



Form ADV Part 2A
"Brochure"

August 22, 2011

Harmony Investment Management, Inc.
103 Continental Place, Suite 100
Brentwood, TN 37027
(615) 577-1031

www.HarmonyIM.com

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

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Harmony is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about Harmony is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Please note the following material changes from our most recent annual Form ADV Brochure, dated March 31, 2011:

On May 31, 2011, Doug Turner (our current President & Portfolio Manager) purchased all of our corporation's stock owned by Capital L Group, LLC. As a result, Mr. Turner now owns 100% of all issued and outstanding voting common stock of our corporation (see Item 4 for more information about our business). As a result of this change, Item 10 has been amended to reflect that we no longer have an affiliation with any other organizations.

Additionally, our current standard fee schedule has been amended and is reflected under Item 5. In relation to this change, we have eliminated the minimum account size requirement (as noted in Item 7) and have instead implemented a minimum annual fee (as noted in Item 5). We also updated Item 8 to provide more specific information regarding the investment strategies and methods of analysis that we utilize in providing investment management services to our clients.

Several other changes have been made to the language in all items of this Brochure that our new ownership believes are reflective of our business, but may not be considered a material change from our last Brochure. Nonetheless, we strongly recommend that you read this amended Brochure in its entirety as it reflects important and useful information about our business.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide Clients with a summary of such changes. We will also reference the date of our last annual update of our Brochure.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Kimberly Wallace, Operations & Compliance Manager at (615) 577-1031 or clientservice@harmonyim.com. 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 ("IARs") of Harmony.

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Item 4 – Advisory Business

- A. Harmony Investment Management, Inc. (“Harmony”) was incorporated in 2004 and started managing discretionary accounts in February 2005. The firm was founded and is owned and controlled by Doug Turner, who is our current President and Portfolio Manager. Specific ownership interest information is located on Schedule A of Part 1 of the firm’s Form ADV, which is publicly available on the SEC’s Investment Adviser Public Disclosure (“IAPD”) web site, which can be found at www.adviserinfo.sec.gov.

Harmony is organized as a “C” corporation and is currently domiciled in the state of Tennessee. Harmony has one client that has a passive investment in Harmony through the ownership of all issued and outstanding non-voting common stock and all issued and outstanding preferred stock. Both the non-voting common stock and the preferred stock have no voting rights, are 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.

- B. We offer customized discretionary investment management services to our clients based on each client’s investment objectives, risk tolerance and other factors. Discretion includes us making decisions regarding the investment of client assets in stocks, bonds, exchange traded funds, options, and other investment products as deemed appropriate or specifically requested by the client (see Item 16 for more information regarding investment discretion).

Our investment management services include management of assets designated by each client with respect to the individual objectives for those assets rather than in consideration of all other client assets. Other assets may be considered upon client’s request, but we do not generally provide financial planning services.

Our services are provided through what the industry refers to as “separate account management”. Essentially, this means that the client establishes an account with a custodian (typically a brokerage firm) and then signs an agreement with us to manage the assets within that account (in accordance with the client’s stated objectives, limitations, and restrictions). In addition to signing an agreement with us, discretionary authority is typically accomplished through a limited trading authorization or other similar written authority contained in the account paperwork with the client’s custodian. This limited authorization grants Harmony discretion with respect to the management of the assets within the account (the buying and selling of securities), but does not allow Harmony to withdraw, transfer or in any

way take control of the client's assets (except in instances where the client has authorized the electronic payment of our management fees from the assets within the account – see Item 5 and Item 15 for additional information regarding fees and custody). In this regard, it's important to understand that Harmony does not take custody of client assets.

- C. We have a passion for helping our clients succeed and are committed to helping them achieve their investment goals. We offer both equity and fixed income management services built specifically to suit our client's needs and objectives and in accordance with their specified restrictions and/or limitations. We will initially meet with prospective clients to determine if we're a good fit for what they're looking for in a manager and if they're a good fit for the services we provide. As part of this process (and on an ongoing basis) we seek to gain an understanding of our client's circumstances including their investment objectives, time horizon, performance expectations, liquidity needs, risk tolerance, and other factors that will help us construct and actively manage a portfolio designed to meet these objectives. Over time, our client's objectives may change or they may wish to place limitations and/or restrictions on our management of their assets. These changes can be made as often as the client deems necessary and will be reflected through written amendments to the appropriate Exhibits within the Investment Advisory Agreement between us and the client. By placing a strong emphasis on educating and communicating with our clients, we are able to adjust a client's portfolio to their changing needs in a timely and responsive manner.
- D. Harmony does not currently participate in any wrap fee programs.
- E. As of June 30, 2011, Harmony managed approximately \$39.5 million on a discretionary basis and approximately \$0.4 million on a non-discretionary basis.

