# *Part 2A of Form ADV: Firm Brochure*

## Item 1: Cover Page

Part 2 of Form ADV: Firm Brochure
Dated: May 11, 2016

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This Brochure provides information about the qualifications and business practices of Harvest Capital Advisors Inc. If you have any questions about the contents of this brochure, please contact us at (425) 827-6236. 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 Harvest Capital Advisors Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Harvest Capital Advisors Inc. is a registered investment adviser with the Securities and Exchange Commission (SEC). This registration does not imply a level of skill or recommendation by the SEC; it simply means we are regulated by the SEC.

## Item 2: Material Changes

The following is a list of material changes to Harvest Capital Advisors Inc. (HCA) form ADV part 2 since the last annual update dated 3.31.2015

a. Item 4 – Sarah Royer is no longer listed as an owner of the firm.
b. Item 5 – We updated our fee schedule. We discontinued our First Year Rate and simplified our fee schedule for our Assets under Management relationships. We imposed certain waivable account sizes on Mutual Fund-Only Portfolios.
c. Item 5 – We revised the timing and percentages for our Financial Planning Fee invoices.

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## Item 4: Advisory Business

Harvest Capital Advisors Inc. is a fee-only investment management and financial planning firm established in 1994, incorporated in July of 2001, and registered with the SEC in April of 2003. Harvest's owners are Robert O. Abbott III and Lynette A. Johnson.

Our areas of focus and specialty are:

1. Investment Management
2. Income Tax Planning
3. Business Succession Planning
4. Estate Planning
5. Retirement Planning
6. Charitable Giving

By gaining an understanding of our clients' lifestyles, financial positions, and goals, our team strives to provide individualized counsel, education, and individualized investment recommendations in an effort to meet our clients' objectives.

Our clients may impose boundaries on the investment of their portfolio by restricting the buying and selling of specific securities, or sector of securities, as well as requesting that Harvest receives client authorization before placing buy or sell orders in their portfolio.

Harvest does not participate in wrap fee programs.

Harvest invests its Clients' assets (assets under management or AUM); the following is a break out of our discretionary and non-discretionary AUM as of December 31, 2015.

1. $157,156,773 of discretionary AUM
2. $0.00 of non-discretionary AUM

## Item 5: Fees & Compensation

Assets under Management Fees:

Harvest's annual fee for investment management services is based upon a percentage (%) of the market value of the Assets under management in accordance with the following schedule:

| Account Balance | Up To | Fee Rate |
|---|---|---|
| $ 0.00 | $499,999 | 1.75% |
| $500,000.00 | $750,000 | 1.65% |
| $750,000.01 | $1,000,000 | 1.50% |
| $1,000,000.01 | $2,000,000 | 1.35% |
| $2,000,000.01 | $5,000,000 | 1.20% |
| $5,000,000.01 | And up | 1.05% |
| Mutual Fund-Only Portfolio | | 1.00% |

Mutual Fund-Only Portfolios are generally only available for accounts with less than $100,000. Harvest reserves the right to offer these relationships for clients with more than $100,000 in its sole discretion. Generally, Harvest does have an incentive to recommend clients invest in non-Mutual Fund-Only Portfolios where it earns a higher fee. However, clients ultimately may incur a higher cost overall for mutual funds only.

Notwithstanding the above, Harvest's reserves the right to negotiate investment advisory fees as they deem appropriate.

The annual fee shall be prorated and paid quarterly, in advance, based upon the market value of the Assets on the last business day of the previous quarter. No increase in the annual fee percentage shall be effective without prior written notification to the client.

Client authorizes the Custodian of the Assets to charge the Account for the amount of Harvest's fee and to remit such fees to Adviser in compliance with regulatory procedures.

Clients may incur fees and/or expenses directly from their custodian for items such as, but not limited to:

1. Account servicing fees
2. Cashiering fees for the transferring or withdrawing of funds
3. Custodian fees for holding specific assets
4. Commissions for buying and selling securities
5. Mutual fund expenses
6. Trade away fees
7. Other fees associated with account activities and transactions
8. See section 12 for more information

Clients may terminate their relationship with Harvest at any time by delivering a signed written notice to their Advisor.

