

# Harbor Investment Advisory, LLC

## Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure

March 27, 2024

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This Wrap Fee Program Brochure (“Wrap Fee Brochure”) provides information about the qualifications and business practices of Harbor Investment Advisory, LLC (“Harbor”). If you have any questions about the contents of this Brochure, please contact William C. Schady, Chief Compliance Officer at 1-410-659-8900 and/or [wschady@harborllc.com](mailto:wschady@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 (“SEC”) 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](http://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**

No material changes have been made to this Brochure since our last annual update on March 31, 2023.

Harbor makes ongoing changes to this Brochure to improve, clarify and update the descriptions of our business practices and compliance policies in response to the evolving firm and regulatory practices; we do not believe any of these changes are material. We encourage you to review this Brochure in its entirety.

**ITEM 3: TABLE OF CONTENTS**

ITEM 1: Cover Page ..... 1

ITEM 2: Material Changes ..... 2

ITEM 3: Table of Contents ..... 3

ITEM 4: Services, Fees and Compensation ..... 4

ITEM 5: Account Requirements and Types of Clients ..... 9

ITEM 6: Portfolio Manager Selection and Evaluation ..... 9

ITEM 7: Client Information Provided to Portfolio Managers ..... 11

ITEM 8: Client Contact with Portfolio Managers ..... 11

ITEM 9: Additional information ..... 11

#### **ITEM 4: SERVICES, FEES AND COMPENSATION**

##### ***Description of Harbor***

Harbor Investment Advisory, LLC (“Harbor”, “our” and/or “we”) is an investment adviser and broker-dealer providing investment advisory and brokerage services to our clients (“Client”, “you”, and/or “your”). The firm is registered with the United States Securities and Exchange Commission (“SEC”), and various states, and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). Harbor has been registered since 2010 and is 100% owned by Harbor Investment Management, LLC.

It is important to understand that investment advisory services and brokerage services are separate and distinct from each other and each is governed by different laws and by separate arrangements that we have with our Clients. The specific services or investment strategies that we provide and our legal duties to you in each arrangement are described in detail in our applicable agreements between you and Harbor.

In its capacity as an investment adviser, Harbor provides wrap fee investment advisory services (“Wrap Fee Programs”) to its advisory Clients across a broad range of asset classes, strategies, and investments, which are described in this Brochure. This Wrap Fee Brochure solely addresses the Wrap Fee Programs sponsored by Harbor. Other services offered by Harbor are described in a separate disclosure document, the Form ADV Part 2A Firm Brochure, a copy of which is available on Harbor’s website at [www.harborllc.com](http://www.harborllc.com), on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or upon request.

In its capacity as a broker-dealer, Harbor also offers brokerage account services (“Brokerage Services”) that allows you to invest through a commission or transaction-based account, and that may be more appropriate than investing through Advisory Services, if you do not want ongoing investment advice or management of your account, but instead desire only periodic or on-demand recommendations. By utilizing Brokerage Services, Harbor will make recommendations which are suitable for your account based on information you provide, but we will not necessarily monitor your account unless we have specifically agreed to provide you with that service. Brokerage Services are separate from and are not described in this Brochure.

In addition, when we are providing investment advice with respect to your IRA or other ERISA qualified plan, including advice to roll over assets from an employee benefit plan to an IRA, we are acting as a fiduciary and must follow the impartial conduct standards under ERISA and Section 4975 of the Internal Revenue Code.

##### ***Advisory Services***

Working with a registered investment adviser representative (“Financial Advisor”), investment advice, financial planning and portfolio management services are provided on a continuing basis, which includes managing Client assets among cash, stocks, mutual funds, exchange traded funds (“ETFs”), bonds, variable annuities 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 the Harbor New Account Form, the Harbor Master Advisory Agreement (“Advisory Agreement”), and other documents which 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.<sup>1</sup> Based on this information Harbor will provide a variety of investment related services including, but not limited to:

- Providing ongoing managed Advisory Services pursuant to the Advisory Agreement,
- Assisting Clients in determining investment objectives and establishing an investment implementation strategy,
- Performing due diligence on third-party asset managers (“Portfolio Managers”) and on individual securities,

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<sup>1</sup> Harbor provides certain Clients with tax consulting and compliance services pursuant to separate agreements with the Clients to whom these services are offered. The agreements specify the services to be provided and any fees to be charged. These services are not offered to all Harbor Clients.

