

Jeffrey M. Berkman, CPA, PFS  
jeff@advisorcpa.com

James B. Claypool, CPA, PFS  
jim@advisorcpa.com



David R. Harrison, CPA, PFS  
david@advisorcpa.com

Casey McMonagle  
casey@advisorcpa.com

Part 2A of Form ADV: Firm *Brochure*

**Item 1: Cover Page**

# HBC Financial Services, PLLC

743 North 35<sup>th</sup> Street  
Seattle, Washington 98103-8802  
206-548-5000  
[www.advisorcpa.com](http://www.advisorcpa.com)

January 25, 2011

This brochure provides information about the qualifications and business practices of HBC Financial Services, PLLC. If you have any questions about the contents of this brochure, please contact us at 206-548-5000 or [jeff@advisorcpa.com](mailto:jeff@advisorcpa.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.

Additional information about HBC Financial Services, PLLC is also available on the SEC's website at [www.advisorinfor.sec.gov](http://www.advisorinfor.sec.gov).

The term "registered" does not imply a certain level of skill or training.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

**Item 2: Material Changes**

We have made no material changes to our brochure since our last annual update on December 31, 2009 except for the adoption of this new format. Parts 2A and 2B of Form ADV replace Form ADV Part II and Schedule F.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

**Item 3: Table of Contents**

Item 1:	Cover Page .....	1
Item 2:	Material Changes .....	2
Item 3:	Table of Contents .....	3
Item 4:	Advisory Business .....	4
Item 5:	Fees and Compensation .....	4
Item 6:	Performance-Based Fees and Side-By-Side Management.....	6
Item 7:	Types of Clients .....	6
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9:	Disciplinary Information .....	7
Item 10:	Other Financial Industry Activities and Affiliation.....	7
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	8
Item 12:	Brokerage Practices .....	8
Item 13:	Review of Accounts.....	10
Item 14:	Client Referrals and Other Compensation.....	11
Item 15:	Custody .....	12
Item 16:	Investment Discretion.....	12
Item 17:	Voting Client Securities .....	12
Item 18:	Financial Information .....	12
Item 19:	Requirements for State-Registered Advisers .....	13

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

**Item 4: Advisory Business**

- A. HBC Financial Services, PLLC began business in January of 2001 to offer additional services to our CPA firm (Harrison Berkman and Claypool, PLLC) clients and others. Our principal owners are:

David R. Harrison, CPA, PFS  
Jeffrey M. Berkman, CPA, PFS  
James B. Claypool, CPA, PFS

- B. We offer financial, retirement, and estate planning, comprehensive investment and non-investment related consulting, and discretionary investment advisory services using modern portfolio theory through various managed and passive mutual funds and fixed income securities.
- C. We tailor our advisory services to the individual needs of our clients based on their risk tolerance and the results their financial, retirement and estate plans by modifying their asset allocations between more aggressive and more risk averse portfolios.

Our clients may impose restrictions on investing in certain securities or types of securities.

- D. We do not participate in wrap fee programs.
- E. As of January 11, 2011, we managed \$110.7 million of client assets on a discretionary basis. We managed no client assets on a non-discretionary basis.

**Item 5: Fees and Compensation**

- A. Financial Planning and Consulting (Stand-Alone)

We may initially determine to provide financial planning and/or consulting services (including investment and non-investment related matters) on a stand-alone fee basis. Our financial planning and consulting fees are negotiable, but generally range from \$1,000 to \$2,000 on a fixed fee basis, and \$215 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging us to provide financial planning or consulting services, clients will generally be required to enter into a *Financial Planning and Consulting Agreement* with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to us commencing services. If requested by the client, we may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from us. Moreover, each client is advised that it

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

remains his/her/its responsibility to promptly notify us if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Investment Advisory

The client can decide to engage us to provide investment advisory services on a stand-alone basis or in combination with financial planning services (limited to those planning and consulting services specifically requested by the client) on a *fee-only* basis in accordance with the terms and conditions of the *Investment Advisory Agreement* between the client and us.

Our annual investment advisory fee is negotiable and shall be based upon a percentage (%) of the market value of the assets placed under our management (generally between 0.50% and 1.00%) as set forth in the *Investment Advisory Agreement* between the Registrant and the client.

- B. We typically deduct our investment advisory fees from clients' assets every trimester and bill clients for financial planning and consulting fees monthly. However, clients can choose to be billed every trimester for investment advisory fees.
- C. Clients will also incur brokerage commissions and/or transaction fees for effecting certain securities transactions as discussed in Item 12 (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to our investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. We prorate and charge our annual investment advisory fee every trimester (every 4 months), in advance, based upon the market value of the assets on the last business day of the previous trimester. We, at our sole discretion, may reduce our minimum fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Both our *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit our client's account for the amount of our investment advisory fee and to directly remit that management fee to us in compliance with regulatory procedures. In the limited event that we bill the client directly, payment is due upon receipt of our invoice. The *Investment Advisory Agreement* between the client and us will continue in effect until terminated by either party with written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, we will refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing period.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

- E. Neither we nor any of our supervised persons accept compensation for the sale of securities or other investment products.

