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**FIRM DISCLOSURE BROCHURE &
BROCHURE SUPPLEMENT
FORM ADV-PART 2 (PARTS 2A & 2B)**

March 31, 2011

This Disclosure Brochure ("Brochure") provides information about the qualifications and business practices of Harmony Investment Management, Inc. ("Harmony" or the "Advisor"). If you have any questions about the contents of this Brochure, please contact us at **(615) 577-1031**.

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.

Harmony is an investment adviser registered with the SEC. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about Harmony is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that advisers provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous disclosure documents did not require.

In the past we had offered or delivered information about our qualifications and business practices to clients on at least an annual basis. In accordance with the new SEC Rules, we will ensure that our clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We will further provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge to you.

Additionally, as of March 29, 2010, Harmony was involved in a transaction under which Capital L Group, LLC (“Capital L”) acquired approximately 85% of the outstanding common stock of the Advisor, which represented 100% of all its voting stock. Capital L thus became the Advisor’s corporate parent and the controlling shareholder. Capital L is a private fund and investment management company that controls a number of other operating entities whose activities cover different business areas that include asset management, private funds and broker-dealer services. Following the transaction, Harmony continues to operate as a separate investment advisory firm maintaining all existing investment processes, controls, policies and procedures as well as retaining all key staff members.

Our Brochure may be requested by contacting our Compliance Department at **(615) 577-1031**.

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

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ITEM 4 – ADVISORY BUSINESS

Harmony Investment Management, Inc. ("Harmony") offers customized investment management services to its clients based on each client's investment objectives, risk tolerance and other factors. In the vast majority of the cases, we assume "discretionary" responsibilities over the management of our client assets. Discretion includes us making decisions regarding investment of client assets in stocks, bonds, options and other investment products, as well as where and for how much to buy or sell those assets. In making our decisions, we will subject our selves to any general or specific restriction or limits placed ahead of time by our clients. Discretionary authorization is typically provided in a written investment management or investment advisory agreement ("Agreement") between each client and Harmony.

The primary service we offer - discretionary investment management – includes the management of assets identified by each client with respect to any specific investment objectives that apply to those assets; our responsibility will not extend to any other client assets not identified in the Agreement. Other assets may be considered, if we reach agreement with the client, but Harmony does not generally provide financial planning services.

Harmony's services are provided through what the industry refers to as "separately managed accounts." Essentially, this means that the client establishes an account with a custodian chosen by the client (such as a brokerage or trust firm) and then signs an agreement with Harmony to manage the assets within that account.

ITEM 5 – FEES AND COMPENSATION

Harmony generally charges as its fee a percentage of assets under management for its investment advisory services.

Fees are calculated according to the standard fee schedule listed below and are billed on a calendar quarter basis, in advance, based on the total market value of assets

under management at the close of the previous quarter. Total market value of assets is based on the value of all securities in each account, including cash or cash equivalents. Valuation for the securities is obtained from various sources such as the custodians of client assets, International Data Corporation, Charles Schwab & Co., Inc., Amherst Securities Group and other pricing services.

STANDARD FEE SCHEDULES (ANNUALLY)

A. Equity Objective Accounts

| Asset Value | Fee Schedule |
|--------------------------|----------------------|
| Under \$500,000..... | 1.25% of asset value |
| \$500,000 and over | 1.00% of asset value |

B. Fixed Income Objective Accounts

| C. Asset Value | Fee Schedule |
|------------------------------|----------------------|
| Under \$100,000,000..... | 0.75% of asset value |
| \$100,000,000 and over | 0.60% of asset value |

D. Balanced Objective Accounts

| Asset Value | Fee Schedule |
|-------------------------------|----------------------|
| Under \$500,000..... | 1.10% of asset value |
| \$500,000 to \$1,000,000..... | 0.90% of asset value |
| Over \$1,000,000 | 0.80% of asset value |

New accounts are billed at the end of the quarter in which the account was fully established and funded for the period from the date the account was accepted by Harmony until the end of the quarter, in arrears; subsequently, the accounts are billed in advance for the following calendar quarter, as noted above.

Harmony employees and employee related accounts may receive discounted fees. Harmony's fees are for investment management services only and may be negotiated under certain circumstances.

