Harbor Investment Advisory, LLC

Form ADV Part 2A Firm Brochure

May 20, 2020

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This brochure ("Brochure") provides information about the qualifications and business practices of Harbor Investment Advisory, LLC. If you have any questions about the contents of this Brochure, please contact William C. Schadty, Chief Compliance Officer at 1-410-659-8900 and/or wschadty@harborllc.com. Harbor Investment Advisory, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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 Harbor Investment Advisory, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with, registered, and required to be registered, as investment adviser representatives of Harbor Investment Advisory, LLC.

ITEM 2: Material Changes

This Brochure is an updated amendment to the prior Brochure dated February 5, 2020.

This Brochure includes information regarding certain material changes since our last delivery and posting of the Brochure on the SEC's public disclosure website (www.adviserinfo.sec.gov) including an update to ITEM 18: Financial Information related to a loan. Please refer to this section on page 16 for detailed information.

Harbor makes ongoing and routine changes to this Brochure to improve and clarify the descriptions of our business practices and compliance policies in response to the evolving firm and regulatory practices. Any grammatical and/or format changes are not deemed material and therefore are not disclosed in this section. We encourage you to review this Brochure in its entirety.

Clients may request a free copy of the Form ADV Part 2A at any time by contacting our Chief Compliance Officer, William C. Schadty at 1-410-659-8900 or by email at wschadty@harborllc.com. This Brochure is also available on our web site www.harborinvestmentadvisory.com.

ITEM 3: Table of Contents

ITEM 4: Advisory Business

Description of Harbor

Harbor Investment Advisory, LLC ("Harbor", "our" and or "we") is an investment adviser and broker-dealer. The firm is registered with the United States Securities and Exchange Commission ("SEC"), and various states, and is a member of FINRA and SIPC. Harbor has been registered as an investment advisor since 2010 and is 100% owned by Harbor Investment Management, LLC.

Assets Under Management

As of December 31, 2019, Harbor had approximately $2,820,830,468 in assets under management, of which it managed $1,326,507,181 on a discretionary basis and it managed $1,494,323,287 on a non-discretionary basis.

Advisory Services

Investment advice and portfolio management services are provided on a continuing basis, which includes managing our client's ("Client) assets among cash, stocks, mutual funds, exchange traded funds ("ETFs"), bonds, and other securities (collectively "Assets"). Our advice and services are also based on your stated investment objectives for your investment portfolio account ("Account)". We will execute investment recommendations in accordance with information gathered in Harbor's Client Investment Profile and New Account Form. The documents describe the investment objectives of our Clients and a description of their assets, earnings, tax status, acceptable levels of investment risk, imposed investment restrictions, and other information.

Harbor will provide a variety of investment related services based on Client information gathered including, but not limited to:

- Managed investment advisory services pursuant to the advisory agreement,
- Assist Clients in determining investment objectives and establishing an investment implementation strategy,
- Perform due diligence on portfolio manager(s) and direct investments,
- Perform agency brokerage transactions for the Account effected by Harbor in its capacity as introducing broker and executed by Pershing LLC ("Pershing"); and as applicable, custodial and clearing services provided by Pershing with respect to the Account;
- Administrative services such as computing, charging and collection of Account fees, including the fee for services provided under the advisory agreement,
- Administrative services to include, but not limited to, the processing of deposits and withdrawals from the Account pursuant to the Client's instruction; and
- The issuance of written monthly and/or quarterly Account statements by Pershing.

Advisory Programs

Harbor and its' financial advisors ("Financial Advisor") offer several different advisory programs depending on the investment objectives of the Client, which are described as follows:

Harbor Manager Select

Harbor sponsors the Harbor Manager Select program, which is a non-discretionary advisory program where Harbor assists Clients in engaging the services of independent third-party money managers ("Portfolio Managers") that may or may not participate in a traditional Separately Managed Account Program ("SMA Program") and that may or may not perform other services. In the Harbor Manager Select program, the Financial Advisor assists with due diligence in engaging the services of Portfolio Managers in a manner consistent with the Client's investment objectives. Client selects and engages a Portfolio Manager on a "dual contract" basis to provide investment management services, which include the investment and re-investment of the Assets in the Account. Services provided and applicable fees charged by the Portfolio Manager are governed under a separate agreement maintained directly between Client and the Portfolio Manager.

Advisory fees payable to Harbor are not shared with the Portfolio Manager as the Portfolio Manager's compensation is set out in a separate agreement between the Client and the Portfolio Manager. These services may cost the Client more or less than purchasing the bundled services offered separately, depending on such factors as account size, change of account value over time, frequency of transactions, advisory fees, commissions and custody expenses.