**Item 6: Performance-Based Fees and Side-By-Side Management**

Neither we nor any of our supervised persons accept performance-based fees and therefore do not manage any accounts subject to such fees along side accounts that are charged another type of fee.

**Item 7: Types of Clients**

We provide investment advice to individuals, trusts, estates, charitable organizations, pension plans, corporations, and other business entities. We have no minimum account size. However, we may recommend a client open a retail account and pay us on an hourly basis to assist them if this approach appears to be better for them in the long run.

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

- A. We use fundamental analysis and modern portfolio theory in addition to analysis and data provided by third parties (financial publications, research materials prepared by others, and reports and filings with the SEC) to create portfolios comprised primarily of Exchange-Traded Funds and Mutual Funds. We may also utilize corporate, municipal, and U.S. Government debt securities, as well as certificates of deposit, variable annuities, and options contracts on securities. Occasionally we may utilize individual equity securities at a client's request.

Investing in any security involves risk of loss that our clients should be prepared to bear.

- B. To implement any investment advice given to clients, we primarily use long-term purchases of securities. The value of these securities could decrease or go to zero while they are held.

However, on occasion, we may also use short-term purchases, margin transactions and option writing, including covered and/or uncovered options or spreading strategies. In addition to the risk of holding securities mentioned above, short-term purchases, if done frequently, may detrimentally affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Margin transactions and option writing, due to the financial leverage they employ, can be highly volatile, and may put the client at risk for more than the invested amount.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

We primarily recommend Exchange Traded Funds and Mutual Funds for long-term purchases. These types of securities do not involve significant or unusual risks outside those risks shared by holding any security.

**Item 9: Disciplinary Information**

We have *not* been party to any legal or disciplinary events.

**Item 10: Other Financial Industry Activities and Affiliation**

- A. Neither we nor any of our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither we nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. The only relationship or arrangement that is material to our advisory business or to our clients that we or any of our management persons have with any related person is as follows:

Our Principals, David Harrison, Jeffrey Berkman, and James Claypool are Principals of and practitioners with Harrison Berkman and Claypool, PLLC ("Accounting Firm"), a certified public accounting firm that shares office space and administrative personnel with us. To the extent that a client requires accounting advice and/or tax preparation services, we, if requested, will recommend the services of our Accounting Firm, all of which services shall be rendered independent of us pursuant to a separate agreement between the client and our Accounting Firm. HBC Financial Services, PLLC shall not receive any of the fees charged by our Accounting Firm, referral or otherwise. No client of ours is required to engage our Accounting Firm for accounting services. Our Principals, Messrs. Harrison, Berkman and Claypool, devote approximately 90%, 65% and 80% of their time, respectively, to Accounting Firm's business operations, with the balance of their time devoted to HBC Financial Services, PLLC. We do not feel that this relationship or arrangement creates a material conflict of interest with our clients.

- D. We *do not* recommend nor select other investment advisers for our clients and received compensation directly or indirectly from those advisers *nor* do we have other business relationships with such advisers that create a material conflict of interest.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

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

- A. We have established a Code of Ethics (the “Code”) pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). As an investment adviser, we have an undivided duty of loyalty to act solely in the best interests of our clients, and obligation which includes the responsibility to make full and fair disclosure of all material facts, especially where our interests may conflict with those of our clients. In carrying out our daily affairs, we and all our Associated Persons (also known as “Supervised Persons”) will act in a fair, lawful, and ethical manner, in accordance with the rules and regulations imposed by our governing regulatory authority (e.g. United States Securities and Exchange Commission, state bureau of securities, etc.). We will provide a copy of our code of ethics to any client or prospective client upon request.
- B. Neither we nor any related persons recommend to clients, or buys or sells for client accounts, securities in which we or a related person has a material financial interest.
- C. We and/or related persons *do* invest in the same securities that we recommend to clients. We recognize the potential conflict of interests this could create and therefore have implemented an investment policy relative to personal securities transactions, a copy of which is available upon request. As mentioned above, this investment policy is part of our overall Code of Ethics which serves to establish a standard of business conduct for all of our Associated Persons that is based upon fundamental principles of openness, integrity, honesty, and trust.
- D. We and/or related persons *do* recommend securities to clients or buy or sell securities for client accounts, at or about the same time that we or a related person buys or sells the same securities for our own (or the related person’s own) account. We recognize the potential conflict of interests this could create and therefore have implemented an investment policy relative to personal securities transactions, a copy of which is available upon request. As mentioned above, this investment policy is part of our overall Code of Ethics which serves to establish a standard of business conduct for all of our Associated Persons that is based upon fundamental principles of openness, integrity, honesty, and trust.