- Performing agency brokerage transactions for the Account effected by Harbor in its capacity as introducing broker and executed by Pershing LLC (“Pershing”); and
- Performing administrative services including, but not limited to, the processing of deposits and withdrawals from the Account pursuant to the Client’s instruction.

## **Envestnet Services**

Harbor offers certain Advisory Services through an integrated third-party service and technology provider, Envestnet Portfolio Services, Inc., Envestnet Asset Management, Inc., and/or their affiliates (collectively, “Envestnet”) for various administrative, investment advisory, investment management, model portfolio management, overlay management, tax overlay services, Environmental, Social and Governance (“ESG”) overlay services, investment and manager due diligence, research, reporting, trade implementation, compliance monitoring, operational support, and/or other services. Envestnet is not a tax advisor nor does it provide any tax advice; Client should consult with Client’s tax consultant prior to investing in the tax overlay service. The Advisory Program selected by the Client is defined in the Advisory Agreement and the Envestnet Statement of Investment Selection (“SIS”) agreement, when applicable. Certain fees payable to Envestnet will be charged to your Account, which are further defined in the Advisory Fee Section of the Advisory Agreement, when applicable. For a complete description of Envestnet services, please refer to the Envestnet Form ADV Part 2A and Form Part 2A Appendix 1, which is available [here](#), or upon request and free of charge.

## **Wrap Fee Programs**

Harbor sponsors five Wrap Fee Programs to include the Harbor Advisor Discretionary, the Harbor Advisor Non-Discretionary, the Harbor Separately Managed Account, the Harbor Unified Managed Account, and the Harbor Fund Strategist Program which are described below and discussed throughout this Wrap Fee Brochure and described as follows:

### **Harbor Advisor Discretionary (“Advisor Discretionary”)**

In the Advisor Discretionary program, the Harbor Financial Advisor is primarily responsible for the allocation of Assets and managing the Assets in the Account in a manner consistent with the Client’s investment objectives on a discretionary basis. Harbor, through its Financial Advisor, provides investment and manager due diligence to assist in the selection of securities and performs ongoing advisory services, which include investing and re-investing the Assets in the Account. Clients should be aware the Financial Advisor may select investments and allocations within the broad parameters established by Harbor. Harbor, through its Financial Advisor assigned to the Account, will provide continuous and regular management services in accordance with the stated investment objectives of the Client.

### **Harbor Advisor Non-Discretionary (“Advisor Non-Discretionary”)**

In the Advisor Non-Discretionary program, the Harbor Financial Advisor makes recommendations for the Client’s consideration to assist the Client in the allocation of Assets and in managing the Assets in the Account in a manner consistent with the Client’s investment objectives on a non-discretionary basis. Harbor, through its Financial Advisor, provides investment and manager due diligence to assist the Client in investing and re-investing the Assets in the Account, with the Client having the final determination to initiate securities selection. Harbor, through its Financial Advisor, will provide continuous and regular management services in accordance with the stated investment objectives of the Client.

### **Harbor Separately Managed Account (“Harbor SMA”)**

The Harbor SMA program utilizes the Envestnet platform for investment management access and services to assist Harbor and Client in the selection of individual Portfolio Managers on a non-discretionary basis, each manages a separate Account. Envestnet, and where applicable, Harbor, provides analysis, due diligence and ongoing monitoring, and centralized custodial trading capabilities for your Account, which will be managed on a discretionary basis by the selected Portfolio Manager(s).

