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**Item 1: Cover Page for Part 2A of Form ADV: Firm Brochure**

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**Dated: January 21, 2025**



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[www.harrisadvisory.com](http://www.harrisadvisory.com)

This Brochure provides information about the qualifications and business practices of Harris & Associates. If you have any questions about the contents of this Brochure, please contact us at (310) 318-3700 and/or [info@harrisadvisory.com](mailto:info@harrisadvisory.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Harris & Associates is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about Harris & Associates also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD#: 134066.

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## Item 2: Material Changes

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**Harris & Associates** (hereinafter “our firm”, “We”, “us”) is required to advise you of any material changes to our Firm Brochure (“Brochure”) from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

Last Annual Amendment Filing Date: **02/14/2024**

Since our last annual amendment filing, our firm has no material changes to report.

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### Item 3: Table of Contents

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## **Item 4: Advisory Business**

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Harris & Associates is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. We specialize in providing advice on personal finances, executive benefits, and estate planning. Our firm is a corporation formed in the State of Illinois and is wholly owned by David L. Harris, PhD, ChFC, CFP. Mr. Harris has been providing advice since 1992, and our firm has been registered as an independent investment advisor since 1997.

### **Description of the Types of Advisory Services We Offer**

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#### **Investment Advisory Services:**

As part of our investment advisory service, your Advisor generally creates a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The Client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios may be designed to meet a particular investment goal, or multiple goals as determined by Client. Advisors will make every effort to know our clients and determine that all portfolios remain suitable to the Client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least annually and if necessary, reallocate the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

#### **Executive Benefit Services**

Effective benefit plans help business owners attract and retain quality managers. We provide expert assistances to design, advise, enroll, set up and supervise administration for disability, life, retirement welfare plans and more, both qualified and non-qualified as defined by the Internal Revenue Code. Fees and commissions may be received as agreed to in the Client Services Agreement.

#### **Consulting:**

We provide a variety of consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives.

This consulting may encompass one or more of the following activities or services:

- a) Consult with clients and analyze the client's financial needs and objectives based upon information provided by the client
- b) Recommend strategies for budgeting, debt-reduction, savings, risk transfer and more, suited to the client's identified needs and objectives
- c) Review the performance of client investment accounts as specified in the Client Services Agreement
- d) Recommend either verbally or in writing, changes in client investments, strategy, or financial plan in connection with the review of client investments or the identification of new financial needs or objectives by the client
- e) Design, enroll, administer or arrange funding for a client's benefit plan, estate plan or financial plan

- f) When called for, conduct a single-needs analysis, provide research, plan design, or specific planning advice for the client who does not need or desire services described in a) through e) above.

All investment analysis and recommendations will be based upon available securities industry research and upon information provided by the client. There will be no independent investigation of client background information, nor update of such information, without the express involvement and consent of client. It remains the client's responsibility to advise our firm of any changes in circumstances, e.g. financial needs, objectives, goals, and investments held with other firms or any other changes that would impact the client's financial condition.

### **Third-Party Advisory Services:**

We do not offer Third-Party Advisory Services.

### **Tailoring of Advisory Services**

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Harris & Associates tailors its services to the individual needs of each client. Custody, strategy, holdings and adjustments to allocations are specifically chosen to fit our client's changing needs. Every client is entitled to impose restrictions on their specific securities; however, restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### **Participation in Wrap Fee Programs.**

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We do not offer wrap fee programs.

### **Regulatory Assets Under Management**

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We manage \$35,428,103 on a discretionary basis and \$0 on a non-discretionary basis as of December 31, 2024.

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## **Item 5: Fees & Compensation**

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### **Compensation for Our Advisory Services**

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#### **Maximum Annualized Investment Management Fees ("IMF")**

<b>Account Size</b>	<b>Max. Client Fee*</b>
Under \$50,000	2.60%
\$50,000 to \$99,999	2.45%
\$100,000 to \$249,999	2.25%
\$250,000 to \$749,999	1.95%
\$750,000 to \$1,249,999	1.70%
\$1,250,000 to \$4,999,999	1.55%
\$5,000,000 to \$9,999,999	0.95%
Over \$10,000,000	0.75%

\*Clients may pay a fee that is lower than our published Maximum schedule above pursuant to the Client Services Agreement. Our firm's annualized fees are based on ending asset balance of your account on the last trading day of the month or custodian Statement Ending Balance. Initial billing is one-month in advance, then billed monthly. Billing adjustments will be made for deposits and withdrawals during the previous month. Any 529 fees or other fees due will also be added if applicable. Our firm bills on cash unless indicated otherwise in writing.

