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March 31, 2012

FORM ADV PART 2 BROCHURE

This brochure provides information about the qualifications and business practices of Harbor Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (704) 377-6945. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Harbor Capital Management, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Harbor Capital Management is 801-38262.

Harbor Capital Management, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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Advisory Business

Form ADV Part 2A, Item 4

About Harbor Capital Management

Harbor Capital Management, Inc. (HCM) is an independently owned and operated registered investment advisor. The firm was established in 1991 by its principal owner, Mack Washam, and a group of experienced investment professionals. Today, the firm and its team of advisors operate out of its main offices in Charlotte, NC as well as branch offices in Dallas, TX, Sarasota, FL and Mooresville, NC.

Advisory Services

HCM provides client-based investment supervisory services for a fee. The firm assists clients in identifying and articulating financial goals and objectives, establishing appropriate investment policies, and then determining asset allocation targets. Next, representatives recommend suitable securities that will be most likely to help clients meet those goals and objectives. Finally, HCM implements its recommendations including assisting clients to open brokerage accounts, trade securities, monitor and reconcile all account transactions on a daily basis, then monitor account performance and provide meaningful periodic reports to clients. Clients are advised to promptly notify HCM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon HCM's management services.

HCM offers both proprietary and non-proprietary investment solutions to clients based on a thorough understanding of each client's needs and objectives and the initial amount of investment capital. Typically, HCM's investment recommendations are limited to actively managed mutual funds. Although the firm does not actively research or recommend individual securities, HCM advisors routinely advise clients on matters involving domestic stocks, exchange traded funds, corporate and municipal bonds, and certificates of deposit. All client investments are held by a qualified third-party custodian who trades securities at HCM's direction, and provides independent periodic reporting directly to each client.

In addition to the supervisory services described above, HCM provides comprehensive financial planning to its clients through its representatives who have earned or are working toward their CERTIFIED FINANCIAL PLANNER™ designation. Such services include:

- Gathering data to analyze financial situation
- Reviewing near-term and long-term financial objectives
- Developing financial statements
- Reviewing and recommending insurance protection
- Designing an investment policy that reflects financial goals, risk tolerance, and time horizon
- Providing written recommendations
- Assisting with implementation and follow-ups to review progress

As, discussed above, investment recommendations are based on client suitability, needs and objectives. Each client account is individually directed; therefore clients may impose restrictions on investing in certain securities or types of securities.

As of December 31, 2011, HCM supervised \$246,677,819 of client assets on a discretionary basis. In addition, HCM provided non-discretionary supervision on \$7,215,649 of client assets.

Fees and Compensation

Form ADV Part 2A, Item 5

Fees for Investment Supervisory Services

Fees for investment supervisory services will vary depending on the strategy implemented. In any case, clients retain HCM by entering into a written Investment Advisory Agreement (IAA) pertaining to the appropriate strategy. Fees for each of HCM's strategies are as follows:

Traditional Discretionary Accounts. Clients pay a quarterly *advisory fee* for services rendered. This fee is charged in advance at the beginning of each calendar quarter. The fee is computed by multiplying one-fourth of the applicable fee rate(s) shown in the schedule below by the market value of the account as of the last business day of each calendar quarter.

Schedule of Fees:	Annual Fee Rate	Account Assets
	1.00% of the first	\$1 million,
	plus 0.75% of the next	\$2 million,
	plus 0.50% of the next	\$2 million,

HCM may negotiate its annual fee rate based on aggregation of multiple related accounts or for clients requiring specific investment services (for example, accounts requiring only fixed income management). The company also reserves the right to change its fee schedule provided that clients are notified at least sixty days in advance and the IAA is amended. A minimum quarterly fee of \$625.00 may be charged. If client terminates the IAA within five business days of the Effective Date, a full refund of any prepaid fees will be made.

For new accounts or additional investments made to existing accounts, a pro-rated fee will be charged. The fee is computed by multiplying one-fourth of the applicable annual fee rate by the total amount of new cash and securities deposited into the account to determine the fee for a full calendar quarter. This amount is then multiplied by the number of days from the date of deposit to the end of the current quarter then divided by the total number of days in the quarter. Such fees are not subject to any minimum dollar amount.