Harmony's fees do not include brokerage commissions, transaction fees, and other related costs and expenses which a client may incur. These may include charges imposed by custodians, brokers, and other third parties deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in each fund's prospectus. Such charges, fees and commissions are exclusive of, and in addition to, Harmony's fee. Harmony does not receive any portion of these commissions, fees, and costs and does not get involved with their negotiation except as noted in Section ____ of this Brochure.

For most clients, fee invoices are transmitted electronically to the custodians of the accounts within 30 days following the close of the quarter and may be deducted from the client accounts in accordance with the terms of the Agreement or other written authorization from the client. Duplicate copies of the fee invoices are sent to the client prior to the date on which the custodian is notified and the account is charged. If the custodian is not able to receive electronic billing information, or if the client so chooses, Harmony will issue paper invoices in which case payment is due ten days from the date of the invoice.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Harmony does not charge performance-based fee and does not participate in side-by-side management of clients' separately managed accounts with other types of products.

ITEM 7 – TYPES OF CLIENTS

Harmony provides investment management services to clients a high majority of whom are individuals both high networth and non-high networth. A small minority of the Advisor's clients are non-profit organizations.

The minimum account size for all new accounts is \$200,000 per client relationship subject to the sole discretion of Harmony. The smaller accounts may be accepted under special circumstances. The Advisor may accept new accounts with lower minimums or charge lower fees than the standard fee schedule based on several criteria which may include anticipated future earning capacity from a relationship, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition and negotiations with the client, etc.

Harmony has one client that represents the majority of its assets under management. This client also maintains a passive investment in Harmony through the ownership of some of the Advisor's issued and outstanding preferred stock. The preferred stock has no voting rights, is not convertible, and the client does not have a seat on the Board of Harmony nor is it involved in the daily operations and/or management of Harmony. This client's investment in Harmony in no way affects the management of assets of this client or any other client of Harmony. Harmony has developed and implemented internal controls to avoid any potential conflicts of interest.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Harmony employs the following methods of analysis: fundamental, technical, cyclical and charting. The investment strategies Harmony uses to implement its investment services include long-term purchase of securities which are held for longer than one year; short-term purchases of securities which are held for less than one year; short sales, option writing, including covered options and uncovered options.

The Advisor's main sources of information research materials produced by industry research providers, corporate rating services, annual reports, fund prospectuses, and

other filings made with the SEC, company press reports, financial newspapers and magazines, inspections of corporate activities.

Harmony invests clients' assets in a wide variety of equity and fixed income securities including the following: exchange and over-the-counter traded equity securities; foreign securities; investment company securities; fixed income securities, including US Government debt securities, corporate debt securities, commercial paper, municipal securities, warrants and options contracts.

Harmony may also invest client assets in mortgage pass through securities, adjustable rate mortgages, collateralized debt or mortgage obligations, commercial mortgage-backed securities, structured notes, currencies, futures, reinsurance-backed bonds, mortgage derivatives, non-Rule 144A private placements, forwards, swaps, credit default swaps, listed and over the counter options, options on foreign exchange, rights offerings, exchange traded funds, open-end and closed-end funds, convertible bonds, preferred stock, and interest only or principal only securities. Harmony may also invest assets of certain clients in Rule 144A securities. Certain of these securities are not registered under the Securities Act of 1933 (the "1933 Act") and may not be resold until registered under the 1933 Act or unless an exemption from the 1933 Act's registration requirements, such as Rule 144A, is available and complied with for the re-sale transaction. As a result of these restrictions, Rule 144A securities tend to be less liquid than registered securities and tend to sell at a lower price than would be available if they were registered. In addition, it may be more difficult to value Rule 144A securities accurately and less information may be available about the issuers of Rule 144A securities.

General Risks:

Harmony may invest in securities it believes to be undervalued, but that may not realize their perceived value for extended periods of time or may never realize their perceived value. Securities comprising Harmony's investment strategies may respond differently to market and other developments than other types of securities.

Performance of Harmony's investment strategies is largely dependent on the talents and efforts of its investment professionals. There can be no assurance that Harmony investment professionals will continue to be associated with Harmony and the failure to retain such investment professionals could have an adverse effect on the value of an investment.