Harbor Separately Managed Account – *Lockwood Sponsored*

Harbor, through its Lockwood- sponsored Separately Managed Account program, offers Clients access to a traditional SMA Program sponsored by Lockwood Advisors, Inc. ("Lockwood"), which is engaged to provide Clients' access to independent third-party money managers and perform other services. For a complete description of Lockwood's services, please see Lockwood's applicable disclosure brochure and/or Form ADV Part 2A disclosure. Harbor assists Clients in selecting Portfolio Managers in the SMA program without discretionary authority over the Account.

Advisory fees payable to Harbor are not shared with the Portfolio Manager as the Portfolio Manager's compensation is set out in a separate agreement between the Client and the Portfolio Manager. These services may cost the Client more or less than purchasing the bundled services offered separately, depending on such factors as account size, change of account value over time, frequency of transactions, advisory fees, commissions and custody expenses.

Harbor Separately Managed Account

In the Harbor Separately Managed Account program ("SMA"), your Financial Advisor assists you in the selection of independent third-party Portfolio Manager(s) in a manner consistent with your investment objectives. Harbor assists Clients in selecting Portfolio Managers in the SMA program, but Harbor and its representatives do not have discretion to select Portfolio Managers on the Client's behalf. The majority of Harbor's SMA program utilizes Envestnet Asset Management, Inc.'s ("Envestnet") platform to provide investment management access, although Harbor may provide direct access to investment managers in some cases. Envestnet, and where applicable, Harbor, provides portfolio analysis, Portfolio Manager due diligence and ongoing monitoring, and centralized custodial trading capabilities for your Account. The account is charged Advisory Fees for the services provided by your Financial Advisor, Portfolio Manager(s), and where applicable, Envestnet. For clients who use Envestnet: Each portfolio manager within the Envestnet program charges a separate fee; the manager and the program fee will be reflected in the Envestnet statement of investment selection, which is presented to the client and which the client signs as part of the enrollment process.

Harbor Unified Managed Account

The Harbor Unified Managed Account program ("UMA") offers Clients an advisory program utilizing Envestnet Asset Management, Inc.'s ("Envestnet") platform to provide investment management access and due diligence services within a single Client Account. Envestnet provides portfolio analysis, Portfolio Manager due diligence and ongoing monitoring, centralized custodial trading capabilities and acts as Overlay Manager for your Account. Portfolio Manager(s) have entered into an agreement with Envestnet where the Portfolio Manager provides non-discretionary purchase, hold and sell recommendations in the form of model portfolios to designated investment advisors serving as Overlay Managers for their use in providing discretionary investment management services for UMA accounts. Your Financial Advisor assists in the allocation of Assets in your account in a manner consistent with your investment objectives and risk tolerance and may act, at your direction, with or without discretionary authority, in the selection and termination of Portfolio Manager (s). The account is charged

Advisory Fees for the services provided by your Financial Advisor, Portfolio Manager(s), and where applicable, Envestnet. For clients who use Envestnet: Each portfolio manager within the Envestnet program charges a separate fee; the manager and the program fee will be reflected in the Envestnet statement of investment selection, which is presented to the client and which the client signs as part of the enrollment process.

Harbor Third Party Strategist Program ("Harbor TSP") Account

The Harbor TSP utilizes Envestnet to make available asset allocation strategies of a variety of mutual fund and ETF asset managers in the Third-Party Fund Strategists program. Each portfolio may consist solely of mutual funds or ETFs or may combine both types of funds to pursue different investment strategies and asset class exposures. Pursuant to a licensing agreement entered into with the asset manager, Envestnet provides overlay management of the portfolios and performs administrative and trade order implementation duties pursuant to the direction of the asset manager.

Many of the asset managers in the Harbor SMA Program (described above) and the Harbor TSP are accessed through the use of investment models ("Third Party Models"), whereby the asset manager, acting as a "Model Provider," constructs an asset allocation and selects the underlying investments for each portfolio. Envestnet performs overlay management of the Third Party Models by implementing trade orders, periodically updating and rebalancing each Third Party Model pursuant to the direction of the Model Provider. Envestnet may, from time to time, replace existing Model Providers or hire others to create Third Party Models and cannot guarantee the continued availability of Third Party Models created by particular Model Providers. In managing the Third Party Models, certain Model Providers may pursue an investment strategy that utilizes underlying mutual funds or exchange traded funds advised by the Model Provider or its affiliate(s) ("Proprietary Funds"). In such situations, the Model Provider or its affiliate(s) may receive fees from the Proprietary Funds for serving as investment advisor or other service provider to the Proprietary Fund (as detailed in the Proprietary Fund's prospectus). These fees will be in addition to the management fees that a Model Provider receives for its ongoing management of the Third Party Models and creates a financial incentive for the Model Provider to utilize Proprietary Funds. Clients should discuss any questions with or request further information from their Advisor concerning the use of Proprietary Funds in Third Party Models or the conflict of interest this creates.

