

**Item 1: Cover Page**

**Part 2A of Form ADV  
Firm Brochure**

March 1, 2023

**Harmony Asset Management LLC**

SEC No. 801-118731

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This brochure provides information about the qualifications and business practices of Harmony Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at 480-314-5967 or [info@harmonyam.com](mailto:info@harmonyam.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Harmony Asset Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. We will provide you with interim disclosures about material changes as necessary. At this time there are no material changes.

**Item 3: Table of Contents**

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation .....	7
Item 6: Performance-Based Fees and Side-by-Side Management.....	11
Item 7: Types of Clients.....	12
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	13
Item 9: Disciplinary Information.....	21
Item 10: Other Financial Industry Activities and Affiliations.....	22
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	24
Item 12: Brokerage Practices .....	26
Item 13: Review of Accounts .....	32
Item 14: Client Referrals and Other Compensation.....	33
Item 15: Custody .....	34
Item 16: Investment Discretion.....	35
Item 17: Voting Client Securities.....	36
Item 18: Financial Information.....	37

## **Item 4: Advisory Business**

### **A. Harmony Asset Management LLC**

Harmony Asset Management LLC ("HarmonyAM" and/or "the firm") is an Arizona limited liability company solely owned and managed by Alan Rosenfield. HarmonyAM has been providing investment management services since 2001.

### **B. Advisory Services Offered**

#### **Discretionary Asset Management Services**

HarmonyAM provides portfolio management services. The firm only manages discretionary accounts and focuses on investors seeking long-term growth and/or income. The firm does not focus on or manage accounts seeking short-term trading-oriented investment strategies. For its discretionary asset management services, HarmonyAM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure.

For a new account, portfolio and account managers learn about the client's financial condition, investment goals and risk parameters. From this information, a portfolio strategy is developed, and on approval from the client, executed. Within these guidelines, we accept various client-imposed restrictions, but the Managing Director must approve them in advance before the account will be accepted. We may also retain independent third-party investment managers to manage all or a portion of the client's portfolio.

We contact clients throughout the year and encourage investors to update us whenever there are any changes in their financial condition or any changes in their investment objectives. All accounts are managed with client objectives in mind. Clients are obligated to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and should promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. HarmonyAM will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. HarmonyAM will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### **Financial Planning Services**

HarmonyAM provides guidance and assistance in planning for long and short terms goals, evaluation of current portfolios, and assistance in reviewing, together with professionals selected by the client who specialize in insurance, estate, and tax plans. HarmonyAM will review and assist with the analysis and evaluation of the insurance, tax, and/or estate plans prepared by client's accounting, tax, and insurance professionals. A report is provided that discusses the client's goals and based on the assumptions used for a variety of long-term situations, provides a guideline about the client's long-term financial health.

Financial planning may include any of the following items:

- Income tax management
- Retirement planning
- Employee benefits planning
- Cash flow planning
- Risk management, including insurance evaluation
- Investment planning, including portfolio evaluation and asset allocation planning
- Higher education funding
- Employee benefits planning
- Estate planning
- Financial planning for business(es)
- Meeting with client's experts (e.g., insurance, tax, estate planning)

New financial planning clients, after signing a contract, will meet with a planner multiple times to discuss their financial condition, goals, and risk parameters. There are three phases to our financial planning program.

- Phase 1: Data Collection – Financial information and other relevant information is gathered from the client and reviewed by the planner.
- Phase 2: Strategy Development – Planner develops a written report which discusses the above-mentioned parameters and runs multiple investment scenarios to predict potential outcomes.
- Phase 3: Follow-Up – Client implements our strategies/recommendations (along with their experts as applicable). HarmonyAM will be available to answer questions and provide guidance. The client may implement their plan with the advisor of their choosing. If the client chooses to implement their financial plan through HarmonyAM, a separate written agreement is required to be executed prior to implementation of such plan.

