transfer funds to a third-party as directed by the client in the SLOA.

This is also deemed to give the Firm custody. Custody is defined as any legal or actual ability by the Firm to withdraw client funds or securities. All firms deemed to have custody for the above reasons must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and

As a result of accepting SLOAs, Harbor is subject to the following additional requirements:

1. When debiting fees from client accounts, Harbour must receive written authorization from clients permitting advisory fees to be deducted from the client's account.

2. In the case of SLOAs, Harbour must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a client maintains actual physical custody of client assets. Client account statements from custodians will be sent directly to each client to the email or postal mailing address that is provided to the qualified custodian selected by the client. Clients are encouraged to compare information provided in reports or statements received by Harbour with the account statements received from their custodian for accuracy. In addition, clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct.

If client funds or securities are inadvertently received by our firm, they will be returned to the sender immediately, or as soon as practical.

Item 16 – Investment Discretion

Harbour typically receives discretionary authority from the client at the beginning of an advisory relationship to select the types and amount of securities to be bought or sold. Once discretionary authority is received, Harbour is not required to contact a client prior to placing trades in a client's account. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

In addition to the Investment Management Agreement signed by both the client and Harbour, the client must sign a Limited Power of Attorney form with the custodian allowing Harbour to trade and disburse funds from the client's account(s). In some cases, clients must also sign a Prime Brokerage Agreement, where this service is used (see Item 12).

Item 17 – Voting Client Securities

We generally vote proxies for all clients, except where client preferences override. It is Harbour's policy to review each proxy statement on an individual basis and to base its voting decision exclusively on its judgment of what will best serve the financial interests of the beneficial securities owners. Harbour has established general guidelines in voting proposals, covering common topics such as director elections, mergers and acquisitions and capital authorizations. In the event that a potential conflict of interest is identified, Harbour would disclose this conflict to affected clients and obtain client consent before voting.

Clients may obtain a copy of Harbour's complete proxy voting policies and procedures upon request. Clients may also obtain information from Harbour about how Harbour voted any proxies on behalf of their account(s). Clients may contact us by phone or in writing if they

would like to direct the vote of a specific proposal on their account, provided there is sufficient notice given before the vote deadline.

Item 18 – Financial Information

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 Investment Management L.L.C.

ADV Part 2B –Brochure Supplement

Hans D. Berkenhoff, CFA

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971-339-5701

March 6, 2020



This Brochure Supplement provides information about Hans D. Berkenhoff, CFA that supplements the Harbour Investment Management L.L.C. (“Harbour”) Brochure. You should have received a copy of that Brochure. Please contact Erika Berkenhoff, Chief Compliance Officer, if you did not receive Harbour Investment Management’s Brochure or if you have any questions about the contents of this supplement.

Additional information about Hans Berkenhoff is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Hans D. Berkenhoff, CFA was born in 1940. Hans graduated from the University of Minnesota with a Bachelor of Science in Economics in 1966. Hans was awarded the Chartered Financial Analyst (CFA) designation in 1975.

In order to earn the CFA charter, an individual must have at least four years of qualified professional investment experience, become a member of the CFA Institute, commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct, and pass three sequential, six-hour examinations. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed income and equity analysis, alternative and derivatives investments, economics, financial reporting standards, portfolio management and wealth planning. Additional information about the CFA Charter can be found at www.cfainstitute.org.

Since 1991, Hans has been a Portfolio Manager with Harbour Investment Management.

Item 3- Disciplinary 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 each supervised person providing investment advice. Hans Berkenhoff is not the subject of any such events.

Item 4- Other Business Activities

Registered investment advisers are required to disclose all material facts regarding any other business activities. Hans Berkenhoff is not engaged in any such activities.

Item 5- Additional Compensation

Hans Berkenhoff does not receive economic benefits such as sales awards for providing advisory services, outside of his regular salary.

Item 6 - Supervision

The person responsible for supervising Hans Berkenhoff is Erika Berkenhoff, Chief Compliance Officer, 425-742-1557. There are several procedures in place for supervision at Harbour. All trades are reviewed weekly by the Chief Compliance Officer. All decisions regarding the addition or removal of a security to or from the recommended list are made by a committee of the three principals of Harbour. At least quarterly, all accounts with similar investment objectives are reviewed side by side and any variances addressed.



Harbour Investment Management L.L.C.

ADV Part 2B –Brochure Supplement

Erika L. Berkenhoff, CFA

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March 6, 2020



This Brochure Supplement provides information about Erika L. Berkenhoff, CFA that supplements the Harbour Investment Management L.L.C. (“Harbour”) Brochure. You should have received a copy of that Brochure. Please contact Erika Berkenhoff, Chief Compliance Officer, if you did not receive Harbour Investment Management’s Brochure or if you have any questions about the contents of this supplement.