- 1) As part of their account application, clients provide written authorization permitting direct payment of advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- 2) Through our partner Orion, our firm sends monthly notices to our clients showing their fee amount, the value of the assets upon which the fee is based, and the specific manner in which the fee is calculated as well as disclosing that it is the client's responsibility to verify the accuracy of fee calculation, and that the custodian does not determine its accuracy; and
- 3) Our Advisory custodian, Schwab, sends monthly statements to clients, showing all account disbursements, including advisory fees.

A one-time nonrefundable set-up fee ranging from \$50 to \$500 may be due and payable upon establishment of the client's account, depending on the scope and complexity of our engagement with you.

Fees will generally be deducted from your managed account through a qualified custodian.

Lower Fees for comparable services may be available from other sources.

#### **Executive Benefit Services:**

Deferred Compensation, Supplemental Executive Retirement Plans (SERP's), Disability Carve-out Plans and other executive benefits services are charged on a proposal basis. Fees may involve an upfront design fee, minimum expected commissions and, when implemented, an on-going annual administration fee for Asset/Liability Match or other reporting. Policy servicing for informally funded Deferred Compensation may involve per transaction fees. All services may be charged according to the firm's Hourly Rate Schedule below.

#### **Consulting:**

We charge an hourly, fixed or periodic fee for consulting services. Our standard hourly rate schedule is as follows:

#### **HOURLY CHARGES ACCORDING TO FEE SCHEDULE**

<b>Responsible Person</b>	<b>Data Gathering</b>	<b>Document Preparation</b>	<b>Analysis</b>	<b>Consultation</b>
Clerical	\$75	\$75	n/a	n/a
Para-Planner	\$175	\$175	\$235	n/a
Advisory Rep	\$350	\$350	\$450	\$450

The Client may also be responsible for out-of-pocket expenses, such as travel, meals, copying, telephone, postage, delivery and other costs related to work for the Client. Lower Fees for comparable services may be available from other sources.

## **INITIAL CONSULTING FEE (ICF)**

For services beyond simple account opening and transfer, the Advisor may charge an Initial Consulting Fee (ICF) for discovery, research, strategy development or other services. This is a one-time fee. The fee may range from \$200 to \$10,000 depending on the complexity of the circumstance. It may involve anything beyond asset allocation and buy/sell transactions. The ICF remains 100% negotiable and is intended to keep ongoing fees lower. Lower Fees for comparable services may be available from other sources.

## **Direct Billed Fees**

Any periodic or fixed fees (from \$200 to \$10,000) may be negotiated and will be specified in the Client Services Agreement. An initial payment up to \$500 may be payable upon execution of the Client Services Agreement. Afterward, the fixed fee will be billed in advance as indicated in the Client Services Agreement. Periodic, fixed or hourly fees are estimated based on preliminary assessment of the complexity of the client's circumstances and the skill and time required for performing the services.

Fees will be directly billed to you. Written Financial Planning projects are generally billed at 40% upon signing a Client Services Agreement, 35% upon completion of analysis, enrollment, or preparation of report or plan; and 25% due and payable upon completion of the plan or services specified. Under no circumstances will prepayment be required six or more months in advance or in excess of \$500. Any unearned fees will be refunded pro-rata.

## **Other Types of Fees & Expenses**

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Clients may incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm through which the trades are executed. Our primary custodian, Schwab, does not charge transaction fees for U.S. listed equities and exchange traded funds. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

## **Termination & Refunds**

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Upon signing the Client Services Agreement (CSA), either party may terminate the relationship within 5 days and all fees will be returned.

In the event that you wish to terminate existing services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account, transfer assets and process a pro-rata refund of unearned advisory fees.