**Harbor Unified Managed Account (“Harbor UMA”)**

The Harbor UMA utilizes the Envestnet platform for investment management access and due diligence services in a single Client Account providing administrative ease. The UMA Account contains “sleeves” to facilitate multiple Portfolio Managers and to allow your Advisor to act as Portfolio Manager for a portion of the Account Assets on a discretionary basis, if applicable. Envestnet provides portfolio analysis, Portfolio Manager due diligence and ongoing monitoring, and centralized trading capabilities for your Account. Portfolio Managers have entered into an agreement with Envestnet where multiple designated Portfolio Managers provide discretionary purchase, hold and sell recommendations in the form of model portfolios within your UMA Account. Your Harbor Financial Advisor directs the allocation of Assets in your Account in a manner consistent with your investment objectives and will direct the selection and termination of Portfolio Manager(s) on a discretionary basis. The UMA program can include a tax optimization service by Envestnet to coordinate capital gain and loss activity, if applicable, while not acting as a tax advisor.

**Harbor Fund Strategist Program (“Harbor FSP”)**

The Harbor FSP utilizes third-party fund strategist managers (“Strategist”) through Envestnet to make available discretionary asset allocation portfolios based on the Client’s investment objectives. Each Account may consist solely of mutual funds or ETFs or may combine both types of funds to pursue different investment strategies and asset class exposures. Many of the Strategists use model portfolios, whereby the Strategist constructs an asset allocation and selects the underlying investments for each strategy. Envestnet performs overlay management of the Accounts by implementing trade orders and periodically updating and rebalancing the Assets pursuant to the direction of the Strategists on a discretionary basis. Harbor and Envestnet may, from time to time with discretion, replace an existing Strategist or hire others to create model portfolios. The continued availability of any specific Strategist is not guaranteed.

Clients who wish to participate in a Wrap Fee Program generally enter into a separate agreement which will set forth in detail the specific terms of the program the Client selects, including the charges and fees that the Client will incur. In addition, Clients will receive a disclosure document pertaining to each Portfolio Manager that has been selected to manage the Client’s Assets. Clients should read the Harbor Master Advisory Agreement and all accompanying descriptions and disclosures carefully.

***Fees and Compensation***

Wrap Fee Program Clients compensate Harbor through an annualized asset-based wrap fee (the “Wrap Fee”), which will be paid monthly in arrears. The Wrap Fee charged by Harbor is a single bundled “wrap” fee for investment advice, transaction fees, commissions, brokerage services and other related costs and administrative expenses generally incurred with respect to financial transactions in the Client’s Account.

The Wrap Fee Program may cost the Client more or less than purchasing these services separately. Generally, a Wrap Fee is based on the value of Assets and may be less than the cost of purchasing the services separately if there is a lot of trading activity in the account, since the Wrap Fee covers the costs of executing most or all of the transactions. If there is little or no trading activity in the Account, or the transactions being made would not otherwise incur a transaction fee, a Wrap Fee arrangement may cost more than separately paying for these services. Of course, there may be considerations other than cost, like access to certain managers, that may make a Wrap Fee Program right for you. Factors that bear on whether a Wrap Fee Program will cost more or less than purchasing the same services separately includes the type and size of the Account, the historical or expected size or number of transactions for the Account, the types of securities and strategies involved, and the number and range of supplementary services provided to the Account. 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 is described below:

Harbor Program	Fee Range *	When Charged
Harbor Advisor Discretionary	0.25% - 2.00%	Monthly in Arrears
Harbor Advisor Non-Discretionary	0.25% - 2.00%	Monthly in Arrears
Harbor Separately Managed Account	0.25% - 2.00%	Monthly in Arrears
Harbor Unified Managed Account	0.25% - 2.00%	Monthly in Arrears
Harbor Fund Strategist Program	0.25% - 2.00%	Monthly in Arrears

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

Wrap Fees are deducted from your Account within twenty (20) business days of the end of the period for which the fees are incurred. The Wrap Fee for the initial monthly period shall be charged pro rata from the funding date of the Account based on the number of days services were provided, and the value of the Assets held in the Account at the end of the initial monthly period. Upon termination of an Account, any earned, unpaid Wrap Fees will be due and payable.