Fees will be deducted directly from the Account(s) generally within 10 business days after each calendar quarter by redeeming cash or securities at the then current share prices. Upon request by client and at HCM's sole discretion, it may bill clients by mailing an invoice for advisory fees due. Such fees shall be payable within thirty days of the date of the invoice. If fees are not received at that time, HCM may collect the delinquent fees by redeeming cash or securities directly from the account. HCM reserves the right to discontinue client billings at any time and to collect fees by redeeming cash and securities directly from the account.

The IAA provides that either party may terminate the agreement by providing thirty days' written notice to the other party. In the event the IAA is terminated, unearned fees may be due to Client. HCM regularly monitors for unearned fees payable to terminated clients, and client need not make any special request for the return of such fees. The amount payable shall be pro-rated from the date of termination through the end of the current calendar quarter subject to a minimum refund of \$25. The date of termination shall be deemed to occur on the earlier of: i.) Thirty days from the date written notice of termination is received by HCM; or ii.) Thirty days from the date that substantially all account assets are withdrawn or transferred from the account(s).

Enhanced Tactical Allocation Accounts. Clients pay a quarterly *advisory fee* for services rendered as discussed above, **plus** an *investment management fee* for the additional management, trading and research expense employed in this strategy. The investment management fee is charged **in arrears** at the end of each calendar quarter and is computed by multiplying 0.25% by the market value of the Account as of the last business day in the prior calendar quarter. Such fee will be pro-rated on a daily basis for assets deposited during the quarter and deducted within 10 business days from the end of the quarter.

Curian Capital Accounts. When suitable, HCM may recommend that clients invest in programs offered by Curian Capital. In addition to HCM's IAA, clients enter into a separate Asset Management Services Agreement (AMSA) with Curian Capital, LLC in order to receive its advisory services. Under this agreement, client pays an asset-based "Total Program Fee" and a one-time setup fee (for accounts less than \$1 million in assets). This fee consists of Curian program fees, which are described fully in the AMSA and associated exhibits, and the Financial Professional Fee, the portion payable to HCM for services rendered. Curian is authorized, as agent, to deduct Financial Professional Fees, when due, from client accounts and forward them to HCM. The maximum Financial Professional Fee rate is 1% per annum.

The total program fee is assessed monthly in arrears and is based on the average daily market value of the assets in your account. This fee is due on the first day of the month following establishment of your account and it will be deducted from the account when it becomes due. If client account was invested or closed during a month, the fee will be adjusted on a pro rata basis to reflect only those days in which it was invested. Client should refer to the AMSA and associated Wrap Fee Program Brochure provided at the inception of the account for complete information about investing in the Curian Capital Accounts.

Fees for Financial Planning Services

Clients retain HCM by executing a written Letter of Engagement and paying a fee for services based on the level of services provided. Fees range from \$2,250 to \$4,500 based on scope of specific client engagement. Otherwise, clients may be charged an hourly rate of \$150. The services to be rendered and corresponding fees for those services will be specified at the time of engagement.

Other Fees and Expenses

In connection with HCM's services, clients may incur additional costs to invest depending on the investment strategy selected. Among these are mutual fund fees, transaction fees, account setup fees and custodial fees.

Every mutual fund charges its shareholders for the expenses incurred in the operation of the fund including management fees, distribution and service fees and other expenses. These costs vary by fund and objective. Mutual funds are offered in different share classes; including an Institutional share class that generally has lower fund expenses but also charges a transaction fee to buy and sell shares. HCM may recommend clients to pay a transaction fee to purchase institutional share classes if, in its sole discretion, it believes that the client will benefit from overall lower investment costs by doing so.

HCM's core strategies involve the recommendation of no-load mutual funds. That is, it does not recommend funds that charge any up front or back-end commissions to its clients, and it does not receive any portion of any fees paid by clients to the funds. Also, in order to discourage excessive short-term trading, mutual funds impose short-term redemption fees that vary by fund company. HCM's strategies are designed to routinely avoid such redemption fees. However, a client may incur this fee when a fund is purchased and client subsequently requests an unplanned liquidation or withdrawal from the account that triggers an unavoidable redemption fee.