Harvest does not accept any compensation (commissions or prerequisites) for the purchase or sale of securities or any other investment product.

Harvest does not have any minimum account size or minimum advisory fee rate requirement. However, Harvest does reserve the right to accept or reject any client.

Financial Planning Fees:

Harvest is compensated for financial planning services by charging a fee based on the scope of services provided.

Fees are paid directly to Harvest by the client, and generally 1/3 of which is due upon engagement, 1/3 in four months, and the remaining 1/3 due in seven months. For clients whose fee is less than $1,200 or whose engagement can be performed within six months, we may bill clients with payment due upon delivery of an invoice.

In addition, clients may incur fees directly from their accountant, attorney or other professionals.

Clients may terminate a Financial Planning contract at any time by delivering a signed written notice to their Advisers. Unpaid balances, if any, shall be paid by the client for services rendered. In the alternative, if the client has prepaid any portion of the planner's fee, the balance, if any, shall be refunded to the client.

Upon completion of agreed services, if a client deems the fees were too high for the services provided, the client may identify the disparity amount and Harvest shall reimburse the client for the stated amount.

## Item 6: Performance-Based Fees & Side-by-Side Management

Harvest does not accept performance-based fees, which are fees based on a share of capital gains or capital appreciation of a Client's assets.

## Item 7: Types of Clients

Harvest provides investment management services, and or, financial planning services for individuals, families and closely held businesses.

## Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

With the implementation of a Cash Flow model, Harvest's portfolio managers build investment portfolios for each client based on three primary factors:

1. The need for current income and anticipated withdrawals
2. Fixed Income
    a. The need for future income after other stated resources are accounted for
    b. Number of years projected portfolio income is expected to provide

Fixed income for the first 5 to 10 years is managed with individual investment grade bonds when available. The alternative is to invest in short to intermediate term, maturity focused, no-load mutual funds with similar volatility characteristics.

Our primary goals are:

a. Safety of principal when income is needed
b. With income expectations, volatility is overpowered by established maturity dates
c. Return of principal always outweighs return on principal. The maturity dates match the cash need dates

3. Equities

We apply fundamental analysis of a company's financial history. We compare a company with its peers, strength of position, analysis of the industry and the overall role the company plays in the economy's future. Consistency outweighs total anticipated performance accompanied by predictable:

a. Revenues
b. Expenses
c. Use of company's earnings
d. Debt management
e. Realistic growth projections

We cannot realistically PROJECT the future performance of the economy with its geographical and political influences. Nor can we predict the movement of markets, especially considering currency volatility, government influences, computerized trading, and investor confidence levels.

Harvest bases decisions of when to buy and when to sell on the business climate of each industry measured against each company's ability to compete for profitable business.

We find it important to limit the number of equity holdings to 30 companies spread across at least 15 sectors of the economy. When identifying 30 companies isn't possible, we place funds for unfilled positions into identified securities, providing flexibility to purchase new companies we find that reflect our expectations for long-term stability and growth.

Harvest's method of monitoring portfolios includes:

a. Frequent updating of current equity prices to determine the potential future gain to our established target price
b. Researching news about each company for disruptions that can affect their futures: management changes, industry issues, economic shifts
c. Review of each company's financial condition to verify assumptions for growth potential
d. Review of our assumptions of future earnings to justify selling, holding or adding/reducing a position

Each client's portfolio may hold a blend of cash, bonds, and/or stocks with the intention of addressing the need for safety, income and/or capital appreciation tempered by their tolerance for volatility. The blend also reflects the opinion of risk presented by current market pricing in light of both historical records and current and projected economic conditions.

Please Note: Investment Risk: Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

1. Harvest's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Harvest must have access to current/new market information. Harvest has no control over the dissemination rate of market information; therefore, unbeknownst to Harvest, certain analyses may be compiled with outdated market information, severely limiting the value of Harvest's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Harvest's primary investment strategies - Long Term Purchases or Short Term Purchases- are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

2. Currently, Harvest primarily allocates client investment assets among various individual equities (stocks) and individual bond issues on a discretionary basis in accordance with the client's designated investment objective(s).