Additional information about Erika Berkenhoff is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Erika L. Berkenhoff, CFA was born in 1972. Erika graduated from Willamette University with a Bachelor of Science in Business Economics in 1994. She also holds a Master of Science in Finance from Seattle University. Erika was awarded the Chartered Financial Analyst (CFA) charter in 1998.

In order to earn the CFA charter, an individual must have at least four years of qualified professional investment experience, become a member of the CFA Institute, commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct, and pass three sequential, six-hour examinations. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed income and equity analysis, alternative and derivatives investments, economics, financial reporting standards, portfolio management and wealth planning. Additional information about the CFA Charter can be found at www.cfainstitute.org.

Since 2006, Erika has been a Portfolio Manager with Harbour Investment Management, and Chief Compliance Officer since 2007. Prior to joining Harbour, Erika was a Senior Research Analyst and Vice President with Ragen MacKenzie, a division of Wells Fargo Investments.

Item 3- Disciplinary 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 each supervised person providing investment advice. Erika Berkenhoff is not the subject of any such events.

Item 4- Other Business Activities

Registered investment advisers are required to disclose all material facts regarding any other business activities. Erika Berkenhoff is not engaged in any such activities.

Item 5- Additional Compensation

Erika Berkenhoff does not receive economic benefits such as sales awards for providing advisory services, outside of her regular salary.

Item 6 - Supervision

The person responsible for supervising Erika Berkenhoff is Hans Berkenhoff, Portfolio Manager, 425-742-1557. There are several procedures in place for supervision at Harbour. All trades are reviewed weekly by the Chief Compliance Officer. All decisions regarding the addition or removal of a security to or from the recommended list are made by a committee of the three principals of Harbour. At least quarterly, all accounts with similar investment objectives are reviewed side by side and any variances addressed.



Harbour Investment Management L.L.C.

ADV Part 2B –Brochure Supplement

Aalok K. Shah, CFP[®]

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March 6, 2020



This Brochure Supplement provides information about Aalok K. Shah that supplements the Harbour Investment Management L.L.C. (“Harbour”) Brochure. You should have received a copy of that Brochure. Please contact Erika Berkenhoff, Chief Compliance Officer, if you did not receive Harbour Investment Management’s Brochure or if you have any questions about the contents of this supplement.

Additional information about Aalok Shah is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Aalok K. Shah, CFP® was born in 1975. Aalok graduated from Washington University with a Bachelor of Science in Biology and Economics in 1997. From 1997-1999, after his undergraduate schooling, he attended the London School of Economics for the school's Economics Degree Program.

Business Experience (Last Five Years):

Harbour Investment Management, LLC, Portfolio Manager, 2017 to Present

ZUNA, LLC, Portfolio Manager and Elected Manager, 2019 to Present,

Lair Hill Partners, Inc., Director, 2019 to Present

Northwest Capital Management, Inc., Secretary & Chief Financial Officer, 2013 to 2018.

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 71,000 individuals have obtained CFP® certification in the United States.

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

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and

- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

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

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

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

Item 3- Disciplinary 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 each supervised person providing investment advice. Aalok Shah is not the subject of any such events.

Item 4 - Other Business Activities

Registered investment advisers are required to disclose all material facts regarding any other business activities. Aalok Shah owns Pacific Harbour Advisors, LLC, which owns a 35% equity interest in Harbour Investment Management. He also has an ownership interest in Lair Hill Partners, Inc., which wholly owns ZUNA, LLC, a registered investment adviser. Lair Hill also owns non-investment-related companies, and a 49% interest in ZUNA Financial, LLC, an outsourced controller and payroll services. Aalok Shah spends approximately 20% of his time on matters related to Pacific Harbour Advisors and his ownership in Lair Hill Partners, including management duties with respect to ZUNA, LLC.

Item 5 - Additional Compensation

Aalok Shah does not receive economic benefits such as sales awards for providing advisory services, outside of his regular salary. He receives additional compensation through his ownership of Lair Hill Partners and his work on behalf of ZUNA, LLC.

Item 6 - Supervision

The person responsible for supervising Aalok Shah is Erika Berkenhoff, Chief Compliance Officer, 425-742-1557. There are several procedures in place for supervision at Harbour. All trades are reviewed weekly by the Chief Compliance Officer. All decisions regarding the addition or removal of a security to or from the recommended list are made by a committee of the three principals of Harbour. At least quarterly, all accounts with similar investment objectives are reviewed side by side and any variances addressed.