## **Commissionable Securities Sales**

Our supervised persons are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), a registered broker-dealer and member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or

service (“trail”) fees from mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

1. May present a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We agree to address commissionable sales conflicts that arise:

- a) by explaining to clients that commissionable securities sales create an incentive to recommend products based on the compensation we and/or our supervised persons may earn and may not necessarily be in the best interests of the client;
  - b) And, when recommending commissionable mutual funds, by explaining that “no-load” funds are available.
2. In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.
  3. Does not exceed more than 50% of our revenue.
  4. Commissions received are most often off-set, reducing your advisory fees.

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### **Item 6: Performance-Based Fees & Side-By-Side Management**

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We do not charge performance fees to our clients.

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### **Item 7: Types of Clients**

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We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, Limited Liability Companies and/or Other Business Types.

Harris & Associates does not impose any account size for opening or maintaining an account.

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

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Harris & Associates utilizes Modern Portfolio theory and Active Portfolio Management to advise clients and manage investments.

Our approach is to lower or reduce unsystematic risk\* through the use of:

- Diversification
- Investment managers
- Few, if any, individual stocks or bonds (except in separate accounts managed by qualified third-party managers)
- Income products and alternative investments.

\*Unsystematic risk is sometimes called specific risk, idiosyncratic risk, residual risk or “diversifiable” risk.



It is the risk of holding, for example, one stock which could be greatly affected by internal operations or mismanagement, changes in its specific legal or political environment, by natural disasters, publicity or a myriad of other factors. Unsystematic risk also applies to industries, sectors, investment classes or any risk that can be reduced significantly through diversification. Our approach seeks to avoid or reduce unsystematic risks that may affect one investment without materially affecting the rest of the market.

Nevertheless, investing in securities involves risk of loss that clients should be prepared to bear. Methods used to analyze investments are primarily the risk statistics of Modern Portfolio Theory.

These include:

- Alpha
- Beta
- Mean Annual Return
- R Squared
- Standard Deviation
- Sharpe Ratio
- Treynor Ratio.

Harris & Associates relies heavily on both strategic and active managers of mutual funds, ETFs, separate accounts, REITs and other alternative investments. These include managers in every investment class and style. They may be focused very narrowly or take a broad allocation approach. They may pursue a particular hedging strategy, momentum strategy, leveraged or short strategy.

In addition, Harris & Associates seeks to keep all costs as low as possible, utilizing institutional, no-load or load-waived securities while minimizing transaction costs and fees. These lower costs mean higher net returns for the investor.

To create Efficient Portfolios (Modern Portfolio Theory), Harris & Associates utilizes various strategies aimed at reducing volatility and enhancing total returns. Systematic risk (or market risk) is managed by designing portfolios to include:

- Active Tactical Managers
- Alternative Investment Classes
- Non-Traded Investments
- Tax-advantaged Strategies
- Non-correlated Holdings, and
- Risk Transfer Products (with guarantees).

One tool in helping to manage systematic risk (that is, market or “undiversifiable” risk) is our exclusive Enhanced Tactical Management, ETM<sup>sm</sup> review process. This service creates a Comparative Holdings report, showing trailing one-month performance as of every Friday. It shows total household performance, aggregated account by account, as well as the return for each holding. Thus, the Advisor is able to monitor and recommend tactical adjustments, which seek to meet client needs. Such changes are designed to consider the impacts of trading costs and taxes in relation to market trends and client objectives. Clients are advised that no strategy, tactic, or advisory process can eliminate risk and that investing in securities involves risk of loss.

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### **Item 9: Disciplinary Information**

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There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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### **Item 10: Other Financial Industry Activities & Affiliations**

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Representatives of our firm are registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), member FINRA/SIPC. They may offer securities and receive normal and customary commissions as a result of securities transactions. The amount of time spent on commissionable securities varies based on the needs of each client (2 to 8 hours a week). A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation they may earn and may not necessarily be in the best interests of the client. This possible conflict of interest is mitigated by our fiduciary duty to the best interests of our clients. As a CFP® certificant, David Harris, and the firm are committed to act in the best interests of all clients at all times.

Representatives of our firm may also act as duly licensed insurance agents/brokers. They may offer insurance products and receive customary fees as a result of insurance sales. The amount of time spent on commissionable securities varies based on the needs of each client (2 to 8 hours a week). A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation our supervised persons may earn and may not necessarily be in the best interests of the client. This possible conflict of interest is mitigated by our fiduciary duty to the best interests of our clients. As a CFP® certificant, David Harris, and the firm are committed to act in the best interests of all clients at all times.