Clients will provide us with information regarding their financial circumstances and objectives as we may request from time to time, including income statement, balance sheet, and cash flow statements (or their equivalents), and any other relevant information requested to complete a review of their financial condition. We will base the client's investment analysis, decisions, and recommendations on the financial information provided. Clients are obligated to keep us informed of any material changes in their financial information and financial circumstances, including, but not limited to, changes or loss in employment, assets, liabilities, net worth, cash flow, family health, or marital status.

### **Fund Portfolio Management**

HarmonyAM serves as the investment manager to the SPIF LLC Fund (the "Fund") and manages the Fund's assets based on the investment goals and objectives as outlined in the Fund's offering documents.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

HarmonyAM does not participate in wrap fee programs.

### **E. Client Assets Under Management**

As of December 31, 2021, HarmonyAM managed \$298,244,086 in discretionary assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### Portfolio Management Fees

We charge an annual fee that is a percentage of assets under management. This means that we have a direct stake in the success of our investment decisions. If, as a result of our decisions, the value of a clients' account gains in value, we earn additional income. If the value of a client's account decreases in worth, we earn less. The annual fees are generally charged according to the following fee schedule, which represents the firm's maximum fees for individual services. Management retains the right to negotiate fees whenever it deems reasonable.

<u>Assets Under Management</u>	<u>Annual Fee Rate</u>
\$0 - \$500,000	2.00%
\$501,001 - \$1,000,000	1.75%
\$1,000,001 - \$3,000,000	1.65%
Above \$3,000,000	Negotiable

Fees are payable at the beginning of each quarter in advance and are deducted directly from the client custodian account. The fee is calculated by multiplying the fee rate by the average daily balance of the account on each business day of the prior quarter.

#### Financial Planning Fees

For financial planning clients, we charge a one-time negotiated fee. Fees are dependent on the size and level of complexity of the client financial situation. Fees typically start at \$5,000. 20% of the fee is due at the time the agreement is signed; the remainder of the fee is due upon presentation of the financial plan.

Additional charges for work outside of the scope of the original contract or for significant changes is charged at \$300/hour. For additional work, 50% will be paid on the signing of a new contract and 50% will be due on the delivery of the finished product.

For prepaid fees in excess of \$1,200, services will be completed within six months of the date fees are received.

#### Fund Portfolio Management Fees

HarmonyAM is the adviser to the SPIF LLC Fund ("the Fund"). HarmonyAM does not charge fees to the Fund for its investment management services.

## **B. Client Payment of Fees**

### **Portfolio Management Fees**

Fees are payable at the beginning of each quarter in advance and are deducted directly from client accounts. HarmonyAM requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us and their custodian in writing.

HarmonyAM will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be canceled at any time by the client by making a request in writing, or by HarmonyAM with 30 days' prior written notice to the client. Upon termination of any account, any unearned, prepaid fees will be promptly refunded.

### **Financial Planning Fees**

Fees for financial plans are charged a flat fee. 20% of the fee is paid at the time the contract is signed; the remainder of the fee is due upon presentation of the financial plan. For additional work, 50% will be paid on the signing of a new contract and 50% will be due on the delivery of the finished product.

Either party may terminate the agreement at any time upon written notice. If client terminates within the first five business days of signing the agreement, no fees will be charged. Thereafter, clients will be entitled to a refund of the initial payment less the proportion of the fee that represents the amount of time and resources expended by the firm prior to termination.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using HarmonyAM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.



Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

#### **D. External Compensation for the Sale of Securities to Clients**

Certain HarmonyAM advisory professionals are compensated based upon a percentage of the revenue collected. Harmony's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

#### **E. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

***Additional Disclosure Concerning Wrap Programs:*** To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction

services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

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

HarmonyAM does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

We manage assets for high-net worth individuals, small corporations, not-for-profits institutions, associations and trusts, and proprietary private fund. HarmonyAM generally requires a minimum account size of \$500,000. HarmonyAM, in its sole discretion, may waive the required minimum.