Lastly, HCM recommends that clients' accounts be held at a qualified third-party custodian. For more information about this, please refer to the Brokerage Practices section of this report. Such custodians are compensated for their services through transaction fees to buy and sell securities and service fees paid by participating mutual fund companies, among other ways. Custodians may charge an account setup fee or termination fee. Such fees will be disclosed in the account setup documents, if applicable to an HCM client.

HCM does not accept compensation from any party for the recommendation of securities or other investment products.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

HCM does not provide any services for performance-based fees. This section is not applicable.

Types of Clients

Form ADV Part 2A, Item 7

Harbor Capital generally provides investment advice to a variety of clients, including:

- **Individuals** – taxable brokerage and individual retirement accounts
- **Estates and Trusts**
- **Corporations**
- **Institutional Accounts** – pension, profit sharing and 401k plans for small and mid-sized businesses

HCM offers multiple account strategies to provide for a variety of clients and their particular investment needs. These strategies have different initial minimum account sizes as follows:

Traditional Discretionary Accounts – The minimum initial investment required to open this account is \$250,000. Multiple related accounts may be averaged in order to satisfy this minimum.

Enhanced Tactical Allocation Accounts - The minimum initial investment required to open this account is \$125,000. Multiple related accounts may be averaged in order to satisfy this minimum. For qualified retirement plans with participant directed accounts, HCM, in its sole discretion, may establish lower minimum initial investments providing that the average of all accounts under HCM's supervision for the plan exceeds \$125,000.

Curian Capital Accounts - The minimum initial investment required to open this account is \$25,000.

Minimum Fee

As a condition for starting and maintaining an advisory relationship, HCM generally imposes a minimum annual fee of \$2,500 for Traditional Discretionary Accounts. This minimum fee may have the effect of making HCM's services for this type of account impractical for clients, particularly those with less than \$250,000 to invest. Clients may wish to consider one of HCM's other services.

HCM, in its sole discretion, may waive its minimum fee based upon certain criteria including: anticipated future additional assets, total dollar amount of assets managed for a client, related accounts, pre-existing clients, account retention, and *pro bono* activities.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

HCM offers multiple account strategies to provide for a variety of clients' needs and objectives. Following are descriptions of HCM's core strategies:

Traditional Discretionary Account Strategies – This global total return strategy invests across a selection of asset classes, managers and investment styles. Blending in this way emphasizes return potential while attempting to manage risk and provide more consistent returns. At the foundation of these accounts is strategic asset allocation - a key determinant of portfolio risk and return over time. Investing in a mix of asset classes that demonstrate low correlations with one another can help produce desirable returns with acceptable levels of risk. After determining the appropriate asset allocation, HCM recommends a blending of no-load mutual funds that provide exposure to a variety of management styles and multiple, specialist money managers.

In addition, Harbor Capital may incorporate tactical investment mutual funds and processes, including trend-following strategies that seek to adjust the recommended strategic allocations based on market indicators. This process does not attempt to predict short-term market swings nor does it necessarily seek to avoid market "corrections", defined as periods of market decline of around 10%, which occur frequently during normal market cycles.

These strategies are available to meet a variety of client objectives and risk profiles. They range from conservative income-oriented programs, which include more bond exposure, to more aggressive stock or equity-based strategies at the other end of the risk spectrum. As with most investments, these strategies involve the risk of loss of capital, and no assurances are made that the strategies will be able to accomplish their objectives.

Enhanced Tactical Allocation Strategies – This global total return strategy seeks to actively rotate account holdings to asset classes or sectors that appear to be in current uptrends, and thereby avoid markets that are underperforming. At the core of this strategy are a series of eleven, price-based quantitative models. These models utilize mathematical algorithms that seek to find the optimal analysis period (i.e., the number of days to consider before making a buy/sell recommendation) and the minimum holding period (i.e., how long to hold a fund once it is purchased) of a selected set of no-load mutual funds. Each of the models ranks the available funds on a daily basis. A higher-ranking fund indicates the potential to produce a profitable round-trip trade if that fund is purchased and held for the minimum holding period. Models are diversified in three ways: by asset classes; analysis periods, and minimum holding periods.

These strategies are available to meet a variety of client objectives and risk profiles including: Income, Conservative, Balanced, Growth and Aggressive Growth. As with most investments, these strategies involve risk of loss of capital and no assurances are made that the strategies will be able to accomplish their objectives.

