



Summary of Proxy Voting Policies and Guidelines

The Board of Trustees of Harbor Funds (the "Board") has adopted proxy voting policies, procedures and guidelines (the "Proxy Voting Guidelines") to govern the voting of proxies by each Harbor fund that invests in equity securities. The Board has delegated the responsibility for the administration of the proxy voting process generally and the voting of the proxies specifically to the Proxy Voting Committee (the "Committee") of Harbor Capital Advisors, Inc. ("Harbor Capital"), the investment adviser to the Harbor Funds. The Committee is comprised of senior staff of Harbor Capital, including several who also serve either as a Trustee and/or officer of Harbor Funds. The Committee reports directly to the Board. As the investment adviser to each Fund, Harbor Capital and its staff are subject to a fiduciary duty to act in the best interests of each Fund and its shareholders when carrying out their proxy voting responsibilities on behalf of the Funds. This policy does not permit the Board to delegate voting authority to anyone who does not serve as a fiduciary to the Funds.

Overall Objective

The objective of the Proxy Voting Guidelines established by the Board is to support proxy proposals and director nominees that maximize the value of a Fund's investment in portfolio securities over the long term. While the objective is straight forward, the Funds receive a broad range of proposals that are frequently complex. As a result, the Proxy Voting Guidelines are designed to provide the Committee with a framework for assessing each proposal and delineate factors which the Committee should consider as part of its voting decision. The Committee evaluates each proposal on its own merits taking into account the particular facts and circumstances presented.

The Committee is obligated to vote proxies in a manner which is consistent with its fiduciary duty to act in the best interests of each Fund and its shareholders. Normally, this means that the Committee will cast votes in accordance with the Proxy Voting Guidelines. However, in the event the Proxy Voting Guidelines do not address a particular proposal adequately, the Committee may vote in a manner which it believes, based upon an assessment of the facts and circumstances, is in the best interests of the respective Fund and its shareholders.

The Committee also is responsible for making recommendations and providing guidance to the Board as to the nature and scope of the Proxy Voting Guidelines based upon its experience in voting proxies. The Committee also is responsible for apprising the Board of current developments, both from an industry and regulatory perspective, which the Committee believes may affect the Proxy Voting Guidelines or the administration of the proxy voting process by the Committee. Furthermore, the Committee is responsible for reporting to the Board on the proxy voting process, including a summary of the proxy voting results for each Fund and any instance, expected to be rare, in which votes were cast in a manner which deviated from the Proxy Voting Guidelines.

Voting Process

In order to facilitate the proxy voting process, Harbor Funds and Harbor Capital have retained Glass, Lewis & Co. ("Glass Lewis"), an independent proxy voting agent, to assist in the proxy voting process. Glass Lewis is responsible for collecting, reviewing, and analyzing each proxy received by a Fund and notifying the Committee that a proxy vote is required. Harbor Capital also has retained Institutional Shareholder Services ("ISS"), a division of RiskMetrics, to provide additional research, analysis and voting recommendations.

In evaluating proxy proposals, the Committee considers information from many sources, including but not limited to, the investment subadvisers to the Funds (the "Subadvisers"), management or shareholders of a company presenting a proposal, and independent proxy research services (currently, Glass Lewis and ISS). Glass Lewis and ISS provide an analysis of the proxy proposals and specific vote recommendation to assist in the proxy research process. While the Committee will

normally take into account the information provided by Glass Lewis and ISS, the Committee is responsible for making all voting decisions in accordance with the Proxy Voting Guidelines and the Committee's fiduciary duty to act in the best interests of each Fund and its shareholders. The Committee is responsible for maintaining appropriate documentation and assuring that it adequately reflects the basis for any vote which is cast in a manner which deviates from the Proxy Voting Guidelines.

Proxy Voting Guidelines

The Board has established the Proxy Voting Guidelines to cover many of the issues that frequently occur in proxy voting. However, the Proxy Voting Guidelines cannot cover all possible voting scenarios or proposals that the Funds may receive. In the absence of a specific guideline, the Committee must evaluate each proposal and vote each proxy in a manner that is consistent with the objective and spirit of these Proxy Voting Guidelines. It is also permissible for the Committee to refrain from voting a proxy if it determines that it would be in the best interests of the Fund and its shareholders to not vote in that instance. This may arise when voting would result in the imposition of trading or similar restrictions on a Fund or when the expected cost of voting exceeds the benefits of voting.

The following is a summary of the more significant Proxy Voting Guidelines established by the Board:

Consideration Given Company Recommendations.