Item 5 – Fees and Compensation

- A. We are compensated for investment management services by charging a management fee that is determined by applying a percentage to the total market value of assets under our management (100% of our revenue comes from these management fees). The 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 the custodians of client accounts and in the case of bond securities, may also be obtained from Amherst Securities Group. The specific manner in which fees are charged by Harmony is established in your Investment Advisory Agreement with us. Harmony employees and employee related accounts

may receive discounted fees. All fees may be negotiated at our discretion under certain circumstances (including but not limited to the account composition and complexity, family relationships, etc.).

The fee schedule applicable as of this Brochure is as follows:

Equity Accounts (growth objective)

1.00% of the first \$1,000,000 of asset value (0.25% on a quarterly basis)

0.75% of asset value over \$1,000,000 (0.1875% on a quarterly basis)

The minimum annual fee is \$4,000 (\$1,000 on a quarterly basis)

Fixed Income Accounts (income objective)

0.75% of the first \$1,000,000 of asset value (0.1875% on a quarterly basis)

0.60% of asset value over \$1,000,000 (0.15% on a quarterly basis)

The minimum annual fee is \$4,000 (\$1,000 on a quarterly basis)

Balanced Accounts (growth & income objective)

0.90% of the first \$1,000,000 of asset value (0.225% on a quarterly basis)

0.65% of asset value over \$1,000,000 (0.1625% on a quarterly basis)

The minimum annual fee is \$4,000 (\$1,000 on a quarterly basis)

- B. New accounts are billed based upon the total market value at the end of the quarter in which the account was fully established and funded. New accounts are initially billed for the period from the effective date of the Agreement until the end of the quarter, in arrears, and in advance for the following calendar quarter. Thereafter, fees are billed quarterly in advance based upon the total market value at the end of the preceding quarter. You may elect to pay fees either electronically (deducted from the assets in your account) or manually (billed directly to your address of record). In either case, we send you a fee invoice generally within 20 days following the close of the previous quarter (and in the case of electronic billing, prior to the custodian being notified and the account being charged). In the event you elect to pay fees electronically, your custodian will not confirm our fee. Your statements from your custodian will include the amount of the fee sent to us. You should confirm the accuracy of our fee calculation upon the receipt of your custodian's statement.
- C. Harmony's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in

a fund's prospectus. Such charges, fees and commissions are separate from the fee you pay Harmony, and Harmony does not receive any portion of these commissions, fees, and costs. Please see Item 12, which further describes the factors that Harmony considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

- D. Unless otherwise noted in your Investment Advisory Agreement with Harmony, either party may end the relationship (terminate the Agreement) upon 30 days written notice. If your relationship with Harmony ends during a calendar quarter, your fee will be prorated for the appropriate number of days completed in the quarter and, where applicable, any unearned fees will be fully refunded on a pro-rata basis. Our Investment Advisory Agreement does not provide for any termination fees or penalties upon cancellation.
- E. Harmony does not permit supervised persons to accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds or exchange traded funds.

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

This section does not apply to Harmony as we do not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a Client).

Item 7 – Types of Clients

Harmony clients include individuals, trusts, charitable organizations, retirement plans, and corporations and similar business organizations. There are no minimum account size requirements, although there is a minimum annual fee (see Item 5).

Harmony has one client that represents the majority (greater than 50%) of its assets under management. This client also maintains a passive investment in Harmony (see Item 4).

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

We understand the benefits of doing what you do best. Therefore, we do not try to be all things to all people. Our core competency is providing investment management services and as such, we do not sell financial products (such as annuities and other insurance products).

We offer both equity and fixed income separate account management services built specifically to suit our client's needs and objectives and in accordance with their specified restrictions and/or limitations. Therefore, in the management of client accounts, we may utilize a broad range of securities. These include the following:

Equity securities – including U.S. equities (stocks), foreign equities (so long as they are listed on U.S. exchanges and are thus denominated in U.S. Dollars and that submit filings with the SEC), exchange traded funds (ETFs), publicly traded limited partnerships, publicly traded limited liability companies, publicly traded real estate investment trusts, covered call options, and protective put options.

Fixed income securities – including corporate bonds (both investment grade and non-investment grade), asset backed and mortgage backed securities, collateralized mortgage obligations, U.S. Treasury and Agency securities, municipal securities, and preferred stocks.

We do not recommend the use of margin (using borrowed money) to purchase investments for our clients. With respect to options, we do not recommend investing in options for speculative purposes, but rather, will only use covered call options and protective put options strategically and on an opportunistic basis for clients that desire additional income from, or to reduce the volatility of, their equity portfolios (and where we've been given authorization by our client to do so).