Harmony may manage various investment strategies that may invest in the same securities. However, certain investment strategies are, by their nature, more flexible with respect to investment style and process than others managed by Harmony. Depending on the particular investment strategy and its portfolio management characteristics, one strategy may hold a security for a longer or shorter period of time

than another strategy (including initial public offering securities). Such differences may contribute significantly to disparate investment performance of the strategies despite the fact that the strategies may hold the same securities.

Risks Related to Equity Securities

Harmony may invest in securities it believes to have the potential for growth, but that may not realize such perceived potential for extended periods of time or may never realize such perceived growth potential. Such stocks may be more volatile than other stocks because they can be more sensitive to investor perceptions of the issuing company's growth potential. Small- and mid capitalization stocks may be subject to higher degrees of risk, their earnings may be less predictable, their prices more volatile, and their liquidity less than that of large- capitalization or more established companies' securities.

Risks Related to Debt Securities

An investment in debt securities carries risk. If interest rates rise, debt security prices usually decline. The longer a debt security's maturity, the greater the impact a change in interest rates can have on its price. If you do not hold a debt security until maturity, you may experience a gain or loss when you sell. Debt securities also carry the risk of default, which is the risk that the issuer is unable to make further income and principal payments. Other risks, including inflation risk, call risk, and pre-payment risk, also apply. Some debt securities may give the issuer the option to call, or redeem, the securities before their maturity, and, during a time of declining interest rates, Harmony may have to reinvest the proceeds in an investment offering a lower yield and may not benefit from any increase in the value of its portfolio holdings as a result of declining interest rates.

The lack of a readily available market may limit the ability to sell certain securities at the time and price it would like. The size of certain debt securities offerings of emerging markets issuers may be relatively smaller in size than debt offerings in more developed markets and, in some cases, Harmony may hold a position in a security that is large relative to the typical trading volume for that security; these factors can make it difficult to dispose of the position at the desired time or price. Lower-rated, higher-yielding securities are subject to greater credit risk than higher rated investments. Credit risk is the risk that the issuer will not make interest or principal payments, or will not make payments on a timely basis. Non-investment grade securities tend to be more volatile, less liquid and are considered speculative. If there is a decline, or perceived decline, in the credit quality of a debt security (or any guarantor of payment on such security), the security's value could fall.

Risks Related to Municipal Securities

A primary risk of municipal securities, like other fixed-income securities, is credit risk. Payment by the issuer may depend on a relatively limited source of revenue, resulting in greater credit risk. The values of municipal securities can fluctuate and may be affected by adverse tax law, legislative or political changes, and by financial or other developments affecting municipal issuers and the municipal securities market generally. If there is a decline, or perceived decline, in the credit quality of a municipal security (or institutions providing credit and liquidity enhancements), the security's value could fall.

Risks Related to Non-Domestic Securities

Securities in certain non-domestic countries may be less liquid, more volatile, and less subject to governmental supervision than in one's home market. The values of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, and economic and monetary policy.

Risks Related to Emerging Markets Securities

Emerging market securities carry special risks, such as less developed or less efficient trading markets, a lack of company information, and differing auditing and legal standards. The securities markets of emerging market countries can be extremely volatile; performance can also be influenced by political, social, and economic factors affecting companies in emerging market countries.

Risks Related to Convertible Securities

Convertible arbitrage strategies generally involve price spreads between the convertible security and the underlying equity security. The prices of these investments can be volatile and market movements are difficult to predict. Event-driven investing requires Harmony to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result.

Risks Related to Quantitative Investment Strategies

A quantitative investment strategy relies on quantitative models and filters which, if incorrect, may adversely affect performance.

Risks Related to Engaging in Leverage

Certain strategies may utilize leverage by borrowing funds from securities broker-dealers, banks or others and such borrowing may utilize significant amounts to take advantage of perceived opportunities, such as short-term price disparities between markets or related securities. Such leverage increases both the possibilities for profit and the risk of loss.

Risks Related to Short Selling

Certain strategies may engage in short selling which can, in some circumstances, substantially increase the impact of adverse price movements. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying securities to cover the short position.

Risks Related to Derivatives Transactions

Derivatives transactions, including those entered into for hedging purposes, may reduce returns or increase volatility. Forward currency contracts, over-the-counter options on securities and currencies and swap agreements as well as other derivatives, are subject to the risk of default by the counterparty, in addition to risks of changes in the value of the related currency, securities or other reference asset. Many derivatives also can be illiquid and highly sensitive to changes in the related currency, securities or other reference asset. As such, a small investment in certain derivatives could have a potentially large impact on performance.