Other administrative fees charged for wire transfers and check writing services are not included in the Wrap Fee. Additionally, Clients will indirectly incur certain fees and expenses for investments made for the Account in mutual funds, ETFs, money market funds, variable annuities and other Assets. Fund fees and expenses are paid by the fund and are borne by all fund shareholders owning the same class of share. The fees and expenses 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 funds are deducted from each fund's net asset value, while annuity expenses are deducted from the value of the annuity by the annuity issuer, and as such, these are indirect expenses of the Client. When Harbor recommends or places an annuity in an Advisory Account, neither Harbor nor its representatives receive a commission. 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 may direct Clients to providers of investment offerings for which Harbor and/or its employees receive selling and or placement compensation, in addition to the Wrap Fee. If so, these payments are credited back to the Client or used to reduce the Client's Wrap Fee. Custody fees imposed on IRA accounts are waived for advisory Accounts. Similarly, Harbor receives mutual fund distribution and servicing fees from certain mutual fund companies, depending on the class of shares held. Harbor credits to the Client, or applies to reduce the Clients' Wrap Fee, all payments received from any fund on behalf 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. Since fund companies can add new share classes to a mutual fund at any time, without offering or executing an automatic exchange from existing share classes to the new share class, it is possible that the share 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.

For fixed income securities transactions, Client will 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 Wrap Fee.

A Client's advisory Account can hold certain Assets that are not supervised by Harbor and are not charged a Wrap 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, the Client will not incur a brokerage commission or

mark-up/down.

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 amended ("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 must 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.

Financial Advisors who participate in Harbor's Wrap Fee Program are compensated by a share of the Wrap Fee charged to the Clients for whose accounts they are responsible. As the fee charged for Wrap Fee Programs may be greater than the fees charged for other advisory or brokerage services, the amount of the Financial Advisor's compensation may be more than what the person would receive if the Client participated in other programs or paid separately for investment advice, brokerage or other services. Accordingly, the Financial Advisor may have a financial incentive to recommend the Wrap Fee Programs over other programs or services.

### **Wrap Fee Description**

The Wrap Fee is a combination of fees for Advisory and other services provided by Harbor and Envestnet, when applicable to include the following:

#### **Advisor Fee**

As compensation to Harbor's Financial Advisor, Client shall pay an advisor fee ("Advisor Fee") which may be a percentage of the Assets under management, or a fixed annual dollar amount, as set forth in the Advisory Agreement. The Advisor Fee includes payment for; (i) investment advisory services provided by Harbor, (ii) brokerage commissions on all agency transactions for the Client Account effected by Harbor in its capacity as introducing broker-dealer and executed by Pershing, except for those transactions ordered directly by Client and those processed after notice of Advisory Agreement termination is provided and except for transactions involving non-managed assets, (iii) as applicable, custodial and clearing services with respect to the securities brokerage account, (iv) administrative services such as computing, charging and collection of Account fees, including fees for services provided, (v) administrative services such as the processing of deposits and withdrawals from the Account pursuant to the Client's instruction, (vi) the issuance of monthly and/or quarterly account statements, and (vii) other services as agreed. Harbor may charge other Clients different fees, which may be higher or lower than the fees charged with respect to the Client's Accounts for similar services. Harbor may amend its fees upon thirty (30) days advance written notice of the change.

#### **Envestnet Platform Fee**

As compensation to Envestnet and depending on the Advisory Program, Client will incur fees when applicable for overlay management, for underlying Portfolio Managers, for services defined in the Master Advisory Agreement, and for platform access (collectively, the "Platform Fee") and other costs associated with transactions executed other than at Pershing, unless Harbor specifically notifies Client to the contrary. These fees are imposed directly by Envestnet and are separate from Harbor's Advisor Fee. The Platform Fee is set forth in the Advisory Agreement and is further defined in the Envestnet Statement of Investment Selection ("SIS") agreement. The Platform Fee is invoiced to Harbor by Envestnet and is charged to Client's Account(s). Client should refer to Envestnet's and/or the Portfolio Manager's Form ADVs for information about their fee calculation methodologies.

#### **Client Fee**

The combined total of the Advisor Fee and the Platform Fee (collectively the "Client Fee") will be charged to the Client Account. Client agrees to pay the Client Fee monthly, in arrears, based on the value of the Assets under management in the Account at the end of each monthly period. The Client Fee for the initial monthly period shall be charged pro rata from the funding date of the Account based on the number of days services were provided, and the value of the Assets held in the Account at the end of the initial monthly period. The term "month" as used here means a calendar month.



**ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

***Account Requirements***

Harbor generally requires that the Client maintain a minimum account size in the Wrap Fee Program, as described below, but may make exceptions 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 Advisor Discretionary	\$50,000
Harbor Advisor Non-Discretionary	\$50,000
Harbor Separately Managed Account	\$100,000
Harbor Unified Managed Account	\$50,000
Harbor Fund Strategist Program	\$50,000

***Types of Clients***

Clients including ultra-high net worth and high net worth individuals, their families, family offices and related entities such as trusts, estates, private foundations, as well as pension, profit sharing and other retirement plans, charitable organizations, corporations, and other business entities. Clients receive ongoing personalized investment advice and guidance from their Harbor Financial Advisor.

**ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION**

Harbor can engage the services of third-party managers in the form of mutual funds, ETFs, and other independent money managers. Before recommending third-party portfolio managers to our Clients, we perform due diligence on the manager and strategy by considering factors such as the clarity of the manager’s definition of its investment strategy, the manager’s investment selection process, whether the manager discloses a sell discipline or downside protection, the manager’s historical adherence to the stated investment style, the quality and depth of the management team, the manager’s firm ownership, the manager’s policy with respect to closing portfolios based on size, the manager’s type of Client base, the manager’s regulatory compliance record, the transparency of the investments used for the strategy, the manager’s research capabilities, the risk-adjusted returns, performance attribution, portfolio composition, fees and statistical measures. The selection, retention or dismissal of a manager is based on our ongoing due diligence assessment.

When determining which managers to recommend or engage for a Client, the Harbor Financial Advisor generally designs a portfolio for the Client based on the Client’s financial situation and needs, and then identifies the specific managers/strategies that are appropriate for each element of the planned portfolio, with an overall goal of identifying a portfolio allocation that seeks returns reflective of the Client’s risk tolerance, time horizon and other needs.

***Portfolio Manager Performance and Performance Review***

Harbor utilizes Envestnet and other third-party sources to calculate portfolio manager performance for purposes of determining whether to select, retain or dismiss managers. Harbor does not review, and does not utilize a third-party to review, performance information to determine or verify its accuracy or its compliance with performance standards. Additionally, you should be aware that performance information may not be calculated on a uniform and consistent basis by different managers or among strategies.

***Analysis Method for Recommendation / Selection of Individual Stocks or Bonds***

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. Investing in securities involves certain risks and a potential for loss that Clients should be prepared to bear. Client should discuss with their Harbor Financial Advisor their risk tolerance and the risk presented by the specific securities and strategies recommended or selected for their Accounts.

## **Sources of Information**

The main sources of information that we use to analyze investments are:

- 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 Manager Database Services

## **Investment Strategies**

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

## **Investment Strategy and Risk of Loss**

Harbor does not guarantee the future performance of any Client Account, investment decision or strategy. Future results may vary substantially from past performance and no investment strategy can guarantee profit or protection from loss. Returns on investments can be volatile and an investor may lose all or a portion of the amount invested. Clients must consider specific risks associated with various investment management strategies and products. You should consult with your Financial Advisor for more details regarding the specific risks associated with the investments in your Account. Some general investment risks are described below.

### **Market Risk**

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

### **Lack of Diversification**

Portfolio investments could be concentrated in certain securities and/or asset classes and diversification could be limited. There are no limits with respect to position sizes.

### **Liquidity**

Generally, we invest Client Assets primarily in securities that are liquid at the time of purchase, but there is no guarantee that there will be a market for any given security in the future. 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 Wrap Fee based on the net asset value of the Account, including cash and cash equivalents. Holding cash and cash equivalents could provide higher or lower interest rate to the Client versus other investments.

### **Taxes**

Any transactions initiated to the Client's Account may cause the Client to incur tax consequences.

### **Leverage and Margin**

We may use leverage in investing. One way that we use leverage is by investing in leveraged products, including leveraged ETFs or structured products. These products carry higher expenses than traditional ETFs. Greater leverage will magnify results, whether positive or negative. Greater

leverage carries greater risk. Details about costs and risks are set forth in the prospectus for the fund or product.