One of the primary factors a Fund portfolio manager considers when determining the desirability of investing in a particular company is the quality and depth of its management. The Proxy Voting Guidelines were developed with the recognition that an operating company's management is entrusted with the day-to-day operations of the company, as well as its long-term direction and strategic planning, subject to oversight by the company's board of directors, while staying focused on maximizing shareholder value. Accordingly, the Board believes that the recommendation of the company's board of directors and management on most issues should be given weight in determining how proxy issues should be voted. This reflects the basic investment philosophy that good management is shareholder focused. However, the position of the company's board or directors or management will not be supported in any situation where that position is found not to be in the best interests of the Fund. As a result, the Board expects that the Funds would vote against a proposal recommended by the company's board of directors or management when they conclude that a particular proposal may adversely affect the long-term investment merits of owning stock in that portfolio company.

Boards of Directors and Director Nominees.

The Funds generally support boards of directors and director nominees of companies with a majority of independent directors and key committees that are comprised entirely of independent directors. The Funds will generally support all directors on the nominating committee when the committee is made up of a majority of independent directors and when the nominating committee is chaired by an independent board member. The Funds will withhold votes from inside directors who serve on the compensation and audit committees, unless the company is majority controlled by such inside director or affiliated beneficial owners. The Funds will generally withhold votes for outside directors who do not meet certain criteria relating to their independence. The Funds will also generally withhold votes from any director that misses more than one-fourth of scheduled board meetings, without valid reasons for absences, and will generally withhold votes from directors who sit on an excessive number of public company boards.

The Funds also hold directors accountable for the actions of the committees on which the directors serve. The Funds will also generally support efforts to declassify existing boards, and will block efforts by companies to adopt classified board

structures.

In the case of contested board elections, the Committee evaluates the nominees' qualifications and the performance of the incumbent board, as well as the rationale behind the dissidents' campaign.

Majority Vote Standard.

The Funds will consider each proposal on a case-by-case basis, but generally will support efforts to implement a majority vote standard for the election of directors. However, the Funds will also take into account the extent to which a company has taken other reasonable steps to achieve the same objective and will generally vote against a majority vote proposal when the Funds believe such other steps are in fact reasonable.

Cumulative Voting.

The Funds generally will vote against cumulative voting proposals on the premise that cumulative voting allows shareholders a voice in director elections that is disproportionate to the shareholders' economic investment in the company. Cumulative voting allows a shareholder to cast all of his or her votes for a single director.

Approval of Independent Auditors.

The Funds generally support a relationship between a company and its auditors that is limited primarily to the audit, although it may include certain closely related activities that do not, in the aggregate, cause the auditor's independence to be impaired. The Funds generally will support management's recommendation for the ratification of the auditor except in instances where audit and audit-related fees make up less than 50% of the total fees paid by the company to the audit firm. The Funds will evaluate on a case-by-case basis those situations in which the audit firm has a substantial non-audit relationship with the company (regardless of its size relative to the audit fee) to determine whether the Funds believe independence may have been compromised.

Equity-Based Compensation Plans and Bonus Plans.

The Funds support appropriately designed stock-based compensation plans, administered by an independent committee of the board and approved by shareholders, to align the interests of long-term shareholders and the interests of management, employees, and directors. The Funds oppose stock-based compensation plans that substantially dilute Fund shareholders' ownership interest in the company, provide participants with excessive awards, or have inherently objectionable structural features. The Funds will evaluate stock-based compensation proposals on several factors to determine whether a particular plan or proposal balances the perspectives of employees and the company's other shareholders. The Funds will generally vote against stock-based compensation plans where the total potential dilution exceeds certain thresholds or if annual option grants exceed a certain percentage of shares outstanding. The Funds also will vote against plans that have any of the following features: the ability to re-price underwater options, the ability to issue options with an exercise price below the stock's current market price, the ability to issue reload options and the automatic share replenishment ("evergreen") feature.

The Funds generally will support reasonable measures intended to increase long-term stock ownership by executives. The Funds support the expensing of the fair value of option grants because it substantially eliminates the preferential financial statement treatment of stock grants.

The Funds may support the use of employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value. In the case of foreign

company employee stock purchase plans, the Funds may permit a lower minimum stock purchase price equal to the prevailing best practices or customary standards in the relevant foreign market.

The Funds generally will vote in favor of cash and stock incentive plans that are submitted for shareholder approval in order to qualify for favorable tax treatment under Section 162(m) of the Internal Revenue Code, provided that the plan includes well defined and appropriate performance criteria, and with respect to any cash component, that the maximum award per participant is clearly stated and is not unreasonable or excessive.