Risks Related to Currency Investments

Fluctuations in currency exchange rates can cause a decline in the value of portfolio securities, irrespective of any foreign currency exposure hedging. The inability to predict movements in exchange rates and imperfect correlations between movements in exchange rates and movements in the currency hedged may cause portfolio losses.

Risks Related to Illiquid Securities

Securities that are not readily marketable, such as securities that are subject to legal or contractual restrictions on resale (such as private placements and certain restricted securities), and other types of illiquid securities, may be difficult to value accurately, and clients are subject to the risk that it may be difficult or impossible to find a buyer for such securities, at a desired the time, at a price that is deemed to be representative of their value. As such, portfolio losses could occur.

Risks Related to Investments in ETFs, Open-End and Closed-End Funds

Certain Harmony investment strategies may invest in shares of exchange-traded funds (“ETF”), open-end funds and closed-end funds or other similar products (“Underlying Funds”). ETFs and closed-end funds may trade at prices that vary from their net asset value (“NAV”), sometimes significantly. Performance of an ETF pursuing a passive index-based strategy may diverge from the performance of the index. Investments in Underlying Funds are subject to the risks of such Underlying Fund’s investments, and investors will bear not only the management fees and operating expenses charged by Harmony or a fund managed by Harmony, but also their proportional share of the management fees and operating expenses of the Underlying Funds. Clients can invest directly in Underlying Funds without incurring additional fees by investing through Harmony.

ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any disciplinary or legal events that would be material to your evaluation of the firm or the integrity of firm’s management. Harmony does not have any disciplinary or legal actions, decided, settled, pending or threatened that is applicable to this Item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Harmony operates its investment advisory business as separate investment adviser devoted exclusively to the provision of advisory services to its clients. However, the Advisor is related by, virtue of common ownership by Capital L Group, LLC, to the following entities.

| RELATED ENTITY | CRD # | TYPE OF ENTITY |
|---|--------------|-----------------------|
| Aegis Capital, LLC | 125376 | Investment Adviser |
| Circle One Wealth Management, LLC. | 152626 | Investment Adviser |
| Capital Guardian, LLC. | 137919 | Broker-Dealer |
| Capital Guardian Wealth Management, LLC | 131631 | Investment Adviser |

Because we are affiliated with the foregoing entities, we may have an incentive to recommend their services or products to our clients or potential clients; we may also have an incentive to offer our investment advisory services to their clients or customers at fee rates that are more favorable than those offered to other clients. Since we operate as a separate investment adviser, we may charge our standard advisory fees to any client referred to us by any of the above affiliated entities without giving credit to, or reducing our fees by, the amount of any compensation paid to the affiliated entity by the client. As is the case with all our investment management engagements, our fees will be charged pursuant to a written investment management

agreement between the client and Harmony and will apply only with respect to the portion of the client's assets over which we provide investment advisory services. Where there is referral arrangement between us and an affiliated entity with respect to a client account, the fee we charge the client will not be increased due to any compensation we pay to the affiliated entity.

As a separate investment adviser, Harmony had adopted and implement internal policies, procedures and practices that are independent of any of the affiliated entities and are designed to ensure that appropriate controls are put in place to avoid perceived conflicts of interest. Harmony does not normally share clients with its affiliated entities but should Harmony accept a client following a referral or recommendation from an affiliated entity, the relationship between Harmony and the affiliated entity will be disclosed to the client in writing prior to engaging in any transactions on the client's behalf. With respect to brokerage transactions, Harmony does not use any affiliated broker-dealer for the execution, clearing or settlement of its clients' trades.

ITEM 11 – CODE OF ETHICS

Harmony has adopted a Code of Ethics in which it maintains a personal securities trading policy that requires each employee to have all personal securities transactions approved by the Chief Compliance Officer ("CCO") prior to execution. Harmony also requires each employee to provide duplicate confirmations and statements for all personal securities accounts to Harmony's CCO. The CCO will, on a regular basis, review all such transactions to ensure that they are not in conflict with the interests of any of Harmony's clients. Personal securities transactions of the CCO are monitored by the Compliance Manager ("CM"). Should a conflict or potential conflict arise, the CCO or CM will take the necessary action to correct the problem including canceling the trade prior to settlement, requiring that profits be forfeited or imposing restrictions on future personal securities transactions.