Harbor Investment Consulting

The Harbor Investment Consulting program is a comprehensive investment management, consulting and reporting service, where the Financial Advisor assists the Client to determine the allocation of the Client's Assets and in managing the Assets in the Account, and Assets held outside of the Account, in a manner consistent with the Client's investment objectives, on a non-discretionary basis. For assets the Client has specifically identified for investment, Harbor will assist in evaluating the investment; with the Client having the final determination for the selection of securities, Portfolio Manager(s) and Assets the Client has designated for analysis, some of which are held outside of the Harbor Account.

Advisory fees payable to Harbor are not shared with the Portfolio Manager as the Portfolio Manager's compensation is set out in a separate agreement between the Client and the Portfolio Manager. These services may cost the Client more or less than purchasing the bundled services offered separately, depending on such factors as account size, change of account value over time, frequency of transactions, advisory fees, commissions and custody expenses.

Retirement Plan Services

Harbor offers (i) Discretionary Investment Management Services, (ii) Non-Discretionary Investment Management Services and/or (iii) Retirement Plan Consulting Services to employer sponsored retirement plans and their participants. Depending on the type of plan, and the specific arrangement with the Sponsor, Harbor may provide one or more of these services.

Financial Planning Services

Harbor offers financial planning services which may be comprehensive or limited in scope depending on a Client's particular needs. The financial plan may include, bu is not limited to review and prioritization of the Client's goals and objectives, development of a net worth statement, cash flow summary and insurance analysis, review of investment holdings, and development of an investment management strategy. A financial plan may also include financial projections and analysis, in addition to education funding, tax, retirement and estate planning analyses. The scope of the financial planning service, including fees, proposed length of the engagement and a description of any conflicts of interest are defined in a letter of engagement which is executed in advance between the Client and the Financial Advisor.

Wrap Fee Programs

Harbor sponsors two investment advisory wrap fee programs, they being the Harbor Advisor Discretionary and the Harbor Advisor Non-Discretionary, which are described in full detail in Harbor's Form ADV Part 2A Appendix 1 Wrap Fee Brochure.

ITEM 5: Fees and Compensation

Harbor is compensated through an annualized asset-based fee (the "Advisory Fee"), which will be paid monthly or quarterly in arrears, as indicated in the table below. The amounts and specific manner in which fees are charged is memorialized in our contract with the Client. Although many fees are individually negotiated, the range of Harbor's fees are described below:

Harbor Program	Fee Range *	When Charged
Harbor Manager Select	**0.25% - 2.00%**	**Monthly in Arrears**
Harbor SMA *Lockwood Sponsored*	**0.25% - 1.50%**	**Monthly in Arrears**
Harbor Seperately Managed Account	**0.25% - 2.00%**	**Monthly in Arrears**
Harbor Unified Managed Account	**0.25% - 2.00%**	**Monthly in Arrears**
Harbor Third Party Strategist	**0.25% - 2.00%**	**Monthly in Arrears**
Harbor Investment Consulting	**0.25% - 1.50%**	**Monthly in Arrears**
Retirement Plan Services	**Flat Fee, Hourly Fee, and/or Fee on Assets**	**Quarterly in Arrears**
Financial Planning Services	**0.25% - 2.00%**	**Varies by Engagement Letter**

* Computed as a percentage of assets under mamagement in the Account including any margin debit in the Account.

Advisory Fees are deducted from your Account within twenty (20) business days of the end of the period for which said fees are incurred. The Advisory Fee for the initial period will be prorated based on the net asset value of the Assets on the opening date of the Account and the number of days services were provided. Upon termination of an Account, any prepaid, unearned Advisory Fees will be promptly refunded, and any earned, unpaid Advisory Fees will be due and payable.