For more information concerning covered call options, please visit our website at <http://www.harmonyim.com/coveredCall.php> where we offer a short educational video about our covered call option strategy as well as a detailed written description along with examples of how covered call options work. For an even more thorough explanation, see "The Characteristics and Risks of Standardized Options" booklet available, free of charge, at the Options Clearing Corporation ("OCC") website at www.optionsclearing.com.

We may hold securities for the long term (greater than 3 years), for the intermediate term (1 to 3 years), for the short term (less than 1 year) or for trading purposes (less than 30 days). Trading strategies are generally used in periods of instability or high volatility and primarily for the purpose of managing risk within client portfolios.

We believe that independent thinking is a cornerstone to any successful investment program. There is no one size fits all approach to evaluating investment opportunities. For this reason, we are flexible in our approach, but disciplined to the diligence of the process and the selectivity of those opportunities. Our HARMONIC™ approach toward investment management is an acronym that involves the following principles:

1. Have a thesis
2. Absolute before relative

3. Risk is the probability of loss
4. Manage volatility
5. Outside the box
6. No mutual exclusivity between value and growth
7. Invest not to lose
8. Cash is an asset

For more detailed information about our HARMONIC™ approach, please visit our web site at <http://www.harmonyim.com/ourApproach.php>.

With respect to equity investments, our approach is commonly referred to as an “all cap core” strategy. This simply means that we will invest in a broad range of companies including small, medium, and large sized companies (“all cap”) and in a variety of industries and where we find attractive value for the growth opportunity (“core”). The very purpose of investing is to find investments that will “grow” in “value” and therefore, we do not believe that “growth” and “value” are mutually exclusive alternatives.

With respect to fixed income investments, we generally take a more passive approach (less frequent trading relative to our equity strategy). We believe fixed income securities are to serve a purpose, and that is to generate income. As a result, we generally pursue fixed income investments that will meet or exceed the income requirements of our clients (taking into account the risks involved) and then purchase those investments with the intent to hold them until maturity (although circumstances may arise that may cause us to sell these investments prior to maturity). As a result, we are not as concerned with the ebbs and flows and day to day movements in the market as we are with finding investments that will meet the income needs of our clients (and in consideration of their risk tolerance).

Our research and analysis is driven by our Revolutionary Investing™ concept. Essentially, what this means is that we seek to identify “revolutions” within the economy. These are what we believe to be long term sustainable trends rather than those that display the fleeting characteristics of what’s simply trendy.

The investment landscape and our economy have long been shaped by revolutions – massive shifts that affected the socio-economic and cultural background on which business is done, and thus changing it forever. As an example, when it was discovered that coal could be used to produce iron from iron ore and when the steam engine was created, a series of dramatic changes and innovations resulted in the beginning of a revolution (the “industrial revolution”). The ability to mass produce goods, fresh sources of energy, improved forms of transportation, and novel forms of organizing business and labor were all a result of the industrial revolution.

We define a revolution as a momentous change in a situation, a complete change in methods, or a drastic change in ways of thinking. There are four revolutions that we are focused on today.

In a nutshell, we seek to identify which direction these “revolutions” are going and what opportunities they are creating and then seek to identify the companies that are capitalizing on these opportunities.

In this regard, our investment selection process utilizes a multi-dimensional approach (both “top-down” and “bottom-up”). Our Revolutionary Investing™ concept involves our 5-step MUSIC™ research process that begins with “top-down” analysis to identify long term trends and opportunities in the economy (“revolutions”) and ends with “bottom-up” analysis of individual companies. The MUSIC™ acronym delineates this process as follows:

1. Macroeconomic – identify long term trends (revolutions) by analyzing the overall economy
2. Upcoming catalyst – identify catalysts that may offer the opportunity for increased growth and/or valuation
3. Sector – analyze sectors benefiting from the economic trends (revolutions)
4. Industry – analyze industries benefiting from the economic trends (revolutions)
5. Company – analyze companies capitalizing on the opportunities identified above

In working through our process, we utilize research from both publicly available and private sources but all investment decisions on behalf of our clients are our own. Our security analysis is based on a number of factors including fundamental analysis (analysis based on economic, sector, industry, and company specific data, such as employment, interest rates, production, regulation, tax structures, financial performance, supply/demand, etc.) and technical analysis (analysis based on price movements and trade volume and other metrics designed to primarily analyze investor behavior and psychology).

We may use different investment strategies and methods of analysis based on each client’s unique circumstances. Therefore, different clients will be subject to different risks. Our response to this Item 8 contains a discussion of the primary risks associated with these investment strategies. However, it is not possible to identify all of the risks associated with investing and the particular risks applicable to each client account will depend on the nature of the account, its investment strategy and the types of securities held.