On occasion and subject to the terms of the Code of Ethics, Harmony may recommend to or effect for a client the purchase or sale of a security in which a related person, directly or indirectly, holds, buys or sells in his or her personal account. Also, subject to the Code of Ethics, Harmony or related persons may, on occasion, buy or sell a security that Harmony also recommends to clients. These transactions are required to be reviewed by the Portfolio Manager and pre-cleared by the CCO prior to execution and are subject to all of the terms and conditions of Harmony's Code of Ethics as summarized in this Brochure.

Additionally, the Code of Ethics establishes other limitations on employee personal securities trading that relate to, among others, black-out period during which employees may not trade in securities if those securities are being considered for trading or are the subject of on going or recent transactions in Harmony client accounts; short-term trading, "naked" short sales of securities held in client accounts; options, new or secondary issues, as well as private placements and limited offerings.

A copy of Harmony's Code of Ethics is available upon request by contacting the phone number listed on the cover page of this Brochure. Harmony also has a written privacy policy regarding the safety and confidentiality of all client information, both paper and electronic, and any information relating to any transactions or other activity in the clients' accounts or otherwise pertaining to any client; the privacy policy is also available by contacting the number mentioned above.

ITEM 12 – BROKERAGE PRACTICES

INVESTMENT BROKERAGE DISCRETION

Harmony normally has authority to supervise and direct investments for the client's account without prior consultation with the client. As part of this discretionary authority, Harmony will normally determine which securities are bought and sold for the account, the total amount of such purchases and sales, the brokers or dealers through which transactions will be executed, and the commission rates paid to effect the transactions. Harmony's authority may be subject to the conditions imposed by the clients, for example, where the client restricts or prohibits transactions be effected through specific brokers or dealers, or brokers or dealers meeting certain criteria (for example, registered or doing business as broker-dealers in a certain state.)

SELECTION OF BROKERS AND DEALERS TO EFFECT CLIENT TRANSACTIONS

Harmony's overriding objective in effecting portfolio transactions is to seek to obtain the best combination of net price and execution. The best net price, taking into account applicable brokerage commission and other transaction costs, is normally an important factor in this decision, but Harmony will also consider a number of other factors in selecting a broker-dealer to execute a client trade. These include: Harmony's knowledge of negotiated commission rates currently available and other current transaction costs; the nature of the security being traded; the size of the transaction; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the execution, clearance and settlement capabilities of the broker-dealer and others which are considered and the financial stability of the broker-dealers selected.

Recognizing the value of these factors, Harmony may cause a client to pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. Evaluations of the reasonableness of brokerage commissions, based on the foregoing factors, are made on an on-going basis. All transactions and the general level of brokerage commissions paid are reviewed periodically by Harmony as part of its best execution review process.

A specific broker-dealer may be selected for execution of transactions in fixed income products due to limited product availability and/or to obtain a better execution. If Harmony selects a broker-dealer other than the custodian for a fixed income transaction, an additional fee may be charged by the third-party dealer. Any fees of this nature are considered in determining which broker-dealer will be used for fixed income transactions and the overall best price for the client.

CLIENT DIRECTED BROKERAGE ARRANGEMENTS

Harmony does not generally accept direction from a client to effect portfolio transactions through a particular broker-dealer. However, at its sole discretion, Harmony may accept a client's directed brokerage instruction to utilize a specific broker for the client's portfolio transactions provided the client acknowledges that such direction may result in higher execution costs and less competitive prices than may otherwise be available. Harmony is generally not able to accept brokerage direction for fixed-income transactions, as direction is generally incompatible with the way in which fixed-income securities are traded by Harmony.

A client who restricts brokerage may also be subject to the disadvantages discussed below regarding aggregation of order. Where a client restricts Harmony to a particular broker-dealer with respect to transactions for that client's account, the client may be disadvantaged in obtaining allocations of new issues of securities which Harmony purchases or recommends for purchase in other client accounts.