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

### **A. Methods of Analysis and Investment Strategies**

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

#### **Methods of Analysis**

HarmonyAM uses a variety of sources of data to conduct its economic, investment and market analysis, which may include economic and market research materials prepared by others, conference calls hosted by individual companies or mutual funds, corporate rating services, annual reports, prospectuses, and company press releases, and financial newspapers and magazines. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Our approach is risk-averse and driven by business and economic themes. We adhere to rigorous due diligence and investment processes, focusing on the underlying economics and financial strength of each business in which we invest. We diversify by industry and asset class to offset increased volatility; this approach creates a portfolio with a lower correlation to the overall markets, and is designed to generate more consistent returns over longer periods of time. Our portfolios are focused around a small number of carefully selected positions, and we do not employ any leverage.

Our long-term investments strategies are based on fundamental analysis, as fundamentals inevitably drive all businesses. We utilize a number of criteria, combined in a proprietary manner. Fundamental analysis typically looks at the business in relation to that business's income, cash flow and balance sheet statements. We utilize items such as price/earnings ("P/E Ratio") and debt ratios, business margins and cash-flow generation in doing our analysis. We also use technical analysis to help determine purchase and sales of positions which have met our fundamental analysis requirements. We utilize over 30 different technical details, many of which are proprietary in nature.

HarmonyAM is a total return, multi-asset class investment advisor and therefore is never restricted to predetermined asset classes, specific market sectors or weightings within a class. For each client's portfolio we seek to achieve superior, risk-adjusted returns that outperform the markets while employing below-average market risks. Consequently, through the use of individual securities and ETFs, we invest across a combination of high-quality asset classes including those ETFs that trade in equities, fixed-income, commodities, real estate, and alternative investments.

In addition, HarmonyAM reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. HarmonyAM may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

### **Mutual Funds, Individual Securities, Third-Party Separate Account Managers, and Alternative Investment Vehicles**

HarmonyAM may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers and alternative investment vehicles to clients as appropriate under the circumstances.

HarmonyAM reviews certain quantitative and qualitative criteria to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by HarmonyAM on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by HarmonyAM (both of which are negative factors in implementing an asset allocation structure).

HarmonyAM may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. HarmonyAM will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

HarmonyAM will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest. Similarly, clients

qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

### **Material Risks of Investment Instruments**

Our investment focus is long-term oriented based on fundamental analysis, as fundamentals inevitably drive all businesses. HarmonyAM may effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Private placements
- Pooled investment vehicles
- Real Estate Investment Trusts ("REITs")

#### **Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

### **Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

### **Real Estate Investment Trusts ("REITs")**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations, which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as



fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers that are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (ii) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships that do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor; however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

With respect to publicly traded REITs, publicly traded REITs may be subject to additional risks and price fluctuations in the public market due to investors' expectations of the individual REIT, the real estate market generally, specific sectors, the current yield on such REIT, and the current liquidity available in public market. Although publicly traded REITs offer investors liquidity, there can be constraints based upon current supply and demand. An investor when liquidating may receive less than the intrinsic value of the REIT.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **Margin Leverage**

Although HarmonyAM, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, HarmonyAM will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **Short-Term Trading**

Although HarmonyAM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

## **Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

HarmonyAM as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading

### **Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### **Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics

of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## Item 9: Disciplinary Information

### A. Criminal or Civil Actions

There is nothing to report on this item.

### B. Administrative Enforcement Proceedings

There is nothing to report on this item.

### C. Self-Regulatory Organization Enforcement Proceedings

Harmony Asset Management, LLC, is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of Kenneth K. Jobson providing advice to you. On June 4, 2018, Mr. Jobson entered into a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA. Without admitting or denying FINRA's allegations, he accepted the entry of findings of a violation of FINRA rules in connection with engaging in an outside business activity without providing written notice to his member firm, as well as falsely certifying on the firm's annual compliance questionnaire that he had not participated in any outside business activity that required disclosure. Mr. Jobson accepted a three-month suspension from association with a FINRA member firm, satisfied on September 3, 2018, and a \$5,000 fine payable no later than upon registration with a FINRA member firm.