Furthermore, while we seek to manage accounts so that risks are appropriate for the return potential for the strategy, it is often not possible or desirable to fully mitigate all risks.

It should not be assumed that future performance of any investment or investment strategy (including our own) will be profitable or equal any specific performance level.

In any investment strategy, there is execution risk, which we define as the risk that the conclusions we draw from our research and analysis could be wrong and we could make bad investments and/or bad investment decisions.

Some investments may require a longer investment time frame to allow for the strategy to potentially develop. Shorter term investments may incur higher costs (such as commissions and taxes).

Some securities may have liquidity risk where investors may not be able to sell the security quickly or at prices that are representative of their fair market value.

All securities have market risk where their market value may rise or fall in response to overall market and economic conditions. Equity and fixed income securities could also decline in value if the issuer's financial condition declines.

Some securities (such as publicly traded limited partnerships, publicly traded limited liability companies, publicly traded real estate investment trusts, municipal securities, and preferred stocks) may receive favorable tax treatment and thus carry additional risk in the event that they were to lose that favorable tax treatment.

Different types of investments involve varying degrees of risk. Some risks can be identified and quantified and some may not be able to be identified or quantified or may be extremely difficult to identify and quantify. Examples of risks that are difficult to identify and quantify may include the risk of natural disasters (earthquakes, floods, etc.), the risk of a market disruption (such as what was experienced during the May 6, 2010 "Flash Crash"), or the risk that investors are being defrauded by the management of a company.

All investments present the risk of loss of principal (the risk that the value of securities when sold or otherwise disposed of may be less than the price paid for those securities). Even when the value of securities sold is greater than the price paid, there is risk that the appreciation will be less than the rate of inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. This inflation (or purchasing power) risk is generally greater with respect to fixed income securities as fixed income securities offer little or no likelihood of capital appreciation. Equity securities in general offer both more risk and greater potential for meaningful capital appreciation. Generally speaking, fixed income securities have lower risk of loss of principal (relative to equity securities), but do present the risk of loss of purchasing power, which is greatest for securities with longer term maturities.

Fixed income securities are subject to interest rate risk and credit risk. The value of fixed income securities generally decline when interest rates rise and vice versa. Additionally, there is credit risk in terms of the borrower's ability to repay its obligations with respect to the fixed income securities.

Asset backed securities, mortgage backed securities, and collateralized mortgage obligations (along with other securities that have call provisions) carry prepayment risk, which is the risk that the security pays off prior to maturity. This is a risk because prepayments and calls are generally made when interest rates fall and thus creates reinvestment risk as the investor may not be able to replace the income that was being received.

Generally speaking, non-investment grade corporate bonds carry greater credit risk than investment grade corporate bonds because the financial condition (ability to pay) of issuers that are considered non-investment grade is generally worse than those with investment grade status. Non-investment grade bonds also tend to be more volatile and less liquid.

Investing in foreign securities involves additional risks, such as currency fluctuations, political instability, and periods of illiquidity.

An Exchange Traded Fund (ETF) is an investment vehicle that combines key features of traditional mutual funds and individual stocks. Like mutual funds, ETFs represent underlying portfolios of securities that typically track specific market indices. When investing in ETFs, there is risk that the performance of the ETF may differ from that of the underlying portfolio of securities or index it is designed to track. In addition, the component securities are subject to additional risks, including some of the risks identified in this Item 8.

Investments in ETFs will bear not only the management fees charged by Harmony, but also their proportional share of management fees and operating expenses charged by the ETF (typically embedded within the price of the ETF).

Some ETFs may be illiquid, which means the volume of trading is relatively small and this may cause increased volatility and wider spreads in the price of the ETF.

Some ETFs may not be diversified and therefore have concentration risk (the bulk of their performance is tied to a relatively small number of securities).

Some ETFs utilize derivatives (swap agreements, futures contracts, and other similar instruments) which subject them to liquidity risk and counterparty risk, which is the risk that the counterparty to those derivatives may not be able to perform its obligations (for example, due to financial difficulties).

Leveraged ETFs are designed to double or triple the returns of a particular underlying index. This characteristic magnifies the gains and losses of an investment. Therefore, investments in leveraged ETFs are more risky than investments in unleveraged ETFs. Furthermore, these ETFs typically have a single day investment objective, which means there is compounding risk. This is the risk that the ETF's performance for periods greater than one day is likely to be either greater than or less than the performance of the underlying index. Inverse ETFs are designed to perform exactly the opposite of a particular underlying index (when the index goes up, the inverse ETF goes down and vice versa). Leveraged inverse ETFs are designed to double or triple this inverse relationship, which magnifies the gains and losses of an investment.