AGGREGATION AND ALLOCATION

It is Harmony's practice, when feasible, to aggregate for execution as a single transaction orders for the purchase or sale of a particular security for the accounts of several clients in order to seek a lower commission or more advantageous net price.

When orders to purchase or sell the same securities on identical terms are placed by more than one account managed by Harmony, the transactions are normally averaged as to price (to the extent they are with the same broker/dealer). In cases where only part of an order is filled, securities are allocated to participating on a pro rata basis based on account size or in any other manner which Harmony deems equitable. Where the order is fully filled, each client receives its full allocation of the trade. Client orders will generally not be aggregated for execution where there are specific limitations, such as a brokerage direction, that would prevent such aggregation.

Since the benefit, if any, obtained as a result of trade aggregation is generally allocated pro rata among the accounts of the clients which participated in the aggregated transaction, a client which has restricted Harmony to a particular broker or

dealer with respect to transaction for that client's account, generally will be unable to participate in aggregated orders.

RESEARCH AND SOFT DOLLAR BENEFITS

Consistent with the requirements of best execution, Harmony may choose broker-dealers for the execution of transactions in a client account's portfolio in recognition of investment research and information furnished to Harmony as well as for brokerage and execution services provided by such brokers. Such investment research or information is considered "soft dollar" benefits to Harmony or client commissions. Harmony may in its discretion cause accounts to pay broker-dealers a commission for effecting a portfolio transaction in excess of the amount of commission another broker or dealer adequately qualified to effect such transaction would have charged for effecting that transaction. This may be done where Harmony has determined in good faith that such commission is reasonable in relation to the value of the brokerage and/or research to that particular transaction or to Harmony's overall responsibilities with respect to the client accounts as to which it exercises investment discretion. In such instances, Harmony would make a good faith effort to determine the relative proportions of such products or services, which may be considered as investment research. The portion of the costs of such products or services attributable to investment research usage might be defrayed by Harmony through brokerage commissions generated by client transactions, while the portions of the costs attributable to non-research usage of such products or services would be paid by the Advisor in cash from its own resources, considered "hard dollars". In making good faith allocations of cost between administrative or non-research uses and research uses, a conflict of interest exists by reason of Harmony's allocation of the costs of such uses between those that primarily benefit Harmony and those that primarily benefit its clients. Harmony's soft dollar practices are done in compliance with the safe harbor provisions of Section 28(e) of Securities Exchange Act of 1934.

When Harmony receives research services from brokers-dealers in connection with brokerage commissions generated with respect to client accounts, Harmony receives a benefit in that it is not required to pay for such services from its own resources (called "hard dollars") or produce the research on its own. Additionally, Harmony may have an incentive to select a broker-dealer based on such receipt of research or other services rather than the ability to provide most favorable execution. However, Harmony's brokerage policies and procedures as summarized above are designed to address such potential conflict of interest. Harmony may receive a wide range of research (including proprietary and third-party research) and brokerage services from brokers-dealers. Harmony may receive the following types of research and related services: written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing services, as well as discussions with research personnel and meetings with senior management of companies whose securities are held in or may be held in client accounts, along with databases and other news and technical services utilized in the investment-management process. Harmony did not receive any soft dollar services during the fiscal year ended December 31, 2010.

Any research received as part of a particular client's brokerage commissions may be useful to that client, but also may be useful to Harmony in connection with the management of other client accounts, and vice versa. In addition, not all such services may be used by Harmony in connection with the accounts that paid commissions to the broker providing such service. Harmony believes that it has resolved any potential conflict of interest by subjecting all such arrangements to its policies and procedures designed to ensure compliance with Section 28(e) of the Securities Exchange Act of 1934, and effecting all such transactions in accordance with Harmony's trading policies and procedures.

Harmony participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Harmony receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14. below.)

Harmony may suggest that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab") or the TD Ameritrade Institutional division of TD Ameritrade, Inc. ("TD Ameritrade") or Pershing Adviser Solutions ("Pershing"), registered broker-dealers, member FINRA/SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Harmony may suggest that clients establish accounts at Schwab, TD Ameritrade or Pershing, it is the client's decision to custody assets with Schwab, TD Ameritrade or Pershing. Harmony is independently owned and operated and not affiliated with Schwab, TD Ameritrade or Pershing. Schwab, TD Ameritrade and Pershing provide Harmony with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as they maintain a certain level of assets under management within accounts at Schwab, TD Ameritrade or Pershing. These brokerage services include execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. The benefits received by Harmony or its personnel through participation in these institutional programs do not depend on the amount of brokerage transactions directed to Schwab, TD Ameritrade, or Pershing. There is no direct link between Harmony's participation in these programs and the investment advice it gives to its clients.