## Item 9: Disciplinary Information

There are no current or prior legal or disciplinary events that are material to a Client's, or prospective Client's, evaluation of Harvest's business, or the integrity of our management.

## Item 10: Other Financial Industry Activities & Affiliations

Harvest, nor any of our employees, is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Harvest, nor any of our employees, is registered or has an application pending to register as a futures commission merchant, commodity pool operation, a commodity trading adviser, or an associated person of the foregoing entities.

## Item 11: Code of Ethics, Participation, or Interest in Client Transactions & Personal Trading

Harvest adopted a Code of Ethics ("Code") which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act").

This code establishes rules of conduct for all employees and is intended to govern trading:

- in employees' accounts
- trading in the accounts of employees' immediate families;
- and trading in accounts where employees have a beneficial interest

to avoid conflict of interest, such as serving their own personal interests ahead of Clients, taking inappropriate advantage of their position with the firm, insider trading, and other forms of prohibited or unethical business conduct.

The code states that Harvest and its employees are subject to the following fiduciary obligations when dealing with Clients:

- The duty to have a reasonable, independent basis for the investment advice provided
- The duty to obtain best execution for a Client's transactions where the Firm is in a position to direct brokerage transactions for the Client
- The duty to ensure that investment advice is suitable to meeting the Client's individual objectives, needs, and circumstances
- A duty to be loyal to Clients

Harvest's policy mandates that employees and related persons acquire pre-approval from the portfolio manger before trading equities in their accounts or in the accounts of a related person. This policy is intended to address possible conflict of interests where such trading could possibly drive up or reduce the price of a security before Client trades are placed.

To uphold this policy, employees' brokerage account statements are reviewed regularly for trading activity. Possible termination can result if any employee fails to seek pre-approval in compliance with our policy.

Harvest will provide a copy of the Code to any Client or prospective Client upon request.

## Item 12: Brokerage Practices

Harvest does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We use our discretion in recommending a custodian and broker-dealer and will comply with our fiduciary duty to obtain best execution. We seek to recommend a custodian who can execute transactions on terms that are overall most advantageous to our clients, in doing so, we consider the quality of custody services & transaction execution services, the capability to execute, clear and settle trades, breadth of investment products made available, a willingness to negotiate, reputation, financial strength and stability, prior service to Harvest and our clients and their responsiveness to problems.

While we recommend that you use Schwab as a custodian/broker, you will decide whether to do so and open your account(s) with Schwab by entering into an account agreement directly with them. Harvest does not open the account for you. Even though your account(s) is maintained at Schwab, we can still use other brokers to execute trades for your account.

Schwab generally does not charge Harvest clients for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates and fees applicable to our client accounts were negotiated based on our commitment to maintain $50 million of our clients' assets statement equity in accounts at Schwab. This commitment benefits you overall. The commission and fees you pay are lower than they would be if we had not made the commitment.

### 12a Research and Benefits:

- Schwab Adviser Services provides Harvest and our clients with access to brokerage and other support services, many of which are not typically available to Schwab Retail customers. Some of these services help Harvest manage or administer our clients' accounts while others help us manage and grow our business. These services are available on an unsolicited basis at no charge, as long as we keep a minimum of $10 million of clients' assets in accounts at Schwab.

Services that Benefit You:

d. Access to a broad range of investment products, execution of securities transactions, and custody of client assets.

Services that generally benefit only Harvest are:

- Educational conferences and events
- Technology, compliance, legal and business consulting
- Publications and conferences on practice management and business success
- Access to employee benefit providers, human capital consultants and insurance providers
- Occasional business entertainment of our personnel
- Occasional contributions to charitable organizations that Harvest may represent

Services that may not directly benefit you are:

- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Assist with back-office functions, recordkeeping and client reporting
- Facilitate payment of our fees from our clients' accounts

These are potential conflicts of interest. Harvest believes, however, that our selection of Schwab as a custodian and broker is in the best interest of our clients. It is primarily supported by the scope and quality of Schwab's services and not Schwab's services that benefit only us. Harvest has worked with several broker-dealers in reaching its current position.

Schwab may provide some of these services itself. In other cases it will arrange for third-party vendors to provide the services to us and may also discount or waive its fee or pay a third party directly. Schwab may also provide us with other benefits such as occasional business and very limited entertainment of our personnel or clients.