Harmony Asset Management, LLC, is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of Stuart Jeffries Henley providing advice to you. On May 16, 2019, Mr. Henley entered into a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA. Without admitting or denying FINRA's allegations, he accepted the entry of findings of a violation of FINRA rules in connection with placing trades in the account of one customer from whom he received express or implied authority to trade, but not written authorization, and providing inaccurate responses to his associated broker-dealer regarding the alleged activity. Mr. Henley accepted a 30-day suspension from association with a FINRA member firm, satisfied on July 1, 2019, and a \$5,000 fine payable no later than upon registration with a FINRA member firm. On 01/12/2021, Mr. Henley settled with the Division of Financial Services, Department of Insurance Agent, and Agent Services of the State of Florida for failing to notify the Department of Financial Services of an adverse administrative action by FINRA within 30 days after the action's final disposition. Mr. Henley has agreed to pay a fine of \$1,750.

Public information concerning Mr. Jobson's and Mr. Henley's registration as investment advisor representative's may be found by accessing the SEC's public disclosure site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

### **A. Broker-Dealer or Representative Registration**

Neither HarmonyAM nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither HarmonyAM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **B. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **Insurance Sales**

Certain managers, members, and registered employees of HarmonyAM's are licensed insurance agents. With respect to the provision of financial planning services, HarmonyAM's professionals may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Please also be advised that HarmonyAM strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire.

#### **Harmony Research & Compliance LLC**

Mr. Rosenfield is managing member of Harmony Research & Compliance LLC, an affiliated firm. Harmony Research & Compliance LLC provides research ideas, investment strategies, and models, as well as compliance, solely to Harmony AM.

#### **FiBD Investments LLC**

FiBD Investments LLC, an affiliated firm, charges a management fee for management services it provides to issuing companies that clients of HarmonyAM may invest in. Such investment by clients is never done on a discretionary basis and investors are encouraged to review the investment with their independent advisors before investing. HarmonyAM does not share in the management fees charged by FiBD Investment LLC. Furthermore, funds invested in these private placements are not considered to be assets under management by HarmonyAM and are not charged an asset management fee by HarmonyAM. As of February 2020, FiBD Investments LLC is not operationally active.

### **SPIF LLC Fund**

HarmonyAM serves as the investment manager to the SPIF LLC Fund (the "Fund") and manages the Fund in accordance with the Fund's governing documents.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

HarmonyAM does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics Description**

In accordance with the Advisers Act, HarmonyAM has adopted policies and procedures designed to detect and prevent insider trading. In addition, HarmonyAM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of HarmonyAM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of HarmonyAM. HarmonyAM will send clients a copy of its Code of Ethics upon written request.

HarmonyAM has policies and procedures in place to ensure that the interests of its clients are given preference over those of HarmonyAM, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

HarmonyAM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). HarmonyAM does recommend securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

HarmonyAM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which HarmonyAM specifically prohibits. HarmonyAM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account



- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow HarmonyAM's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

HarmonyAM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other HarmonyAM clients. HarmonyAM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of HarmonyAM to place the clients' interests above those of HarmonyAM and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### Custodian Recommendations

HarmonyAM may recommend that clients establish brokerage accounts with Fidelity Institutional Wealth Services ("Fidelity"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although HarmonyAM may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. HarmonyAM is independently owned and operated and not affiliated with custodian. For HarmonyAM client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Private equity assets are not held by Fidelity but may be maintained in the custody of Sterling Trust. Sterling was recommended by Fidelity and is one of the few qualified organizations that will maintain private assets.

HarmonyAM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by HarmonyAM, HarmonyAM will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by HarmonyAM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### How We Select Brokers/Custodians to Recommend

HarmonyAM seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)

- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (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 them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **Soft Dollar Arrangements**

The firm does not utilize soft dollar arrangements.

#### **Institutional Trading and Custody Services**

The custodian provides HarmonyAM with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **Other Products and Services**

Custodian also makes available to HarmonyAM other products and services that benefit HarmonyAM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of HarmonyAM's accounts, including accounts not maintained at custodian. The custodian may also make available to HarmonyAM software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of HarmonyAM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help HarmonyAM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of HarmonyAM personnel. In evaluating whether to recommend that clients custody their assets at the custodian, HarmonyAM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to HarmonyAM. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to HarmonyAM.