For Harmony's client accounts maintained in Schwab/TD Ameritrade/Pershing's custody, there are generally no separate charges for custody but Schwab/TD Ameritrade/Pershing are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab/TD Ameritrade/Pershing or that settle into Schwab/TD Ameritrade/Pershing accounts. Schwab/TD Ameritrade/Pershing also makes available to Harmony other products and services that benefit Harmony but may not directly benefit its clients' accounts. Some of these other products and services assist Harmony in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Harmony's fees from its clients' accounts; and assist with back-office functions, record-keeping and client reporting.

Many of these services generally may be used to service all or a substantial number of Harmony's accounts, including accounts not maintained at Schwab/TD Ameritrade/Pershing. Schwab/TD Ameritrade/Pershing also makes available to Harmony other services intended to help Harmony manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab/TD Ameritrade/Pershing may make available, arrange and/or pay for these types of services rendered to Harmony by independent third parties. Schwab/TD Ameritrade/Pershing may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Harmony.

Harmony's suggestion that clients maintain their assets in accounts at Schwab/TD Ameritrade/Pershing may be based in part on the benefit to Harmony of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab/TD Ameritrade/Pershing, which may create a potential conflict of interest. As a fiduciary, Harmony endeavors to act in its clients' best interests.

ITEM 13 – REVIEW OF ACCOUNTS

Harmony's investment professionals review accounts daily. A more detailed review of an account may be prompted by a variety of factors including, but not limited to: cash contributions to or withdrawals from an account; the performance of an account; options expiration; interest rate changes; or changes in the general market and/or economic outlook. In general, each portfolio is reviewed at least quarterly by senior management to ensure that portfolio holdings are consistent with the objectives of, and/or limitations imposed by, each client. Clerical aspects of account reviews, report

preparation, account reconciliation, etc. are performed daily. Periodic reviews are also performed by the CCO for the purposes of ensuring suitability of investments and compliance with internal policies and procedures.

Each client will receive holdings and transaction statements directly from their qualified custodian according to the procedures of each custodian. Clients will also receive quarterly statements from Harmony that include allocations, holdings, performance and transaction details. Clients are encouraged to consult with Harmony as often as they choose and quarterly meetings are offered to each client to review portfolio performance as well as to identify any changes in the client's investment objectives, risk tolerances and liquidity needs.

All accounts are reviewed on a regular basis by monitoring price movements, changes in interest rates and/or credit ratings and news events that could affect the future value of the security. Reviews are also triggered by such factors as a change in a stock's price/earnings ratio relative to its growth rate or its price volatility relative to the market and/or industry group.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Harmony has implemented internal compensation arrangements to compensate employees for referring clients to Harmony. If these referred individuals or entities become clients of Harmony, the employee is compensated either as a flat fee per referral or based on the annual fees earned and received by Harmony. The requirements for eligibility of referrals are detailed in our written procedures. The compensation usually ranges between 5% and 10% of the annual fees with a cap of no more than \$6,000 annually for an unlicensed employee and no more than 49% of a licensed employee's annual income unless the employee is properly licensed and designated as a sales person. Harmony has also established relationships with individuals for the purposes of soliciting business on Harmony's behalf. These solicitors are compensated based on each client referral and in accordance with SEC Rule 206(4)-3. The use or compensation of solicitors does not, in any way, increase or otherwise change Harmony's standard fee schedule as it applies to clients. Certain properly licensed and authorized solicitors may provide client service functions and/or other responsibilities to the clients as determined between the solicitor and the client. All solicitors are required to provide to Harmony a disclosure document signed by each referred client detailing the specific compensation arrangements prior to Harmony accepting the account. Compensation arrangements vary depending upon the services provided by the solicitor but typically range between 2% and 10% of Harmony's fees for referrals and up to 50% of the annual fee earned and received by Harmony if client service functions are provided by the solicitor.