Another way that we use leverage is by purchasing securities on margin. The use of short-term margin borrowings entails additional risks and costs. 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 affect 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 the default. Please see the Margin Risk Disclosure for additional information on the risks of using margin.

### **Interest Rate Fluctuation**

The prices of securities in which a Client may invest may be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of the long and short positions 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.

### ***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 with any questions related to the instructions.

## **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

In compliance with various Client agreements executed by you and Harbor, we will provide a Portfolio Manager and/or sub-manager information regarding your investment objectives, Account holdings to be managed and other information as may be reasonably necessary for the Portfolio Manager and/or sub-manager to make a decision as to whether to accept the engagement with respect to your Account management. After the Portfolio Manager and/or sub-manager is engaged to manage your Assets, Harbor will on an on-going basis provide the Portfolio Manager and/or sub-managers with any information you provide us regarding your portfolio, including changes or modifications to your investment objectives, and any specific investment restrictions relating to your Account imposed by you, investments that you advise us to not conform to your instructions. Harbor employees who serve as Portfolio Managers have access to all Client information obtained by Harbor with respect to the particular Client Accounts they manage.

## **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The primary point of contact for Clients with respect to all Harbor wrap fee advisory programs is the Client's Harbor Financial Advisor. There are no restrictions on a Client's access to his or her Harbor Financial Advisor.

## **ITEM 9: ADDITIONAL INFORMATION**

### ***Disciplinary***

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. There have not been any material legal, or disciplinary events involving the Advisory business of Harbor or its management

personnel.

### ***Other Financial Industry Activities and Affiliations***

Harbor is registered as a broker-dealer under the Securities and Exchange Act of 1934, state jurisdictions and is a member of the Financial Industry Regulatory Authority.

Harbor offers insurance products to Clients through those Harbor representatives licensed as insurance agents. The products offered include life insurance (universal, variable universal, whole life, and term), disability, and long-term care (collectively "Insurance Products"). Harbor and the representatives that sell Insurance Products will receive commissioned-based compensation on Insurance Products sold to Advisory Clients, which are separate from Harbor's Wrap Fee. This practice presents an incentive for us to recommend Insurance Products to Clients. Harbor is a producer of an unaffiliated third-party insurance agency, which provides Harbor a platform to sell Insurance Product through the independent agency, of which they receive a portion of all commissions generated. Clients are under no obligation, contractual or otherwise, to purchase Insurance Products through representatives of Harbor.

### ***Code of Ethics***

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, 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 those 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. Schady, Chief Compliance Officer.

### ***Review of Accounts***

Each Client is offered at least an annual Account review with their Financial Advisor. Additional reviews may be triggered by material market, economic or political events, or by Client request to communicate changes in Clients' financial situations (such as retirement, termination of employment, physical move, or inheritance).

### ***Client Referrals and Other Compensation***

Harbor compensates certain third parties to refer Clients to Harbor. Harbor pays a flat fee per referral, regardless of whether the referral results in the engagement of Harbor to provide Advisory Services, which does not result in additional costs to the Client.

Harbor receives mutual fund distribution and servicing fees from certain mutual fund companies, depending on the class of shares held. Harbor will credit to the Client, or to apply to reduce the Client's Wrap Fee, all payments received from any fund on account of Client's managed advisory holdings. Clients will receive theselected mutual fund and money market fund prospectus, which provides a complete description of the fees and expenses related

to each investment. Clients should read these documents carefully.

***Client Directed***

Clients may instruct us to direct all or a portion of the securities transactions for the Client’s 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. 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.

***Step Out Trades***

When utilizing the Envestnet platform, Envestnet generally routes trades directly to the custodian 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 pays to Harbor. 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 products chosen by the Financial Advisor and the securities held in the particular model. In other words, Clients will usually pay a commission in addition to the Wrap Fee for stepped-out trades.

***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. Any 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 to favor or disfavor any Accounts.

***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 numbers are 410-340-1225 or 410-913-7283. If the emergency line is down, please contact our clearing firm, Pershing LLC, at 201-413-3635. We have a plan to ensure that we can resume operations as quickly as possible after a 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 Clients. 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.

***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.