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

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An investment adviser is considered a fiduciary and our firm has a fiduciary duty to all clients. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our

quarterly securities transaction reporting system for all of our associates. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics.

Neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day. If related persons' accounts are included in a block trade, our related persons accounts will be traded in the same manner every time.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics.

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## **Item 12: Brokerage Practices**

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### **Custodian & Brokers Used**

Our firm does not maintain custody of client assets (although our firm may be deemed to have custody of client assets if given the authority to withdraw assets from client accounts. See *Item 15 Custody*, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Our firm recommends that clients use the Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Our firm is independently owned and operated, and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While our firm recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. Our firm does not open the account. Even though the account is maintained at Schwab, our firm can still use other brokers to execute trades, as described in the next paragraph.

### **How Brokers/Custodians Are Selected**

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. A wide range of factors are considered, including, but not limited to:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist in making investment decisions
- quality of services

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associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- prior service to our firm and our other clients
- availability of other products and services that benefit our firm, as discussed below (see *"Products & Services Available from Schwab"*)

### **Custody & Brokerage Costs**

Schwab generally does not charge a separate fee for custody services but is compensated by charging commissions or other fees to clients on trades that are executed or that settle into the Schwab account. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that our firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize client trading costs, our firm has Schwab execute most trades for the accounts.

### **Products & Services Available from Schwab**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like our firm. They provide our firm and clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Schwab's support services are generally available on an unsolicited basis (our firm does not have to request them) and at no charge to our firm. The availability of Schwab's products and services is not based on the provision of particular investment advice, such as purchasing particular securities for clients. Here is a more detailed description of Schwab's support services:

### **Services that Benefit Clients**

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

### **Services that May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;

- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

### **Services that Generally Benefit Only Our Firm**

Schwab also offers other services intended to help manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

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

Irrespective of direct or indirect benefits to our client through Schwab, our firm strives to enhance the client experience, help clients reach their goals and put client interests before that of our firm or associated persons.

### **Our Interest in Schwab's Services.**

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for these services, and they are not contingent upon committing any specific amount of business to Schwab in trading commissions or assets in custody.

In light of our arrangements with Schwab, a conflict of interest exists as our firm may have incentive to require that clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our firm rather than based on client interest in receiving the best value in custody services and the most favorable execution of transactions. As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Schwab as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Schwab and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions. Our firm believes that the selection of Schwab as a custodian and broker is the best interest of our clients. It is primarily supported by the scope, quality and price of Schwab's services, and not Schwab's services that only benefit our firm.

## **Special Considerations for ERISA Clients**

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A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

## **Aggregation of Purchase or Sale**

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We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involves accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, pro-ratio and consistently non-arbitrary methods of allocation.

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## **Item 13: Review of Accounts**

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We review managed accounts weekly as part of Harris & Associates' exclusive Enhanced Tactical Management (ETM<sup>sm</sup>) process (See Item 8 above). ETM<sup>sm</sup> is a four-week trailing performance review as of every Friday. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

All clients receive reports from their respective custodian(s). Harris & Associates does not prepare asset reports. Any planning documents, analysis or consolidation reports are not meant to take the place of custodian asset reports.

Pursuant to their negotiated Client Services Agreement, some advisory service clients are provided quarterly reports which include:

- Portfolio Summary
- Performance Report (conforms to AIMR performance presentation standards)
- Asset Allocation Report (including reallocation recommendations if necessary)
- Transaction Report

In addition, specialized reports, net worth reports, or monthly reports on all or select accounts may be available on a case by case basis.

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## **Item 14: Client Referrals & Other Compensation**

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### **Schwab**

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

### **Referral Fees**

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with applicable state statutes and rules.

### **Product Sponsor Funded Events**

Various product wholesalers provide financial assistance to allow us to sponsor client educational seminars, or attend such seminars hosted by the product sponsor. This money is not directly tied to our use of their products, nor it is contingent upon any future business to be directed to their products, nonetheless it creates a conflict of interest that may incentivize us to utilize their products. Our firm will adhere to our fiduciary duty to act in our client's best interest when selecting what products to use in client accounts.

