

Item 1 – Cover Page

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This Brochure provides information about the qualifications and business practices of Everett Harris & Co. (“Everett Harris”). If you have any questions about the contents of this Brochure, please contact us at 213-625-2677. Currently, our Brochure may be requested free of charge by contacting Anny Choe, Chief Compliance Officer, at (213) 625-2677.

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.

Everett Harris is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about Everett Harris also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There were no material changes to our Brochure since our last annual update on March 15, 2016.

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

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#### **Item 4 – Advisory Business**

Everett Harris, founded in 1937 and principally owned by James D. Ward, Oliver N. Crary, and its employees, provides clients with “investment supervisory services” on a discretionary and non-discretionary basis, which include:

- determining investment needs, risk tolerance, and financial objectives
- structuring investment portfolios compatible with a client’s objectives and total financial circumstances
- implementing portfolio strategy when such responsibility is delegated by the client
- recording of portfolio details for the benefit of the client

Everett Harris manages client assets based on each client’s investment objectives, risk tolerance, financial objectives and any reasonable restrictions imposed by each client. Clients are responsible for informing Everett Harris of any changes to their investment objectives, individual needs and/or restrictions. Everett Harris does not assume any responsibility for the accuracy of the information provided by the client.

If a client’s account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), Everett Harris acknowledges that it is a fiduciary to the plan under Section 3(38) of ERISA. In providing its services, the sole standard of care imposed upon Everett Harris is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

As of December 31, 2016, Everett Harris managed \$5,836,400,000 in discretionary assets and \$943,400,000 in non-discretionary assets.

#### **Item 5 – Fees and Compensation**

All fees are subject to negotiation.

The specific manner in which fees are charged by Everett Harris is established in a client’s written agreement with Everett Harris. Generally, Everett Harris charges accounts with up to \$10 million in assets under management an annual management fee ranging from 0.75% to 1% of managed assets. Accounts in excess of \$10 million in managed assets may be charged lower fees. Management fees for institutional accounts, such as foundations or endowments, generally range from 1/10 of 1% to 1%. Occasionally, flat fees approximating

a percentage rate are charged. Everett Harris will generally bill its fees on a quarterly basis in advance. Clients may also elect to be billed directly for fees or to authorize Everett Harris to directly debit fees from client accounts. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Everett Harris' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, 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 exclusive of and in addition to Everett Harris' fee, and Everett Harris shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Everett Harris considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

Everett Harris does 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**

Everett Harris provides portfolio management services to individuals, high net worth individuals, corporations, pension and profit-sharing plans, charitable institutions, foundations, endowments, and other U.S. institutions.

In most cases, new clients will be required to maintain combined billable assets under management of at least \$3 million in their accounts managed by Everett Harris & Co.

There may be times when certain restrictions are placed by a client, which prevents Everett Harris from accepting or continuing to manage the account. Everett Harris reserves the right to not accept and/or terminate management of a client's account if the client-imposed restrictions would limit or prevent Everett Harris from meeting and/or maintaining its investment strategy.

Prior to entering into an investment management agreement with Everett Harris, a client should carefully consider: 1) committing to management only those assets that the client believes will not be needed for current cash-flow needs and that can be invested on a long-term basis, usually a minimum of five to seven years, 2) that volatility from investing in the stock market can occur, and 3) that over time the client's assets may fluctuate and at anytime be worth more or less than the amount invested.

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

Everett Harris uses a variety of securities when investing clients' assets, including but not limited to U.S. and foreign equity securities, fixed income securities and options. Investing in securities involves risk of loss that clients should be prepared to bear.

Everett Harris may also invest a portion of a client's assets in private placements, which are considered, in most cases, to be illiquid securities and may be harder to sell due to the fact that they do not trade in the open market.

Everett Harris may also invest a portion of certain sophisticated client's assets in structured notes, which are considered to be a "hybrid" security and contain two or more different financial instruments. Structured notes are generally debt obligations that contain an embedded derivative component with its performance usually tracking the underlying instruments and derivative. The notes are created by banks when requested by Everett Harris, are not traded on a public market, and are therefore considered to be illiquid. These notes also carry a high degree of risk due to their composition, along with the risks associated with their underlining financial instruments and derivatives.

Everett Harris applies fundamental analysis when selecting and monitoring securities. The research process includes the review of financial statements and the construction of internal financial models and forecasts. Qualitative methodologies are also applied: the competitive landscape and macroeconomic environment are considered, as well as analyst discussions with company representatives and analyst perceptions from occasional company visits. Furthermore, Everett Harris supplements its own internal research with independent third party research. The investment strategy is buy and hold, and generally fixed income securities are held until maturity or until called. Everett Harris primarily invests in government and high quality corporate bonds, but will, on rare occasion, invest

in high yield bonds.