In addition to the Advisory Fee, Clients can incur, directly or indirectly, certain fees and expenses for investments made for the Client. Harbor may refer Clients to providers of investment offerings for which Harbor and/or its employees receive selling and or placement compensation, in addition to the Advisory Fee, which are credited back to the Client or used to reduce the Client's Advisory Fee. Harbor does not, in its capacity as introducing broker for advisory clients' accounts, charge brokerage commissions on transactions placed in advised accounts except on "non-managed assets." Custody fees imposed on IRA accounts are waived for Advisory Accounts. Other administrative fees charged for wire transfers and check writing services are not included in the Advisory Fee.

By investing with certain third-party money managers and/or by making direct investments, Client may incur fees, brokerage commissions, transaction fees, manager's fees, custody fees, and other related costs and expenses. Such third-party charges, fees and commissions are exclusive of and in addition to Harbor's Advisory Fee.

Additionally, Clients will indirectly incur certain fees and expenses for investments made for the Account in mutual funds, ETFs, money market funds, and other Assets. The fees and expenses are paid by the respective fund and are borne by all fund shareholders owning the same class of share which can include, but are not limited to, mutual fund servicing fees, sub-accounting fees, management fees, custody, portfolio transaction execution costs, administration fees, distribution fees, and shareholder servicing fees. Fees and expenses charged by these securities are deducted from each fund's net asset value and as such, are an indirect expense of the Client. Finally, these types of investments can be purchased directly, without being managed by Harbor pursuant to this Agreement which may cost you more or less.

Harbor receives mutual fund distribution and servicing fees from certain mutual fund companies, depending on the class of shares held. Harbor agrees to credit to the Client, or to apply to reduce the Client's Advisory fee, all payments received from any fund on account of Client's advisory holdings. Clients should be aware that when we place a transaction on your behalf, we attempt to place clients in the most cost-effective share class available at that time. The lowest cost share class typically carries a mutual fund "surcharge" of $10 per trade, charged by Harbor's custodian to Harbor. If incurred, this charge is passed through to the Client. The Client may opt for a higher cost share class to avoid this surcharge. Since fund companies can add new share classes at any time, without offering or executing an automatic exchange from existing share classes of the same fund, it is possible that the class originally selected may no longer be the most cost-effective class available. As set forth below, Harbor offers all clients an annual review of their account and holdings; share class selections are among the topics that will be covered in the review if requested by the client. For a complete description of the fees and expenses related to each investment, Client should review the prospectus for the respective mutual fund, ETF, money market fund, and other Assets.

Related to fixed income securities transactions, Client may indirectly incur certain fees and expenses for transactions effected through a broker/dealer other than Pershing from the commission or mark– up/down that is included in the net purchase price or sale proceeds of the security. Harbor does not receive any portion of these fees or expenses, so they will not be credited back to Client's investment Account or used to reduce the Client's Advisory Fee.

A client's advisory account can hold certain Assets that are not supervised by Harbor and are not charged an advisory fee. Harbor acts only as broker-dealer, and not as an investment adviser, with respect to these non-managed assets. In the event of a transaction on these non-managed assets, the client will incur a brokerage commission or mark-up/down. All transaction-based compensation arrangements create an incentive for a broker-dealer or representative to recommend investments based on potential compensation to the firm or representative. Harbor has procedures to ensure that all recommendations are suitable for the client based on the client's investment profile as disclosed to Harbor.

Transactions in any securities effected through Harbor for the accounts of Clients that are employee benefits plans subject to Employee Retirement Income Security Act of 1974, as ("ERISA") will be completed in compliance with Exemption 86-128 of ERISA. The foregoing regulatory requirements generally provide, among other things, that advance written authorization be obtained from each Client with respect to the utilization of Harbor as a broker/dealer to effect transactions for its account and that periodic reports of such transactions be furnished to its Clients. All fees and expenses will reduce the Client's investment return.

Account Requirements
Minimum account size is dictated by the program in which a Client is participating as described in the chart below. Exceptions to the minimum account size are made at the discretion of the manager and/or Harbor depending on the circumstances of the relationship and manner in which Assets are allocated by account type and title.

Harbor Program	Minimum Account Size
Harbor Manager Select	**$1,000,000**
Harbor SMA- Lockwood Sponsored	**$100,000**
Harbor SMA	**$100,000**
Harbor Unified Managed Account	**$50,000**
Harbor Third Party Strategist	**$50,000**
Harbor Investment Consulting	**$100,000**
Retirement Plan Services	**No Minimum Account Size**
Financial Planning Services	**No Minimum Account Size**

Type of Compensation
Based on the investment services provided Harbor is compensated by the following means:
- A percentage of assets under management
- Fixed fees (other than subscription fees)
- Commissions (when Harbor is acting only as broker-dealer and not as investment advisor with respect to the specific assets)

ITEM 6: Performance-Based Fees and Side-by-Side Management

Harbor does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the Assets), nor does it provide side-by-side management.