As disclosed under Item 12. above, Harmony participates in TD Ameritrade's institutional customer program and Harmony may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Harmony's

participation in the program and the investment advice it gives to its Clients, although Harmony receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Harmony participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Harmony by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Harmony's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Harmony but may not benefit its Client accounts. These products or services may assist Harmony in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Harmony manage and further develop its business enterprise. The benefits received by Harmony or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Harmony endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Harmony or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Harmony may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Harmony may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Harmony and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Harmony and has no responsibility for Harmony's management of client portfolios or Harmony's other advice or services. Harmony pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%)

of the advisory fee that the client pays to Harmony ("Solicitation Fee"). Harmony will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Harmony from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Harmony on the recommendation of such referred client. Harmony will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Harmony's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Harmony may have an incentive to recommend to clients that the assets under management by Harmony be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Harmony has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Harmony's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

ITEM 15 – CUSTODY

Harmony does not have custody of its clients' assets. Clients customarily select and engage their own custodians independent of Harmony. Each client is encouraged to designate a particular broker-dealer to custody and execute all transactions for the managed assets. Harmony has established institutional relationships with Charles Schwab & Co., Inc., TD Ameritrade, Inc. and Pershing Adviser Solutions and a retail relationship with Fidelity Investments in order to offer a wide range of services to our clients. Although Harmony does not recommend a broker or broker-dealer to be used as custodians for client assets, if the client has no preference as to the broker-dealer and requests Harmony to assist with the decision, Harmony will provide a list of broker-dealers with which Harmony has established relationships. These broker-dealers in no way compensate Harmony, directly or indirectly, for providing this information. If a certain broker-dealer offers lower commission rates for certain products or other services that better meet the client's needs and are in line with a client's objectives, Harmony may suggest that broker-dealer for these reasons although Harmony has no established relationship with that broker-dealer. Under no circumstances are there any additional costs to the client as a result of the

relationships Harmony may have with various broker-dealers or which broker-dealer Harmony may suggest to the client.

ITEM 16 – INVESTMENT DISCRETION

Generally, Harmony retains full discretionary authority over all investment decisions pertaining to a client account. Such discretionary authority is to be exercised in a manner consistent with the client's stated investment objectives, guidelines, and restrictions. The grant of investment discretion is set forth in the governing Agreement entered into by the client and Harmony at the inception of the account. The applicable client investment objectives, limitations and/or restrictions are also usually documented as part of, or attached to, the Agreement or may be provided and amended through other written documents relating to the account.

At the request of a client, Harmony may, at its sole discretion accept an account without the grant of full investment discretion. Such relationship will be documented in the Agreement or other applicable account document which specifies the nature and extent of Harmony's responsibilities with respect to the account as well any other unique features of the account.

ITEM 17 – VOTING CLIENT SECURITIES

In accordance with SEC requirements, Harmony has adopted a written Proxy Voting Policies and Procedures (the "Policy") to address how proxies will be voted on behalf of our clients.

Generally, Harmony encourages clients to vote their own proxy ballots. However, upon a client's request, Harmony may accept in writing the authority to vote proxy ballots on the client's behalf. When Harmony accepts responsibility for voting client proxies, the client may direct Harmony on how to vote specific proxies by providing written instructions that clearly specify the client's instructions which must be received by Harmony in a reasonable time to process and effect the vote.

Harmony Policy details the principles that guide the Advisor when voting proxies; the Policy also spells out how Harmony maintains records of how it voted each proxy ballot and how a client can obtain such records. To avoid any potential conflicts of interest, Harmony's Proxy Voting Committee reviews each ballot and votes in accordance with written guidelines based on what it believes to be in the best interests of the client. Clients can obtain at no charge copies of Harmony's Policy or information concerning how Harmony voted each proxy on the client account by sending a request in writing or by telephone to the address or phone number provided below.

All requests pertaining to Harmony proxy voting Policy should be sent to:

Proxy Contact:

Harmony Investment Management, Inc.

Attn: Proxy Administrator

103 Continental Place, Suite 100

Brentwood, TN 37027

Telephone: (615) 577-1031

ITEM 18 – FINANCIAL INFORMATION

Harmony has no financial commitment or adverse financial condition that could impair its ability to meet its investment management contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding or similar debtor actions.