Once a security has passed the screening and research process, it is discussed during a weekly investment team meeting. Everett Harris maintains a frequently updated model portfolio, which contains a list of equities recommended for purchase and their target percentages. However, because each client's objectives and tax situation may vary, for each client the model portfolio is adjusted at the time of implementation to consider these factors. As a result, no two portfolios may appear the same.

### **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 Everett Harris or the integrity of Everett Harris' management. Everett Harris has no information applicable to this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Neither Everett Harris nor any of its management persons have other financial industry activities or affiliations which require reporting under this Item.

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

Everett Harris, the corporation, as a matter of policy does not hold any securities (other than short term government securities) which its clients may hold or which may be recommended to clients. However, persons associated with Everett Harris, such as officers, directors and employees ("Associated Persons") are permitted to buy or sell securities that the firm also recommends to its clients. In addition, Everett Harris may, from time to time, recommend to clients that they buy or sell securities or mutual funds which an Associated Person of Everett Harris also owns in his/her own personal account or an account in which the Associated Person has influence or control. As part of its Code, Everett Harris has instituted strict personal trading policies and procedures which all Associated Persons are required to follow. The procedures include pre-clearance of non-exempt personal securities transactions, restriction from trading in non-exempt securities on the same day they are traded for clients' accounts, restriction from personal profits from the purchase and sale or sale and purchase of a security within 120 calendar days, prohibiting Associated Persons from acquiring beneficial interests in any securities in an initial public

offering, and requiring prior approval and disclosure of acquisition of beneficial interests in securities in a private placement. Securities and transactions which are exempted are : U.S. government securities; open-end mutual fund shares (except exchange traded funds (ETFs)); transactions over which an Associated Person has no direct or indirect influence or control; transactions that are part of an automatic dividend reinvestment plan; purchases upon the exercise of rights acquired from an issuer and issued pro rata to all shareholders, and sales of such rights; any equity securities transaction or series of transactions involving 300 shares or less, if the issuer has a market capitalization greater than \$2 billion; any fixed income securities transactions involving \$100,000 principal amount or less; and purchases or sales of securities which receive the prior approval of the Chief Compliance Officer, or his or her designee, because such transactions are not likely to have any economic impact on Everett Harris clients or their ability to purchase or sell securities of the same class or the same issuer. However, it is possible that Associated Persons may receive a better price than clients in instances when Associated Persons trade exempt securities on the same day or just before clients.

Associated Persons of Everett Harris are also required to report their security transactions and holdings on at least a quarterly basis, to comply with applicable federal securities laws. The Code mandates that clients' interests must come first. Sanctions may be applied if it is determined that an Associated Person has violated the Code.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Everett Harris' obligation to seek best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Everett Harris will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Everett Harris' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Anny Choe.

On occasion, Everett Harris may place simultaneous orders, which the net result of is a transaction between two client accounts (also known as a "cross trade"). In any such cross trade, Everett Harris will seek to achieve best execution for all client accounts involved – no client will be disfavored – and such transactions will be independently priced through a broker. A log will be maintained detailing all such transactions and both client parties will be informed.



## Item 12 – Brokerage Practices

As a matter of policy and practice, Everett Harris seeks best execution of trades for clients. The firm's overriding objective in the selection of broker-dealers is to seek to obtain best price and execution. Best net price, giving effect to brokerage commission and other transaction costs, is an important factor in this decision, but other factors may also influence the decision. These include, but are not limited to: the nature of the security being traded, size and timing of the trade, market activity, the broker/dealer's execution, clearance and settlement capability and financial stability, and whether the broker/dealer provides research to Everett Harris.

In circumstances where Everett Harris is directed to execute all or a portion of client transactions through a specific broker (a.k.a. "directed brokerage"), the client should understand that: (1) Everett Harris does not negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker/dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case, (2) transactions for that account generally will be effected independently unless Everett Harris decides to purchase or sell the same security for several clients at approximately the same time (block trade), in which case Everett Harris may include such client's transaction with that of other clients for execution by the same broker. If transactions are not able to be traded as a block, Everett Harris may have to enter the transactions for the client's account after orders for other clients, with the result that market movements may work against the client, and (3) conflicts may arise between the client's interest in receiving best execution with respect to transactions effected for the account and Everett Harris's interest in receiving future client referrals from the broker.

Therefore, prior to directing Everett Harris to use a specific broker-dealer, a client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable. Clients should understand that they might not obtain commissions rates as low as they might otherwise obtain if Everett Harris had discretion to select other broker-dealers.

All directed brokerage arrangements must be provided to Everett Harris in writing by the client. A client must also notify Everett Harris in writing if the client decides to terminate the directed brokerage arrangement.