ITEM 7: Types of Clients

Harbor can provide portfolio management services to:
- Individuals
- High Net Worth Individuals and Families
- Corporations
- Not for Profit and Charitable Entities
- Corporate Pension and Profit-Sharing Plans
- Taft-Hartley Plans
- Charitable Institutions
- Foundations and Endowments
- Trusts
- Other U.S. Institutions

ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss

Harbor utilizes a combination of quantitative and qualitative analytical tools to support investment recommendations for its Clients. Investment strategies are defined based on the Client's investment objectives, time horizon, liquidity needs and risk tolerance. Our Financial Advisors discuss with Clients that investing in securities involves certain risks and a potential for loss, which allows for Clients to understand the risks associated with investment portfolios. Investing in securities involves risk of loss that Clients should be prepared to bear.

Sources of Information

The main sources of information that we use to analyze investments includes:
- Research materials prepared by others
- Corporate rating services
- Timing services
- Annual reports, prospectuses, filings with the SEC
- Company press releases
- Financial newspapers and magazines

Investment Strategies

We work with our Clients to identify an appropriate asset allocation to achieve their investment objectives. Asset allocation requires an understanding of Client specific issues and consideration of the economic and market environment. Most importantly, our disciplined approach reflects a longer-term investment focus that seeks to achieve consistent, risk-adjusted returns. We adhere to a philosophy of evaluating the global landscape of information and investment opportunities. In constructing portfolios, we perform due diligence on a variety of offerings such as direct investments, individual securities, professional money managers, index funds, and alternative investments.

Investment Strategy Risk

In addition to the risks applicable to all investment strategies and securities, Clients must consider specific risks associated with various investment management strategies.

Market Risk

There are risks associated with investing in securities. Market movements are difficult to predict and are influenced by a number of factors to include; general economic conditions, government fiscal and monetary policies, changing supply and demand relationships, international political and economic events, catastrophic acts of nature, company specific factors, and the inherent volatility of the marketplace.

Lack of Diversification

Portfolio investments may be concentrated and diversification may be limited. There are no limits with respect to position sizes.

Liquidity

Accounts will be invested primarily in liquid securities, but it is possible that securities could become less liquid during the holding period.

Cash and Cash Equivalents

Accounts may maintain significant cash positions from time to time and the Client will pay the Advisory Fee based on the net asset value of the Account, including cash and cash equivalents. Furthermore, the Account may forego investment opportunities to hold cash positions, if deemed in the best interests of the Client.

Leverage

We may use leverage in investing. Such leverage may be obtained through various means. The use of short-term margin borrowings may result in certain additional risks to Accounts. For example, should the securities pledged to a broker to secure a margin loan decline in value, a “margin call” may be issued pursuant to which additional assets would be required to be deposited with the broker or the broker would effect a mandatory liquidation of the pledged securities to compensate for the decline in value. We might not be able to liquidate assets quickly enough to pay off the margin debt and the Accounts may therefore also suffer additional significant losses as a result of such default.

Interest Rate Fluctuation

The prices of securities in which the Financial Advisor may invest may be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments.

Utilization of Alternative Investments

Alternative investment products, including hedge funds, commodities, hedged equity, private equity, and managed futures, involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

ITEM 9: 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 Harbor or the integrity of Harbor’s management. Harbor has no information which is applicable to this Item.

ITEM 10: Other Financial Industry Activities and Affiliations

Harbor is registered as a broker/dealer under the Securities and Exchange Act of 1934 and state jurisdictions, and is a member firm of the Financial Industry Regulatory Authority (FINRA). See Brokerage Practices and Client Referrals and Other Compensation for a discussion of the conflicts of interest and compensation related to these relationships.

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

Harbor has adopted a Code of Ethics for all supervised persons 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, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Harbor must acknowledge the terms of the Code of Ethics annually, or as amended.

Harbor anticipates that, in appropriate circumstances, consistent with Clients’ investment objectives, it will cause Accounts over which Harbor has authority to effect, and will recommend to investment advisory Clients or prospective Clients, the purchase or sale of securities in which Harbor, its affiliates and/or Clients, directly or indirectly, have a position of interest. Harbor’s employees and persons associated with Harbor are required to follow Harbor’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Harbor and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Harbor’s Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Harbor will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Generally, the Code of Ethics requires prior written approval for personal securities transactions placed for all employee and employee-related accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might inadvertently benefit from market activity by a Client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics and is designed to reasonably prevent conflicts of interest between Harbor and its Clients. Harbor's Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting William C. Schadty, Chief Compliance Officer.