We use leveraged and inverse ETFs for trading purposes on rare occasions in an effort to manage certain risks (typically market risk) within client portfolios (as opposed to using them for long term investment or speculative purposes).

Generally speaking, the risk in small and medium size company stocks is greater than that within large company stocks. There are a variety of reasons for this – smaller company stocks may be less liquid, they may lack the necessary financial and human resources or have less of an ability to access them, they may be more dependent on key personnel or on limited suppliers or customers. However, the bankruptcy, bailout, or near collapse in recent years of large companies such as Enron, Worldcom, Consec, Washington Mutual, Lehman Brothers, General Motors, AIG, and others have highlighted the fact that investing in large company stocks comes with significant risk as well.

The bottom line is that investing in securities (all types) involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Harmony or the integrity of Harmony's management. Harmony has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Harmony is not affiliated with any other organization.

Item 11 – Code of Ethics , Participation in Client Transactions and Personal Trading

Our clients are our first priority. Our reputation is a reflection of the quality of our employees and their dedication to excellence in serving our clients. Every employee is expected to demonstrate high standards of moral and ethical conduct for continued employment with Harmony.

Harmony has adopted a written 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, restrictions on the acceptance of significant gifts and the reporting of certain gifts, and personal securities trading procedures, among other things.

We believe in “eating our own cooking” and as such, anticipate that in appropriate circumstances and consistent with client objectives, our employees may buy or sell the same securities we recommend that our clients invest in or that we purchase or sell on our clients’ behalf. This presents a conflict of interest between our employees’ own financial interest and the best interests of our clients. We have addressed this conflict of interest by imposing trading restrictions under the Code of Ethics described in this section. 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 benefit from market activity by a client in a security held by an employee.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of our clients and (ii) implementing such decisions while, at the same time, allowing our employees to invest for their own accounts.

We require each employee to have all personal securities transactions approved by the Chief Compliance Officer (“CCO”) prior to execution. We also require each employee to provide duplicate trade confirmations and statements for all personal securities accounts to our CCO. Our CCO reviews all such transactions on a regular basis to ensure that they are not in conflict with the interests of any of our 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, but not limited to, canceling the trade prior to settlement, requiring that profits be forfeited, or imposing restrictions on future personal securities transactions. There are certain exceptions from the pre-clearance requirements for transactions which we believe do not present a conflict of interest between our employees and our clients, examples include, but are not limited to, transactions in money market funds, mutual funds, automatic investment plans, and bank certificates of deposit.

In addition, the Code of Ethics restricts trading in close proximity to client trading activity (typically referred to as “black out periods” or “waiting periods”). There may be exceptions

to these waiting period requirements based upon a determination that it would materially not interfere with the best interest of our clients, however, in those circumstances, we require that the employee(s) receive the same or worse average price as our clients.

It is our policy that we will not affect any principal or agency cross securities transactions for client accounts. We will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Our Code of Ethics also requires our employees to obtain pre-approval before investing in any initial public offerings or private placements. Our Code of Ethics also contains policies and procedures which are intended to prevent the misuse of material non-public information.

A copy of our Code of Ethics is available to you upon request by contacting us through the contact information provided on the Cover Page of this Brochure.

Item 12 – Brokerage Practices

The Custodians and Brokers We Use

We are independently owned and operated and are not affiliated with any custodian. We do not maintain custody of your assets under our management, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (please see the disclosure under Item 15 below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. While we may recommend that you use a particular custodian (such as TD Ameritrade, or Charles Schwab), you will decide whether to do so and will open your account with the custodian of your choice by entering into an account agreement directly with them. We do not open the account for you, although we will assist you in doing so. Even though your account is maintained at a custodian, we can still use other brokers to execute trades for your account as described below (see “Your Brokerage and Custody Costs” and “Brokerage Practices” below).

How We Recommend Custodians

While you are responsible for the selection of the custodian you wish to use, we will recommend a custodian who will hold your assets and execute transactions. We consider a wide range of factors in recommending custodians, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, exchange-traded funds [ETFs], etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us From Recommended Custodians” and “Brokerage Practices” below)

Your Brokerage and Custody Costs

For our clients’ accounts at custodians that we may recommend, the custodians generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or that settle into your custodial account. In addition to commissions, your custodian will charge you an amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your custodial account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer for the transaction.

Products and Services Available to Us From Recommended Custodians

We participate 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 also see the disclosure under Item 14).