Principal Investment Risks

Investing in Mutual Funds. HCM strategies invest in global stock and bond mutual funds. As such, accounts bear all risks of investment strategies employed by the underlying funds held, including the risk that these funds will not meet their investment objectives.

Stock Market Volatility. Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments.

Interest Rate Changes. Interest rate increases can cause the price of a fixed income fund to decrease.

Foreign Exposure. Foreign markets, particularly emerging markets, can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic,

regulatory, and political uncertainties and can be extremely volatile.

Investing in ETFs and ETNs. HCM may recommend investments in Exchange Trade Funds (ETFs) and, to a lesser extent, Exchange Traded Notes (ETNs). These securities are subject to tracking error (i.e., the degree that the security price deviates from the price/performance of the underlying index), may trade at a discount in the secondary market, and may not be liquid. ETFs may be unable to sell poorly performing assets that are included in their index or other benchmark. ETNs are subject to the risks associated with debt securities, including counterparty risk of the issuer.

Commodities and Commodity-Linked Investing. The value of commodities and commodity-linked investments may be affected by the performance of the overall commodities markets as well as weather, political, tax, and other regulatory and market developments. Commodity-linked investments may be more volatile and less liquid than the underlying commodity, instruments, or measures.

No Government Guarantees. An investment in HCM strategies is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. You could lose money by investing in these strategies.

Strategy-Specific Risks

Traditional Discretionary Account Strategies. If the asset allocation strategy does not work as intended, accounts may not achieve their objective. Furthermore, trend-following and tactical strategies may cause accounts to have short-term opportunity costs if the process reduces exposure to certain markets, and those markets subsequently rise in value.

Enhanced Tactical Allocation Strategies. These strategies may invest in specific sectors, sub-asset classes of the global markets, and in leveraged funds. Each of these factors may pose additional risks to the accounts:

Geographic Exposure. This strategy may regularly invest in country- or region-specific mutual funds, which may be adversely affected by social, political and economic conditions as well as changes in regulatory, tax, or economic policy in the country and in surrounding or related countries.

Industry Exposure. This strategy may regularly invest in sector-specific funds. Market conditions, interest rates, and economic, regulatory, or financial developments could significantly affect a single industry or group of related industries.

Leverage Risk. This strategy may invest in funds that utilize leverage in the fund's strategy. Leverage can increase market exposure, magnify investment risks, and cause losses to be realized more quickly.

Frequent Trading and Tax Risks. After a recommended fund is purchased, it will be held for the minimum holding period specified in the model, or longer depending on fund performance. Minimum holding periods range between 30 and 130 days per model. This means that profits produced by the strategy will be considered short-term gains, which are taxed as ordinary income under current law.

Also, in order to discourage excessive short-term trading, mutual funds impose short-term redemption fees that vary by fund company. HCM's strategies are designed to avoid such redemption fees. However, a client may incur this fee when a fund is purchased and client subsequently requests an unplanned liquidation or withdrawal from the account that triggers an unavoidable redemption fee. Such fees range from 0.5% to 2.0% of the principal amount traded. In addition, a fund company may restrict trading in its funds if it deems the trading to be detrimental to its shareholders. This restriction may impact the strategy by causing it to invest in alternative funds, which may adversely impact the account performance.

Arrangements with Unrelated Third Parties

HCM has arrangements with unrelated third parties including FPS, Inc. and EdgeTech Analytics, LLC to provide certain services for client accounts. These services may include, but are not limited to the following: research, due diligence, reporting, portfolio analysis and modeling, and back office administration. These firms will not have any direct contact with HCM clients nor will these parties enter into any advisory contracts directly with HCM clients. These parties provide services to HCM, who is ultimately responsible for client accounts.

By entering into HCM's Investment Advisor Agreement, clients implicitly and explicitly authorize HCM to utilize the services of any unrelated third party arrangements in servicing client's accounts and to share non-public, personal information with the third party provider only to the extent that this information is required during administration of the client's account. Additionally, HCM has executed a "Confidentiality Agreement" binding third party service providers from sharing this information with any unauthorized person or entity.

HCM will compensate third party service providers for services rendered from the total fees charged to client as specified in HCM's Investment Advisor Agreement.