ITEM 12: Brokerage Practices

General

When Clients direct Harbor to execute all or a portion of its transactions effected on their behalf with a specific broker, Harbor does not negotiate commission rates on behalf of its Clients unless specifically directed to do so. Harbor does not determine whether commission rates charged by a broker selected by its Clients are the lowest available. For trades not directed to Harbor by the advisory Client, Harbor will use its best efforts to obtain execution on the best terms reasonably available. Harbor may, in compliance with Section 28 (e) of the Securities Exchange Act of 1934, receive commissions in excess of the amount of commissions other broker/dealers would have charged.

Transaction rates for trades executed through Harbor may not always be as favorable as those that could be obtained if transactions were executed through another broker/dealer. Although Harbor does not receive transaction-based compensation for transactions executed on managed assets in advisory accounts, the fact that Harbor's Clients are likely to use an affiliated broker to execute transactions presents a potential conflict of interest in that Harbor may receive other benefits, such as more favorable pricing on services, based on the volume of transactions introduced to the clearing broker-dealer. Such transactions may create a conflict of interest because Harbor has a duty to obtain the most favorable price for advisory Clients while its registered representatives of the affiliated broker dealer have a duty to obtain the most favorable price for their brokerage customers.

Third Party Broker/Dealers

In selecting a broker/dealer other than Harbor's clearing firm to execute transactions, we will, consistent with our obligations to obtain best price and best execution for our Clients, taking into consideration such relevant factors as:

- Price,
- Broker's or dealer's facilities, reliability and financial responsibility,
- The ability of the broker or dealer to effect transactions, particularly with regard to such aspects as timing, order size, and execution of orders,
- Any other factors we consider to be relevant. Subject to the requirements of Section 28 (e) of the Securities Exchange Act of 1934, as amended, we may pay a broker a commission in excess of that which another broker might charge in recognition of the value of research and execution provided.

Client Directed

Clients may instruct us to direct all or a portion of the securities transactions for its Account to a specified broker/dealer. We will treat the Client direction as a decision by the Client to retain the discretion that otherwise we would have in selecting a broker/dealer to effect transactions and in negotiating transaction fees generally for the Client's Account. The Client who directs us to use a specific broker/dealer may pay higher or lower transaction fees such as commissions, mark-ups, mark-downs, dealer spreads, credits or otherwise, and may receive less or more favorable execution services than if the Client did not direct transactions to a particular broker/dealer.

Step Out Trades

When utilizing the Harbor SMA or Harbor UMA program platform through Envestnet, Envestnet generally routes trades directly to the custodian(s) of record. Occasionally, in order to obtain best execution and minimize market impact, certain thinly traded securities, illiquid or ETF trades, for example, can be 'stepped-out' in order to gain best execution and minimize market impact. In some instances, stepped-out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If trades are placed with a firm that imposes a commission or equivalent fee on the trade, including a commission that may be embedded in the price of the security, the client will incur trading costs in addition to the wrap fee the client paid to your Advisor. On an annualized-basis, the number of step-out trades conducted by Envestnet equates to approximately 2% of total order flow. Actual step-out percentages may vary dependent on the Third Party Manager product(s) chosen by the Advisor and the securities held in the particular model. It is important to know that clients may pay a commission in addition to the wrap fee for those stepped-out trades.

When utilizing the Harbor "Lockwood-sponsored" ("LMPPG") SMA, for equity securities transactions that are driven by a change in a Sub-Adviser's investment model and that need to be simultaneously effected for many clients (i.e., model-change trades), LMPPG has executed, and expects to continue to execute, all or substantially all of these transactions as an aggregated block trade through a single broker-dealer instead of executing the transactions with each client's Sponsor Firm or Designated Broker. LMPPG believes that handling equity model change trades in this manner enhances its ability to obtain best execution for client accounts. The main alternative to this approach would be to use a trade rotation process for model change trades, in which LMPPG separately and sequentially transmits orders for the transactions to each Sponsor Firm or Designated Broker for execution. LMPPG believes that effecting model-change trades as block trades eliminates the detrimental impact on market prices of placing separate, successive orders into the marketplace as well as the potential for general movements in securities prices over the extended time period needed to complete a trade rotation. Further, block trading helps to reduce the risks of information leakage (i.e., increasing the number of broker-dealers receiving orders increases the chances that those broker-dealers will trade in anticipation of the orders or seek to use information on LMPPG's trading to the detriment of LMPPG's clients), which could result in less advantageous execution prices for clients whose accounts LMPPG trades after making the same trade for other clients. Also, LMPPG believes that effecting model-change trades as block trades often may enable LMPPG to benefit all participating client accounts because more favorable securities prices may be obtained under certain circumstances by trading in larger volumes and because LMPPG may be able to take advantage of additional sources of liquidity that certain broker dealers and trading venues can provide. In addition, block trading promotes the fair and equitable treatment of client accounts by ensuring that participating client accounts obtain the same execution price and achieve comparable investment performance.