We also participate in the institutional advisor program offered by Schwab Advisor Services™ (formerly called Schwab Institutional®), which is Charles Schwab & Co., Inc.'s business serving independent investment advisory firms like us (Charles Schwab & Co., Inc. is a registered broker-dealer, member SIPC). They provide us and our clients with access to their institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a minimum amount of assets in accounts at Schwab. If our clients collectively have less than this minimum amount in assets at Schwab, Schwab may charge us quarterly service fees (please also see the disclosure under Item 14).

Following is a more detailed description of TD Ameritrade and Schwab's support services:

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

TD Ameritrade and Schwab also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both proprietary and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at TD Ameritrade or Schwab. In addition to investment research, TD Ameritrade and Schwab also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

TD Ameritrade and Schwab also offer other services intended to help us manage and further develop our business enterprise. These services may not benefit you directly, but

we believe they may benefit you indirectly as they enhance the quality of our services, technology, and business acumen. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

TD Ameritrade and Schwab may provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. TD Ameritrade and Schwab may also discount or waive their fees for some of these services or pay all or a part of a third party's fees. TD Ameritrade and Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

The availability of these services from TD Ameritrade and Schwab benefits us because we do not have to produce or purchase them. This creates a potential conflict of interest since our recommendation that our clients use TD Ameritrade or Schwab as their custodian may be based in part on the availability to us of all or some of the products or services described above. We believe, however, that our recommendation of TD Ameritrade and Schwab as custodian is in the best interests of our clients. Our recommendation is primarily supported by the scope, quality, and price of TD Ameritrade and Schwab's services (see "How We Recommend Custodians") and not TD Ameritrade and Schwab's services that benefit only us.

Brokerage Practices

Our objective in effecting portfolio transactions is to seek to obtain the best combination of price and execution. The best net results, taking into account the applicable brokerage commissions are an important factor in this decision, but it is our belief that there are a number of factors other than the commission rate that should be considered when placing a trade. These include the execution ability of the broker-dealer, the ability of the broker-dealer to settle the trade promptly, the financial integrity and responsiveness of the broker-dealer, other transactions costs (such as mark-ups, mark-downs, trade away or prime broker fees, etc.), the desired timing of the trade and speed of execution, confidentiality, the size and type of transaction and the nature of the security being traded, and the quality of research and other products and services that the broker-dealer may provide. As a result, we may cause you to pay commission rates in excess of that which another broker-dealer might have charged for the same trade. Furthermore, commissions paid by one account may be in recognition of research services that benefit all or some of our clients rather than just the one for whom the trade is executed. We do however

evaluate the reasonableness of brokerage commissions and attempt to obtain reasonable commission rates based on our experience in the industry and knowledge of commission rates being paid by other investors of comparable size and type.

The practice of placing trades at certain broker-dealers and using the commissions paid by our clients for those trades to receive research and other products and services from those broker-dealers is referred to in our industry as “soft dollar” benefits.

We generally place trades for client accounts at the custodian of our client accounts, which is typically not thought of as a “soft dollar” practice in the traditional sense of the term. However, because we receive products and services from the majority of our client custodians, the trades we place with those custodians and the resulting commissions paid to them by our clients may be considered “soft dollar” benefits to us and could create a potential conflict of interest. See “Products and Services Available to Us From Recommended Custodians” for more information on the types of products and services that we may receive from our client custodians.

Although we generally trade through our client custodians, there are times when we will place trades through other broker-dealers (typically referred to as “trade away” or “prime broker” trades). Although we will do this for all types of securities, we most commonly “trade away” from the client custodian when we purchase or sell fixed income securities (e.g. – bonds). As noted above, there are a number of factors other than the commission rate that we consider when placing a trade. These include the execution ability of the broker-dealer, the ability of the broker-dealer to locate product (particularly with respect to fixed income securities), the ability of the broker-dealer to settle the trade promptly, the financial integrity and responsiveness of the broker-dealer, other transactions costs (such as mark-ups, mark-downs, trade away or prime broker fees, etc.), the desired timing of the trade and speed of execution, confidentiality, the size and type of transaction and the nature of the security being traded, and the quality of research and other products and services that the broker-dealer may provide. As a result, we may cause you to pay commission rates in excess of that which another broker-dealer might have charged for the same trade. Furthermore, commissions paid by one account may be in recognition of research services that benefit all or some of our clients rather than just the one for whom the trade is executed. We do however evaluate the reasonableness of brokerage commissions and attempt to obtain reasonable commission rates based on our experience in the industry and knowledge of commission rates being paid by other investors of comparable size and type. In addition to the research and other services that we may receive from client custodians (see “Products and Services Available to Us From Recommended Custodians”) when we place trades through other broker-dealers (trade away) we may receive research services that are both proprietary and developed by a third party and which include written information, reports, data, and analysis concerning the

market, the economy, specific securities or sectors, regulation and legislation, and other news and technical services utilized in our investment management process.