12b Brokerage for Client Referrals

- We do not consider, or give relevance to, whether Harvest or a related person, would receive client referrals when recommending a broker-dealer to our clients.

12c Direct Brokerage

- Harvest does not recommend, request, or require our clients to direct us to execute transactions through a specific broker-dealer. Harvest can use other brokers to execute trades for your account at your written request to do so.

Clients may choose to select where or through whom transactions are executed. However, doing so may result in Harvest being unable to achieve favorable execution. Specifically a client may pay higher trade costs and brokerage commissions because we may not be able to place block trades or receive institutional pricing.

Whenever possible, Harvest performs aggregate trading in the form of block trades. Block trades allow Harvest to buy or sell securities held in multiple Client accounts in one transaction. Clients participating in block trades receive an average price for the trade, which reduces possible price fluctuation from market movement.

## Item 13: Review of Accounts

At the client level, investment advisory accounts are reviewed for anomalies created through sales, contributions, withdrawals, and cash flow reports, and are reviewed on an ongoing basis. Additionally, reviews may be triggered by changes in an account holder's personal tax or financial status. Decisions are based on information maintained in a Client's investment profile, which is maintained by the Adviser and, required by the Investment Manager.

We require Clients to advise Harvest of any expected or actual changes in their personal or financial circumstances, in writing, as timely as possible. At the global level, the Investment Manager annually reviews mutual fund holdings against a selected peer group with emphasis on long-term stability and the mutual fund manager's experience. Most individual publicly traded equities and fixed income asset issuers are reviewed on an ongoing basis depending on a variety of specific financial formulas and current events.

Brokerage statements are generated no less than quarterly, sent directly from the custodian to Clients. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived by the Client.

## Item 14: Client Referrals & Other Compensation

Harvest receives an economic benefit from Schwab in the form of support products and services it makes available to us and other independent investment advisers that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see item 12 – Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Harvest maintains a referral arrangement with a solicitor, pursuant to which Harvest pays referral compensation to a solicitor for clients introduced to Harvest in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee is paid solely from Harvest's investment advisory fee, and shall not result in any additional charge to the client.

## Item 15: Custody

Harvest does not have custody of any Client accounts. All Client accounts are held in custody at a broker-dealer recommended to the Client by the Adviser, or in some cases, a broker-dealer chosen specifically by the Client, either directly or through an employer-sponsored plan. However, Harvest shall have the ability to have its advisory fee for each client debited by the

custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the custodian. Harvest may also provide a written periodic report summarizing account activity and performance. To the extent that Harvest provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. The account custodian does not verify the accuracy of the Harvest's advisory fee calculation.

## Item 16: Investment Discretion

Harvest accepts discretionary authority of client accounts. We request discretion for the selling of managed securities so we can act immediately when the Investment Manager feels it's in the client's best interest to do so.

Clients may denote an entire account or specific securities in their account as unmanaged, limiting Harvest's authority to buy or sell. Unmanaged securities and/or accounts are segregated from the managed portion of a client's portfolio and not reviewed or monitored by the Investment Manager, nor invoiced by Harvest.

In order for Harvest to assume discretionary authority, Clients sign limited power of attorney forms (LPOA) for each managed account, which are then submitted to the custodian, thereby allowing Harvest to trade on the behalf of our clients. A LPOA can be revoked by the Client at any time, directly through the Client's custodian, without any prior notice to Harvest.

Harvest places no limitations on the amount of the securities to be bought or sold in a Client's managed account.

## Item 17: Voting Client Securities

Harvest will not accept authority to vote Client proxies. All transactions in the Client's account(s) will be made according to the directions and preferences provided to Harvest by the Client.

Harvest does not have authority to vote Client proxies, and Clients receive their proxies and other solicitations directly from their custodian or transfer agent. Harvest will discuss and answer any question a Client has regarding securities voting.

## Item 18: Financial Information

Harvest Capital Advisors does not solicit fees of more than $1,200, per client, six months or more in advance. Harvest Capital Advisors is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts. Harvest Capital Advisors has not been the subject of a bankruptcy petition.