A client account included in a block trade for an equity security frequently will be charged commissions, commission equivalents, markups or markdowns or spreads which typically are reflected in the net security price paid or received by the client. Any such commissions, commission equivalents or spreads will be in addition to the asset-based fee, transaction specific commissions and other fees and charges the client pays to the client's Sponsor Firm or Designated Broker. In the case of a fee arrangement under which a client pays its Sponsor Firm or Designated Broker transaction-specific commissions, the Sponsor Firm or Designated Broker may charge higher commissions on trades executed away from the Sponsor Firm or Designated Broker. In addition, a client's Sponsor Firm or Designated Broker may charge trade-away, step-out, prime brokerage, clearing, settlement or similar processing charges and fees ("processing charges") on trades executed away from the Sponsor Firm or Designated Broker. Any such processing charges will be in addition to the asset-based fee or transaction-specific commissions the client pays to the client's Sponsor Firm or Designated Broker. LMPPG has no role in negotiating the commission schedules and processing charges that are agreed to by the client and the Sponsor Firm or Designated Broker and does not consider such commission schedules and processing charges in executing model-change trades as block trades through a single broker-dealer and in selecting broker-dealers to execute such transactions. Similarly, Harbor has no role in selecting the broker-dealers through which these trades are executed, negotiating the commission schedules or processing charges, or processing these transactions.

Block Trades

We may enter aggregated trade orders ("Block Trade") in a given security for groups of Clients that are bunched or aggregated. When entering Block Trades, we generally determine the full allocation to each participating Account at the time the orders are placed. When execution of the order is completed in a single trading day, the Block Trade is average priced and allocated in full to the Accounts that were part of the Block Trade. When execution of the order is not completed in a single day ("Partial Fill"), the Account allocation of shares purchased or sold in the Block Trade is provided to the broker/dealer using one of several fair and equitable methods of allocation generally at the end of the day's trading. The allocation of a Partial Fill will be done in a fair and equitable manner using various allocation methods at the average price for the day. Notwithstanding the above, a given Account may receive a better or worse price than if its trading had been accomplished separately. Any allocation procedures administered are not intended to operate concurrently to favor or disfavor the same Accounts.

Soft Dollar Arrangements

Harbor does not engage in any soft dollar arrangements.

ITEM 13: Review of Accounts

Account Review

Each client is offered at least an annual account review by a Financial Advisor. Additional reviews may be triggered by client request, or by material market, economic or political events, or by changes in clients' financial situations (such as retirement, termination of employment, physical move, or inheritance). Reviews are based on objectives and parameters established by clients, which are generally memorialized through their individual advisory agreements and/or investment policy statements.

While Financial Advisors will typically evaluate the continued suitability of specific Money Managers (as applicable), managed account platforms, and wrap programs during account reviews, the administrators of such platforms and programs may also perform their own reviews of managers appearing on the platforms and programs. Any reviews will be disclosed in the separate Disclosure Documents maintained by the administrators to applicable platforms and programs.

Account Statements

Clients will receive written Account statements from the broker/dealer, bank or other qualified custodian that holds and maintains Client's investment Accounts on a monthly or quarterly basis. Harbor may provide additional Account reports that are supplemental to your custodian's Account statements, but we urge you to refer to your custodial statements as the official record of Account holdings, activity, and tax information as our reports may vary from custodial statements based on accounting procedures and reporting formats.

Trade Errors

Though Harbor will attempt to correct trading errors as soon as they are discovered, it may not be responsible for poor executions or trading errors committed by the brokers with whom it transacts or Harbor itself, unless, such errors resulted from Harbor's negligence, fraud or willful misconduct.

ITEM 14: Client Referrals and Other Compensation

Harbor does not pay any third parties for the referral of advisory Clients.