Disciplinary Information

Form ADV Part 2A, Item 9

HCM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management and staff. HCM does not have any required disclosures for this item.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

Registered Representative Affiliations. The firm employs Advisors who are registered as Investment Advisor Representatives. In addition to representing HCM, John A. Capets, its Vice President, is a Registered Representative of Capital Investment Group, Inc. (CIG), a broker dealer with headquarters in Raleigh, NC (Member FINRA/Member SIPC). CIG is not affiliated in any way with HCM. Mr. Capets may offer investment programs through CIG that are not available through HCM. Such programs are commission-based and clients pay either an up-front sales charge or a contingent deferred sales charge to invest in them. Clients invest in those programs by completing and signing a CIG New Account Form and program application. To distinguish these programs from services rendered by HCM, clients must receive a prospectus that shows the program's investment objectives, risks and costs to invest, which clients should read before making an investment. Periodic client statements clearly indicate that such investments are made through CIG and Mr. Capets as its representative.

Insurance Activities. HCM and several of its representatives hold Life, Accident and Health insurance licenses from the State of North Carolina. The firm offers investment and record-keeping programs designed by insurance companies for the 401(k) market. HCM receives an asset-based fee for these services that is fully disclosed to its clients. In addition, acting in an independent broker capacity, HCM or its licensed representatives may recommend insurance products including individual annuities, term and permanent life insurance, and group insurance products. These brokers receive commissions for recommending, underwriting and servicing insurance products. Such commissions are in addition to other fees described in this brochure. HCM does not advise any insurance company in regards to its own investment portfolio.

Other Affiliations. Mack Washam and John Capets, both officers of HCM, own a minority interest of less than 0.5% each in shares of National Advisors Holdings, Inc. (NAH), a savings and loan holding company. NAH formed National Advisors Trust Company FSB (NATC), a federally chartered trust company regulated by the Office of Thrift Supervision, a bureau of the U.S. Treasury Department. The trust company offers a competitively priced alternative to traditional custody and trust service providers. HCM may recommend NATC to its clients from time-to-time. However, neither HCM nor its officers receive any compensation as a result of this arrangement. Clients pay for the services rendered through management fees, shareholder service fees, transaction fees or trust services fees paid to NATC. While NAH may pay a dividend from its operations to shareholders in the future, it has yet to do so.

HCM has entered into an agreement with Curian Capital, an investment company registered under the Investment Advisors Act of 1940, for the purposes of offering its proprietary investment products to HCM clients. HCM receives no direct compensation from Curian for this recommendation; however, Curian does act as agent for the collection of HCM's advisory fees, and it may provide investment research and financial tools or technologies specific to Curian's programs that HCM may use in making investment recommendations to its clients.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Form ADV Part 2A, Item 11

Code of Ethics

HCM values the confidence and trust that its clients have placed in its professional management and staff. To ensure open, honest and fair dealing with its customers, HCM has incorporated a Code of Ethics for its associates that provides guidelines for professional and ethical behavior. A copy of HCM's Code of Ethics is available to HCM clients and prospective investors upon request.

Participation or Interest in Client Transactions

HCM charges an additional Investment Management fee for its Enhanced Tactical Allocation Strategy that investors in its other strategies do not incur. This fee reimburses HCM for the following additional expenses of this program:

- Research, data and daily pricing services
- Additional trading expense and daily reconciliation
- Investment management
- Distribution expenses

Advisors who recommend this strategy to HCM clients do so based on clients' needs and objectives. They do not receive any additional compensation when recommending this strategy.

Next, HCM has client account relationships whereby HCM advisors act as Trustee on accounts for unrelated persons or clients. This arrangement is the result of HCM's advisor having long-standing personal relationships with such clients. In addition, clients have solicited HCM's representative to act on their behalf as Trustee. In these instances, clients receive independent reports from the qualified third party custodian and HCM (refer to the Brokerage Practices and Custody sections of this report) whereby clients may review all account transactions and holdings.

Personal Trading

Clients may seek advice about individual securities and HCM may execute trades on their behalf. In these cases, HCM will not simultaneously engage in buying or selling for its own account or those of its principals or employees if such activity would be detrimental to client accounts or if it were to stand to gain financially by doing so. Such activity would further be prohibited if it were in conflict with HCM's Code of Ethics or involve any material, non-public information.