### **Additional Compensation Received from Custodians**

HarmonyAM may participate in institutional customer programs sponsored by broker-dealers or custodians. HarmonyAM may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between HarmonyAM's participation in such programs and the investment advice it gives to its clients, although HarmonyAM receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may 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 HarmonyAM participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to HarmonyAM by third-party vendors

The custodian may also pay for business consulting and professional services received by HarmonyAM's related persons, and may pay or reimburse expenses (including client transition

expenses, travel, lodging, meals and entertainment expenses for HarmonyAM's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit HarmonyAM but may not benefit its client accounts. These products or services may assist HarmonyAM in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help HarmonyAM manage and further develop its business enterprise. The benefits received by HarmonyAM or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

HarmonyAM also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require HarmonyAM to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, HarmonyAM will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by HarmonyAM's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for HarmonyAM's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, HarmonyAM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HarmonyAM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence HarmonyAM's recommendation of broker-dealers for custody and brokerage services.

### **Brokerage for Client Referrals**

HarmonyAM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **Directed Brokerage**

#### **HarmonyAM Recommendations**

HarmonyAM typically recommends Fidelity custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **Client-Directed Brokerage**

Occasionally, clients may direct HarmonyAM to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage HarmonyAM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. HarmonyAM loses the ability to aggregate trades with other HarmonyAM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **Best Execution**

HarmonyAM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of such securities, and the executing broker to effect such transactions. HarmonyAM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. HarmonyAM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, HarmonyAM seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of HarmonyAM's knowledge, these custodians provide high-quality execution, and HarmonyAM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, HarmonyAM believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Security Allocation**

Since HarmonyAM may be managing accounts with similar investment objectives, HarmonyAM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by HarmonyAM in

the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

HarmonyAM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. HarmonyAM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

HarmonyAM's advice to certain clients and entities and the action of HarmonyAM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances, and in the case of the Fund, its operating documents. Thus, any action of HarmonyAM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of HarmonyAM to or on behalf of other clients.

### **Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if HarmonyAM believes that a larger size block trade would lead to best overall price for the security being transacted.

### **Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

HarmonyAM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if HarmonyAM determines that such arrangements are no longer in the best interest of its clients.

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## Item 13: Review of Accounts

### A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Accounts are reviewed by HarmonyAM's investment adviser representative servicing the client's account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. There are no post-plan reviews unless engaged to do so by the client.

Fund activity is reviewed on a continuous basis in accordance with the terms of the Fund's offering documents.

### B. Review of Client Accounts on Non-Periodic Basis

HarmonyAM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how HarmonyAM formulates investment advice.

### C. Content of Client-Provided Reports and Frequency

The firm makes a quarterly portfolio report ("Quarterly Portfolio Review") available to all clients organized by security type (stocks vs. bonds for example) and then by sector. Each position lists the current value and the cost basis of that position, the yield and the weighting that position holds in the portfolio. The report also provides a rate of return for the time period after fees and details out all changes in the portfolio.

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by HarmonyAM.

For the Fund, please refer to the offering documents for more information.



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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), HarmonyAM does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

HarmonyAM does not pay for client referrals.

## Item 15: Custody

HarmonyAM is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- The firm or its affiliate is a managing member or general partner to a private fund vehicle. An independent public accountant performs an annual GAAP audit of the fund.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to HarmonyAM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, HarmonyAM will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

In addition, subject to the terms of its investment advisory agreement, HarmonyAM may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

With respect to the Fund, please refer to the Fund's governing documents.

## Item 17: Voting Client Securities

### A. Separately Managed Account Portfolio Management Services

HarmonyAM does not take discretion with respect to voting proxies on behalf of its clients. HarmonyAM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of HarmonyAM supervised and/or managed assets. In no event will HarmonyAM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, HarmonyAM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. HarmonyAM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. HarmonyAM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, HarmonyAM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where HarmonyAM receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

### B. SPIF LLC Fund

Please refer to the Fund's governing documents.

## **Item 18: Financial Information**

### **A. Balance Sheet**

HarmonyAM does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

HarmonyAM does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.