If Harbor is not otherwise directed in writing to execute trades through a particular broker/dealer, Harbor will execute, as a broker, all purchases and/or sales on behalf of a Client's Account through Pershing.

Harbor receives mutual fund distribution and servicing fees from certain mutual fund companies, depending on the class of shares held. Harbor agrees to credit to the Client, or to apply to reduce the Client's Advisory fee, all payments received from any fund on account of Client's advisory holdings. Client acknowledges receipt of the selected mutual fund and money market fund prospectus, which provides a complete description of the fees and expenses related to each investment.

Please note that a client's advisory Account can hold certain assets that are not supervised by Harbor, and on which the client is not charged an advisory fee. Harbor acts only as broker-dealer, and not as an investment adviser, with respect to these assets. In the event of a transaction on these unsupervised assets, clients may incur a brokerage commission or mark-up/down. All transaction-based compensation arrangements create an incentive for a broker-dealer or representative to recommend investments based on potential compensation to the firm or representative. Harbor has procedures to ensure that all recommendations are suitable for the client based on the client's investment profile as disclosed to Harbor.

ITEM 15: Custody

Harbor has entered into an agreement with Pershing who may execute securities purchase and sale orders for Client Account and perform and provide custodial and clearance services. In addition, Client may maintain custody Accounts with a brokerage firm or bank custodian of their choosing. Clients will receive written Account statements from the broker/dealer, bank or other qualified custodian that holds and maintains Client's investment Accounts on a monthly or quarterly basis. Harbor may provide additional Account reports that are supplemental to your custodian's Account statements, but we urge you to refer to your custodial statements as the official record of Account holdings, activity, and tax information as our reports may vary from custodial statements based on accounting procedures and reporting formats

ITEM 16: Investment Discretion

Harbor offers discretionary investment management through the Harbor Advisor Discretionary program, which is described in our Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure. This program provides limited discretionary investment management to Clients that execute a written advisory agreement granting Harbor discretionary authority to manage their Account. Harbor has authority to purchase and sell securities and instruments for the Client's Account, arrange for delivery and payment in connection with the foregoing, and act on behalf of a Client in all matters necessary or incidental to the handling of a Client's Account, including monitoring certain assets.

When selecting securities and determining amounts, Harbor observes the investment policies and objectives and risk tolerance of the Client for which it advises as defined in the written New Account Agreement and Master Advisory Agreement. Harbor's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments.

Within the Harbor Unified Managed Account program, which is described in our Form ADV Part 2A Firm Brochure, the Financial Advisor assists in the allocation of Assets in the Client account in a manner consistent with the Client's investment objectives and risk tolerance. This program provides limited discretionary investment management to Clients that execute a written advisory agreement granting Harbor discretionary authority to manage their Account. The Financial Advisor may act, with or without discretionary authority, in the selection and termination of Portfolio Manager(s).

ITEM 17: Voting Client Securities

Harbor does not take any action or render any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in an Account. Clients retain responsibility for proxy voting and will receive proxies and other solicitations directly from their custodian and may contact Harbor to with any questions related to the instructions.

ITEM 18: Financial Information

In this Item, we are required to disclose that Harbor is unaware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of any bankruptcy proceedings. Additionally, Harbor is not required to include a balance sheet for our most recent year end, because we do not require or solicit more than $1,200 in fees per client, six months or more in advance.

Harbor received a Paycheck Protection Program (“PPP”) loan through the Small Business Administration (“SBA”) in conjunction with the relief afforded from the CARES Act during the COVID-19 Pandemic. Due to the ongoing economic uncertainties surrounding the current COVID-19 pandemic, we believed it was prudent and necessary to apply for, and accept, the PPP loan offered by the SBA in order to support our ongoing operations as allowed under the loan program terms. Harbor has not suffered any interruption of service.

OTHER INFORMATION

Business Continuity Plan

Harbor has a Business Continuity Plan that addresses how the Firm will respond to events that may disrupt its business. If the main telephone line is inactive, the emergency number is 410-340-1225. If the emergency line is down, please contact our clearing firm, Pershing LLC, on 201-413-3635. We will resume operations as quickly as possible (preferably within twenty-four hours) depending on the severity of the business disruption. Our Business Continuity Plan covers data backup and recovery, mission critical systems financial and operational assessments, alternative communications, alternate business locations, regulatory reporting and the assurance of prompt access to funds and securities for our customers. Additional details regarding the firm’s Business Continuity Plan are available upon request.

Privacy Notice to Customers

We do not disclose nonpublic personal information about our individual Clients or former Clients except as permitted by law. We restrict access to nonpublic personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.