Subject to the policy of seeking best execution for transactions, Everett Harris may, in circumstances where Everett Harris has brokerage discretion and in which execution is

comparable, place a trade with a broker/dealer that furnishes Everett Harris with brokerage and research services. This practice is commonly known as “soft dollar transactions.” Brokerage and research services may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing research on companies, industries, and securities; economic and financial data; financial publications; computer databases; and quotation equipment and services. Research services can be received in the form of written reports, electronic data (online access or software), telephone conversations, personal meeting with security analysts and/or individual company management, and attending conferences. The research services provided by a broker may be proprietary and/or provided by a third party (i.e. originates from a party independent from the broker providing the execution services).

All soft dollars are generated by Everett Harris via purchases of fixed income securities that are “new issues” (i.e. have not been issued to the public prior to the purchase date) for its non-ERISA client accounts from a broker. Everett Harris receives a portion of the broker’s selling concession (which is a portion of the purchase price that is paid by the issuer of the fixed income security to the broker as a commission for selling the security to the public) in the form of “soft dollar credits.” Everett Harris in turn directs the broker to use the soft dollar credits to purchase third party research on behalf of Everett Harris. In these types of transactions, Everett Harris is not made aware of the amount of the selling concession paid to the broker, since the concession is included in the price of each security; therefore, the transactions do not fall within the safe harbor of Section 28(e). However, the purchase price of new issue fixed income securities is always the same (i.e., par) no matter which broker-dealer executes these trades, thus in no case are clients of Everett Harris paying more for these new issue securities than they would through the use of any other broker-dealer.

Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. The receipt of brokerage and research services from any broker executing transactions for Everett Harris’ clients will not result in a reduction of the firm’s customary and normal research activities, and the value of such information is, in the firm’s view, indeterminable. Nevertheless, the receipt of such research may be deemed to be the receipt of an economic benefit by Everett Harris, and although customary, may be deemed to create a conflict of interest between Everett Harris and its clients. Therefore, Everett Harris feels it is important for clients to be aware of the issues surrounding soft dollars.

Everett Harris does not use soft dollar credits for anything other than research and brokerage services (which may include trading software provided by executing broker).

Everett Harris pays hard dollars for any and all non-brokerage and research services, such as administrative, accounting or marketing services.

Everett Harris currently receives the following research products under a soft dollar arrangement with ***BNY ConvergeEX***:

***Sanford C. Bernstein Investment Research***  
***William O'Neil & Company***

### **Item 13 – Review of Accounts**

Each account is reviewed at least monthly by the lead portfolio manager and at least quarterly by the full Investment Committee. Each counselor is responsible for differing number of accounts based on his/her length of time at the firm. The group makes decisions regarding action to be taken on each account. The review process is based on a variety of factors, which may include but not be limited to: investment strategy, economic environment, outlook for the securities markets, a client's view on general economic conditions or a specific stock, and the merits of the securities in which the accounts are invested. In addition, a special review of an account may be triggered by one or more of the following: 1) a change in the client's investment objectives, guidelines and/or financial situation communicated by the client, 2) change in strategy or diversification, 3) tax considerations, 4) cash added or withdrawn from an account, 5) purchase or sale of a security in an account, and 6) if requested by a client. Between reviews, clients are contacted as necessary. Each counselor at Everett Harris & Co. generally has a working knowledge of all the accounts.

Accounts are maintained using a portfolio management system that, for the vast majority of accounts, receives daily electronic feeds containing transaction and price information from multiple custodians. The few accounts for which no electronic feed is available are reconciled manually. Within a few days after a month's end, current schedules of portfolios are available for review and also distribution to clients. In the event of unusual occurrences with respect to individual issues, the system will reflect which account(s) hold the issue so proper action can be communicated promptly to the account(s) involved. At a minimum, schedules of portfolios are delivered annually, and periodic client contact is made either personally, by email and/or telephone. Clients also receive periodic (at least quarterly) account statements from their custodians.

## **Item 14 – Client Referrals and Other Compensation**

Everett Harris does not receive cash or other economic benefits from non-clients in connection with giving advice to clients. Everett Harris does not directly or indirectly compensate any person for client referrals.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Everett Harris urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

Everett Harris usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Everett Harris observes the investment policies, limitations and restrictions of the clients for whom it advises.

Investment guidelines and restrictions must be provided to Everett Harris in writing.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, Everett Harris does not have any authority to vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Everett Harris may provide advice to clients regarding the clients' voting of proxies. In the case of ERISA plan clients, Everett Harris, as an ERISA fiduciary, will require that the ERISA plan documents

associated with the plan account allow for a named fiduciary, other than Everett Harris, to vote the plan account proxies. Everett Harris shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Proxies issued on securities held by a registered investment company (i.e. mutual fund) are generally voted by the investment adviser that manages the assets of the mutual fund.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Everett Harris' financial condition. Everett Harris has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.