Frequently HCM's employees and principals work with clients who have similar objectives as their own and often will purchase the same or similar investments for their personal accounts as for clients' accounts. These are generally confined to investments in open-end mutual funds or exchange traded funds. HCM monitors employees' and advisors' purchases of individual securities transactions at least quarterly to ensure that no conflicts between personal trading and client trading takes place.

Brokerage Practices

Form ADV Part 2A, Item 12

Recommending Broker-Dealers

HCM has arrangements with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively with its affiliates referred to as "Fidelity"). HCM has similar arrangements with National Advisors Trust Co. (referred to as "NAT"). Fidelity and NAT (collectively referred to as "Brokers") act as qualified, third party custodians in addition to providing the services discussed below.

Brokers provide HCM with "institutional platform services." These services include brokerage, custody, and other related services. Institutional platform services that assist HCM in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, record-keeping and client reporting.

Brokers also offer other services intended to help HCM manage and further develop its advisory practice. Such services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom HCM may contract directly at HCM's sole expense.

HCM is independently owned and operated, and is not affiliated with Fidelity. Fidelity is not affiliated with NAT. Refer to the section: *Other Financial Industry Activities and Affiliations* for a complete discussion of NAT.

Brokers generally do not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Brokers or that settle into Broker accounts (i.e., transactions fees may be charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Brokers provide access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Brokers provide HCM with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). In any event, HCM's recommendation of Brokers is based the firms' product offering, trade execution, customer service capabilities and competitive account fees. HCM receives no financial compensation for its recommendations.

Referrals

HCM does not receive client referrals from any broker-dealer.

Aggregating Orders for Clients

HCM does not aggregate orders for clients. Each account is traded individually with respect to the account objectives. For accounts with similar objectives, this means that some account orders will be placed ahead of others. This practice will result in some clients paying more or receiving less than another client and vice versa for a given transaction. Because HCM does not attempt to time the market with respect to any specific trades and because HCM predominantly trades mutual funds that are priced once a day, we do not believe that any unfair advantage is inherent by this trade execution. It is just as likely that this practice will help a client, as it will be detrimental because of daily market volatility.

Review of Accounts

Form ADV Part 2A, Item 13

Supervisory Reviews

HCM account strategies are managed by its Investment Committee which meets at least twice monthly. This committee is comprised of Harold Brown, John Capets (Vice President), Joe Dyer, Rand Gordon, Cliff Porter, and Mack Washam (President). In addition, individual client accounts are subject to review by senior investment advisors at any time via HCM's portfolio accounting systems. In addition, each advisor is provided a complete set of statements for clients under his purview to review on a quarterly basis and more frequently as needed. This report includes current holdings, individual security performance data and account level data from inception of the account through the current quarter.

Reporting

Clients have access to account information and written reports in three ways: daily Internet access, monthly brokerage and transaction reports, and a comprehensive quarterly report.

Online reports are available 24/7 at Fidelity Investments' website – www.fidelity.com for accounts held at Fidelity Investments. HCM will assist clients to establish this online access upon request.

Monthly statements are mailed directly to clients from the independent custodian. This report lists current holdings and transactions that occurred during the previous month, including any account fees. Quarterly statements are mailed to clients at the end of each calendar quarter. These are generally mailed within three weeks of the quarter-ending date. This report shows current holdings categorized by investment class, security level performance figures and account-level performance figures for the current quarter, year-to-date, and annualized performance since inception. In addition, this report includes performance figures for comparable benchmarks and an investment review commentary written by HCM's management team.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

Economic Benefits and Potential Conflicts of Interest

HCM and its representatives may receive non-financial economic benefits from investment firms that currently provide services to HCM or directly to its clients. These benefits may include, but are not limited to, sales awards including branded items of generally less than \$50 in value, educational seminars and due-diligence visits that may include airfare, limited lodging and food while visiting the firm or its seminars. Generally, it is common practice for HCM and/or its representatives to pay their own airfare and lodging while attending educational seminars, while meals may be provided to attendees by sponsors.