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## **Item 15: Custody**

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State Securities Bureaus, or their equivalents, generally take the position that any arrangement under which a registered investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the adviser's instruction to the custodian is deemed to have custody of client funds and securities. As such, we have adopted the following safeguarding procedures:

- 1) Our clients must provide us with written authorization permitting direct payment to us of our advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- 2) We must send a statement to our clients showing the amount of our fee, the value of your assets upon which our fee was based, and the specific manner in which our fee was calculated;
- 3) We must disclose to you that it is your responsibility to verify the accuracy of our fee calculation, and that the custodian will not determine whether the fee is properly calculated; and
- 4) Your account custodian must agree to send you a statement, at least quarterly, showing all disbursements from your account, including advisory fees.

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client

funds to a third party under a standing letter of instruction (“SLOA”) is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client’s qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client’s qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client’s instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client’s qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

**NOTE: Harris & Associates is a state-registered investment adviser. We are not registered with the SEC.**

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### **Item 16: Investment Discretion**

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Harris & Associates may receive discretionary authority from the client at any time in the advisory relationship by executing a Client Services Agreement. 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, Harris & Associates observes the current investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Harris & Associates in writing. Clients may revise or revoke discretionary authority at any time. Like original granting of discretionary authority in the Client Services Agreement, changes must be in writing and acknowledged by Harris & Associates.

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### **Item 17: Voting Client Securities**

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We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them



directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

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### **Item 18: Financial Information**

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We are not required to provide financial information to clients because:

- The Firm does not require the prepayment of more than \$500 in fees and six or more months in advance for services not rendered within 6 months.
- The Firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
- The Firm has never been the subject of a bankruptcy proceeding.

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### **Item 19: Requirements for State-Registered Advisers**

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#### **Principal Executive Officers & Management Persons**

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##### **David L. Harris**

Date of Birth: December 2, 1947

##### **Formal Education:**

- 1969: Southern California College (Vanguard University) – BA
- 1972: Princeton Theological Seminary – MDiv
- 1976: Harris School of Public Policy, University of Chicago – MA
- 1986: University of Chicago (Ethics & Society) – PhD

##### **Business Experience:**

- 1992 – Present                      President, Harris & Associates
- 2012 – Present                      Senior Consultant, DTA Davris Trainings Associates
- 2013 – Present                      Purshe Kaplan Sterling Investments, Registered Representative
- 1995 – 2012                          Vice President, Training Consortium, Inc.

##### **Professional Designations:**

*Chartered Financial Consultant – ChFC®*

From the American College, this designation requires completion of 9 or more college level courses in Advanced Financial Planning, average study time of over 400 hours, plus minimum continuing education of 30 hours every two years. Advisors with the ChFC designation are required to serve with the highest level of professionalism; to do the same for their clients that they would do for themselves in similar circumstances, the standard of behavior most beneficial to their clients.  
(Visit [www.cluhigheststandard.com](http://www.cluhigheststandard.com).)

*Certified Financial Planner – CFP®*

Conferred by the Certified Financial Planner Board of Standards, Inc. designees must meet education, examination, experience and ethics requirements as well as complete 30 hours of continuing education every two years. Education requirements include at least a bachelor's degree and mastery of nearly 100 topics on integrated financial planning. The exam is 10 hours (4 hours + 3 hours + 3 hours over two days) and includes 3 major case problems to solve. Experience before the exam must be a minimum of 3 years full-time work in the financial planning field, plus a background check of ethics and character. Finally, certificants are required to adhere to the CFP Board Code of Ethics and Professional Responsibility and to the Financial Planning Practice Standards.

Please see Item 10 of this Firm Brochure for any other business in which we are actively engaged. We do not charge performance-based fees. Our firm and management persons have not been involved in any arbitration awards, found liable in any civil, self-regulatory organization or administrative proceedings or have any relationships with issuers or securities apart from what is disclosed above.

Our firm does not have compensation arrangements connected with advisory services which are in addition to our advisory fees. Our management persons and representatives do not engage in other financial industry activities or affiliations. As a fiduciary, we always put our Client's interest above our own. Information regarding participation of interest in client transactions can be found in our Code of Ethics as well as Item 11 of this Brochure. You may obtain a copy of our Code of Ethics by contacting David Harris, Chief Compliance Officer at (310) 318-3700.