Anti-Takeover and Corporate Governance Issues.

The Funds believe that shareholders should have voting power equal to their equity interest in the company and should be able to approve (or reject) changes to the corporation's by-laws by a simple majority vote. Accordingly, the Funds support proposals to remove super-majority voting requirements for certain types of proposals. The Funds will vote against proposals to impose super-majority requirements. The Funds also support proposals to lower barriers to shareholder action (e.g., limited rights to call special meetings or limited rights to act by written consent). When reviewing such proposals, the Funds consider a number of factors, including but not limited to the length of time a shareholder has owned shares of the company, the market capitalization of the company and the rationale provided by the shareholder in its proposal. The Funds will vote against proposals for a separate class of stock with disparate voting rights.

The Funds generally vote for proposals to subject poison pills to a shareholder vote. In evaluating these plans, the Funds will be more likely to support arrangements with short-term sunset provisions, qualified bid/permitted offer provisions and/or mandatory review by a committee of independent directors at least every three years. The Funds generally will vote against shareholder rights plans that are long term, are renewed automatically or without a shareholder vote, where the ownership trigger is 15% or below and/or the board is classified or not appropriately independent.

Social and Corporate Policy Issues.

Proposals in this category, frequently initiated by shareholders, typically request that the company disclose or amend certain business practices. In general, the Funds believe that these matters are primarily the responsibility of management. Such matters should be evaluated and approved solely by the corporation's board of directors. Generally, the Funds will vote with a company's management on such issues although it may make exceptions where it believes a proposal has significant economic merit that has not been adequately addressed by management and is in the best interests of the Funds and their shareholders.

The Funds generally vote against shareholder proposals requesting that companies subject their executive compensation programs to an advisory shareholder vote (so called "say on pay" proposals). The Funds believe that a simple "yes/no" vote on such a multifaceted issue does not provide helpful feedback to a company's board of directors.

Foreign Companies.

Corporate governance standards, disclosure requirements and voting processes vary significantly among the foreign markets in which the Funds may invest. The Funds will generally vote proxies for foreign companies in a manner which the Funds believe is consistent with the objective of the Proxy Voting Guidelines, while taking into account differing practices by market.

There may be many instances where the Funds elect not to vote proxies relating to foreign securities. Many foreign markets require that securities be blocked or re-registered to vote at a company's shareholder meeting. The Funds will normally not

vote proxies in foreign markets that require the securities be blocked or re-registered to vote so as to not subject the Funds to the loss of liquidity imposed by these requirements unless the proposal is expected to have a significant economic impact on the Funds' investments.

In addition, the costs of voting in foreign markets (e.g., including custodian fees and voting agency fees) may be substantially higher than for U.S. holdings. As a result, the Funds may choose not to vote proxies relating to foreign securities held by clients in instances where the issues presented are unlikely to have a material impact on the value of a client's investment in that foreign security.

Voting for a Fund which Invests in Other Harbor Funds.

Certain Funds (the "acquiring funds") may, from time to time, own shares of other Harbor Funds (the "underlying funds"). If an underlying fund submits a matter to a vote of its shareholders, votes for and against such matters on behalf of the acquiring funds will be cast in the same proportion as the votes of the other shareholders in the underlying funds. This is known as "echo voting" and is designed to avoid any potential for a conflict of interest.

Conflicts of Interest

The Committee has the obligation to assess the extent, if any, to which there may be a material conflict between the interests of a Fund on the one hand and Harbor Capital and its affiliates, directors, officers, employees (and other similar persons) on the other hand. The Committee performs this assessment for each proxy on a proposal-by-proposal basis, and a conflict with respect to one proposal in a proxy does not indicate that a conflict exists with respect to any other proposal in such proxy.

If the Committee determines that a conflict may exist, it will resolve the conflict in accordance with the guidelines set forth in the Funds' Proxy Voting Guidelines and promptly report the matter and its resolution to the Funds' Chief Compliance Officer. The Committee is authorized to resolve any such conflict in a manner that is in the best interests of the Funds. The Committee will report all conflicts, and the resolution of such conflicts, to the Board on a quarterly basis. The Committee will use commercially reasonable efforts to determine whether a conflict may exist, and a conflict will be deemed to exist if and only if one or more members of the Committee actually knew or reasonably should have known of the conflict.

Proxy Voting Information

Information regarding how each Fund voted proxies relating to securities held by the Fund during the most recent 12 month period ended June 30 is available (1) without charge, on the Funds' website at www.harborfunds.com; and (2) on the SEC's website at www.sec.gov.