These arrangements have the potential to present a conflict of interest and, therefore are reviewed by HCM management to determine their reasonableness, the potential for conflict of interest and whether such benefits would be detrimental to client account management. Any items deemed to be inappropriate, or conflict with HCM's Code of Ethics, or to interfere with the proper management of client accounts shall be declined or returned.

Compensation for Client Referrals

HCM has received client referrals from a registered investment professional that is not under the supervision of HCM. As compensation for the referral of two current customers, HCM has an arrangement whereby HCM pays a portion of its fee revenue from those customers to the investment professional. This fee arrangement is intended to comply with SEC Rule 206(4)-3 and, among other things, has been fully disclosed in the clients' Investment Advisory Agreement with HCM. Clients do not pay any additional fees as a result of the arrangement.

Custody

Form ADV Part 2A, Item 15

HCM has been deemed to have custody of client funds under current law. This custody may be the result of, but not limited to, its fee calculation and billing process, an HCM investment advisor representative acting as Trustee of unrelated clients' trust accounts, or from the handling of client checks or securities certificates (although best efforts are made to immediately transmit such items directly to the custodian).

As discussed in the Brokerage Practices section, HCM utilizes the services of qualified, third party custodians. These custodians send monthly statements directly to HCM clients. Statements are sent either through the mail or online, if this method is requested and authorized by client. Monthly statements list the account holdings and any account transactions including management, advisory and any brokerage fees incurred. In addition to these statements, HCM mails quarterly investment review reports that provide additional account information including performance figures not provided by the qualified custodian. Clients should carefully review all statements. Additionally, HCM urges its clients to carefully compare the account statements provided by the qualified custodian with those provided by HCM.

Clients should note that from time-to-time, HCM invests in mutual funds that make dividend and interest payments to clients on the last day of the month. Such payments may not appear on the statement prepared by the qualified custodian for the month in which they are declared, but will appear on the next monthly statement. On the other hand, the payments may appear on the statements provided by HCM since it recognizes the payments when declared, not necessarily when actually credited. This difference in reporting methodology frequently results in temporary differences in total market values between the qualified custodian's statements and HCM's statements. Clients are urged to contact HCM if they need further clarification about this matter.

Investment Discretion

Form ADV Part 2A, Item 16

Clients hire HCM by executing an Investment Advisory Agreement that, among other things, appoints HCM as discretionary investment advisor on behalf of its clients. HCM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Clients may request to limit HCM's authority by providing such limitation in writing to HCM. HCM has discretion over the following activities:

- The securities to be purchased or sold
- The amount of securities to be purchased or sold
- The timing of such transactions

HCM is permitted to make withdrawals from the Account only to the extent that they are specifically directed by client, made payable to client or an authorized third-party, and for fee payments when due.

HCM does not provide investment discretion with regard to accounts invested in Curian Capital programs.

Voting Client Securities

Form ADV Part 2A, Item 17

By executing an investment advisor agreement with HCM, clients authorize HCM to vote securities on their behalf pursuant to SEC rule 206(4)-6. Clients may opt out of this authorization by notifying HCM and making an election with the qualified third party custodian to receive proxy mailings directly, then voting the securities themselves. If such voting has been duly authorized and delegated to HCM, clients may not direct any particular solicitation since HCM votes proxies on behalf of all its clients who hold that particular security, and such direction may be in conflict with other clients' objectives.

HCM has adopted and implemented written policies and procedures that are reasonably designed to ensure that it votes client securities in the best interest of those clients. Clients may request information about how HCM voted their securities by contacting HCM. In addition, clients may obtain a copy of its proxy voting policies and procedures by contacting HCM.

Generally, HCM votes along with Board recommendations with regard to election of Directors, organizational matters, and with respect to appointment of auditors. Also, HCM generally votes matters of governance in such a way to encourage market-based performance standards and full accountability of the Directors to its shareholders. Other matters are voted with regard to reasonably maximizing shareholder value. It may also abstain from voting items of a complex nature where no clear shareholder value would be realized.

HCM does not envision any proxy matters that would present any material conflicts between HCM and those of its clients. However, in the unlikely event of such a conflict arising, HCM will abstain from voting in such matters.

Financial Information

Form ADV Part 2A, Item 18

HCM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, HCM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

HCM has no such disclosures in regard to this item.



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