When we receive research services from broker-dealers in connection with brokerage commissions generated with respect to client accounts (“soft dollar” benefits), we receive a benefit because we do not have to produce or purchase such services. This creates a potential conflict of interest because we may have an incentive to select a broker-dealer based on the receipt of such research services rather than the ability to provide the most favorable trade execution.

Benefits obtained through “soft dollars” will not always be utilized by us for the specific account that generated the soft dollars. Therefore, any research or other services received as part of a particular client’s brokerage commissions may be useful to that client, but may also be useful to other clients.

Our policies with respect to the use of soft dollars are designed to be consistent and ensure compliance with Section 28(e) of the Securities and Exchange Act of 1934.

Brokerage for Client Referrals

As noted above (see “Products and Services Available to Us From Recommended Custodians”), we participate 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).

Directed Brokerage

Not all investment advisors require their clients to direct brokerage activity through any particular broker-dealer. We do not routinely recommend, request, or require that you direct us as to how to execute brokerage transactions on your behalf (i.e. – using a particular broker-dealer for trade execution purposes).

We generally do not accept directed brokerage arrangements (these are arrangements where a client requires us to execute trades through a specific broker-dealer). However, at our sole discretion, we may accept a client’s directed brokerage instruction to utilize a specific broker-dealer for the execution of trades provided the client acknowledges that such direction may result in our inability to seek best execution. In such client directed arrangements, the client will negotiate the terms and arrangements for their account with that broker-dealer and we will not seek better execution services or prices from other

broker-dealers or be able to “block” the client’s transactions for execution through other broker-dealers with orders for other accounts that we manage (see “Block Transactions”). As a result, the client may pay higher commissions or other transaction costs, greater spreads or receive less favorable net prices on transactions for the account than would otherwise be the case.

Block Transactions

We generally “block” trade orders (also commonly referred to as “bunch”, “batch”, “group”, or “aggregate” trade orders) when trading in a particular security for more than one client account at the same custodian. We do this in an effort to obtain lower overall costs and more favorable trade execution, treat all clients fairly and not systematically advantage or disadvantage any single client or group of clients.

When a decision is made to aggregate transactions on behalf of more than one account, such transactions will be allocated to all participating accounts in accordance with our trade aggregation and allocation policies and procedures. When a block trade is filled in its entirety, each participating account will receive its full allocation of the trade at the average price for the transaction. When a block trade is partially filled, we will allocate the shares in accordance with our trade aggregation and allocation policies and procedures. This will generally mean on a pro-rata basis or on a rotational basis unless the result of doing so is unreasonable or produces an illogical result (for example, where the pro-rata allocation results in a relatively small number of shares being allocated such that the commission costs would comprise too large of a percentage of the overall trade value or where a “round lot” [100 shares] is not achieved by the pro-rata or rotational allocation).

Trade orders will generally not be aggregated for execution where there are specific limitations (such as directed brokerage) that would prevent such aggregation (see “Directed Brokerage”).

Trade Errors

Errors in executing client transactions may occur from time to time, which we will seek to correct promptly so that you will not incur a loss or other costs as a result of any such errors. If the trade error was caused by us, any loss or costs incurred as a result of the correction of such errors will be borne by us or by your custodian. Any gains resulting from the correction of such errors will usually be retained by your custodian or by you.

Item 13 – Review of Accounts

Client portfolios are reviewed daily by the portfolio manager with responsibility for the account. Holdings, allocations, and performance are monitored daily. A more detailed

review of an account may be prompted by a variety of factors including, but not limited to, changes in client investment objectives or circumstances, significant contributions to or withdrawals from 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.

We provide written reports on a quarterly basis to our clients. These reports include the allocations, holdings, estimated income, performance, and transaction details for the portfolio.

Each client should also receive written reports directly from their qualified custodian according to the procedures of each custodian. These will generally include information regarding the holdings and transactions and other activity in the account.

When you become a client of Harmony, you'll be working with a firm that places a strong emphasis on communicating with and providing educational opportunities to our clients. We believe in helping to educate our clients so that they can become more confident in their abilities as it relates to their investments. Our philosophy is that the more our clients know, the more successful our relationship with them will be. As a result, clients are encouraged to consult with our staff as often as they choose and we offer quarterly meetings to each client to review portfolio details as well as to identify any changes in the client's investment objectives, risk tolerance, and liquidity needs. Additionally, we supplement this with frequent written commentary on the market, the economy, individual investments, and other items of interest. We also offer occasional webinars to review our outlook for the market and the economy and to help keep clients informed about the specific securities and strategies we are using to manage their portfolio.

Item 14 – Client Referrals and Other Compensation

We may from time to time enter into written agreements (commonly referred to as a “Solicitor Agreement”) with other persons or companies who refer potential clients to us in exchange for a referral or solicitor fee, which is typically a percentage of the management fee we receive from the referred client for our services. This means that the persons or companies who refer potential clients to us as described will have a financial interest in your selecting us to provide you services. If you are referred to us through an arrangement like this, you will receive a written document (commonly referred to as a “Solicitor Disclosure Document”) which will disclose that we have an arrangement with the solicitor,

any affiliation between us and the solicitor, and a description of the compensation the solicitor will receive from us if you establish an account with us. The fee we charge you for our services will not be increased as a result of our use of these referral agreements.

As disclosed under Item 12 above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our Clients, although we receive economic benefits through our 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 Advisor 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 us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit our Client accounts. These products or services may assist us in managing and administering our Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

We may receive client referrals from TD Ameritrade through our participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we 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 us and has no responsibility for our management of client portfolios or our other advice or services. We pay TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the management fee that the client pays to Harmony ("Solicitation Fee"). We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by us 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 us on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TD Ameritrade to our 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.

Our 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, we may have an incentive to recommend to clients that the assets under management by us be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require doing so. Our participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

As disclosed under Item 12 above, we also participate in the institutional advisor program offered by Schwab Advisor Services™ and we may recommend Schwab to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our Clients, although we receive economic benefits through our participation in the program that are typically not available to Schwab 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 Advisor 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 us by third party vendors. Schwab may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by Schwab through the program may benefit us but may not benefit our Client accounts. These products or services may assist us in managing and administering our Client accounts, including accounts not maintained at Schwab. Other services made available by Schwab are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of Schwab for custody and brokerage services.

Item 15 – Custody

You should receive at least quarterly statements (you may receive them monthly) from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. Harmony urges you to carefully review these statements and compare them to the account statements (quarterly reports) that you receive from us. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. You should also remember that the statements you receive from your custodian are your official record for tax purposes.

Although Harmony does not take custody of client assets, under government regulation, we are deemed to have custody of a client's assets if, for example, the client authorizes us to instruct the custodian to deduct our management fees directly from the client's account.

Item 16 – Investment Discretion

We seek discretionary authority from our clients at the outset of an advisory relationship to select which securities are bought or sold, the amount of securities bought or sold, brokers or dealers through whom securities are bought or sold, and in certain circumstances, the commission rates at which securities transactions are effected. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives, limitations, and restrictions for your account(s). Such discretion is typically accomplished through the execution of your Investment Advisory Agreement with us as well as through a limited trading authorization or other similar written authority contained in the account paperwork with your custodian.

When executing your Investment Advisory Agreement with us, you may limit the extent of discretionary investment authority to be granted to us, although this may impact the level of service we can provide you. You may also place restrictions on our authority such as instructions to not make investments in certain industries or companies or in certain types of securities or not to sell certain investments you may have (due to tax consequences, for example).

The stated investment objectives, limitations, and restrictions may be amended at any time upon written notice and the execution of an amended Exhibit to the Investment Advisory Agreement.

Item 17 – Voting Client Securities

Pursuant to SEC rule 206(4)-6 regarding proxy disclosure, we are required to notify you of our policies and procedures relating to proxy voting.

Harmony encourages clients to vote proxies. However, upon your request, we may accept the authority to vote proxy ballots on your behalf. When we accept responsibility for voting proxies, you may direct us on how to vote specific proxies by providing written instructions that clearly specify your instructions which must be received by us in a reasonable time to process and effect the vote.

Harmony maintains written policies and procedures detailing the principles used when voting proxies. To avoid any potential conflicts of interest, we review each ballot and vote in accordance with written guidelines based on what we believe to be in the best interests of our client. We have engaged Institutional Shareholder Service (“ISS”) to assist in the promulgation of our proxy voting policies and to research proxies for which we have the authority to vote. ISS also provides voting recommendations according to the guidelines they have established. Our written policies also detail how we maintain records of how we voted each proxy.

You may obtain a copy of our complete proxy voting policies and procedures upon request. You may also obtain information from us about how we voted any proxies on your behalf. You can obtain this information, free of charge, by contacting us in writing or via telephone. All requests pertaining to proxies should be directed to:

Harmony Investment Management, Inc.
Attn.: Proxy Administrator
103 Continental Place, Suite 100
Brentwood, TN 37027

Phone: (615) 577-1031

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about an adviser's financial condition. Harmony has not been the subject of a bankruptcy proceeding nor are we subject to any financial conditions which could impair our ability to meet our obligations to you.