**Item 12: Brokerage Practices**

- A. In the event that the client requests that we recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct us to use a specific broker-dealer/custodian), we generally recommend that investment management accounts be maintained at Fidelity Investments (“Fidelity”). Prior to engaging us to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with us setting forth the terms and conditions under which we will



**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Currently, we primarily allocate investment management assets among various mutual funds and exchange traded funds, on a discretionary basis, in accordance with the client's designated investment objective(s).

Factors that we consider in recommending Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with us, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by our clients shall comply with our duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. 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. Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment management fee. Our best execution responsibility is qualified if securities that we purchase for client accounts are no-load mutual funds that trade at net asset value as determined at the daily market close.

Over-the-Counter (OTC) securities transactions for our clients are generally effected on an agency basis, which involve the services of two (2) separate broker-dealers: (1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for the client's account. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, the client will also incur the transaction fee imposed by the executing broker-dealer. We do not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.

1. We do *not* receive any "soft dollar" benefits nor maintain any "soft dollar" arrangements from any broker-dealers or other third parties.
2. We do *not* consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third party.
3. Although we do routinely recommend that our clients execute transactions through Fidelity Investments, we do not require it. See Item 12A, above.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

The client may direct us to use a particular broker-dealer (subject to our right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event that the client directs us to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through us.

- B. Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "batch" such orders to obtain "best execution", to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our principals (and/or associated persons) may invest, we will generally do so in accordance with the parameters set forth in SEC No-Action Letter, SMC Capital, Inc. We will not receive any additional compensation or remuneration as a result of the aggregation.

**Item 13: Review of Accounts**

- A. For those clients to whom we provide investment supervisory services, account reviews are conducted on an on-going basis, at least every trimester, by our Principals and/or supervised persons whom are also CPAs and Personal Financial Specialists. All investment supervisory clients are advised that it remains their responsibility to advise us of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to comprehensively review investment objectives and account performance with us on an annual basis.
- B. Factors that may trigger an account review in addition to our periodic reviews include changes in client circumstances, questions raised by a client, or substantive changes to the investments our clients hold.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom we provide investment supervisory services shall also receive a report from us each trimester summarizing account holdings and performance.

**Item 14: Client Referrals and Other Compensation**

- A. No one who is not a client provides economic benefit to us for providing investment advice or other advisory services to our clients.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, we may receive from Fidelity (or a mutual fund company), without cost (and/or at a discount) support services and/or products, certain of which assist us to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by us may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by us in furtherance of our investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist us in managing and administering client accounts. Others do not directly provide such assistance, but rather assist us in managing and further developing our business enterprise.

Our clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as result of this arrangement. There is no corresponding commitment made by us to Fidelity or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

- B. Neither we nor a related person directly or indirectly compensates any person who is not our supervised person for client referrals.

In the event that the transactions for a client's accounts are effected through a broker-dealer that refers investment management clients to us, there exists the potential for conflict of interest if the accounts incur higher commission or transaction costs than the accounts would otherwise have incurred had the client determined to effect account transactions through alternative clearing arrangements that may have been available through us.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

**Item 15: Custody**

We do not have custody of client funds or securities. However, the qualified custodian (usually Fidelity Investments) will send quarterly, or more frequent, account statements directly to our clients. Our clients should carefully review those statements. We also send our clients investment performance and other reports on their accounts every trimester. We urge our clients to compare the account statements they receive from the qualified custodian with those they receive from us.

**Item 16: Investment Discretion**

We do accept discretionary authority to manage securities accounts on behalf of clients as specified in our *Investment Advisory Agreement* and the custodial/clearing agreement with each designated broker-dealer/custodian.

We also allow clients to place limitations on this authority. Limitations clients often place on their accounts include maintenance of a minimum cash balance, “do not buy” a certain security, and/or “do not sell” a certain security.

**Item 17: Voting Client Securities**

- A. We will not accept authority to vote client securities.
- B. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client’s investment assets. We and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client’s investment assets. Clients are always free to contact us by phone, e-mail, in person, or in writing with questions about a particular solicitation.

**Item 18: Financial Information**

- A. We do *not* require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore we are not required to include a balance sheet for our most recent fiscal year.
- B. We do have discretionary authority of client funds or securities. However, we have *no* financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

- C. We have *not* been the subject of a bankruptcy petition at any time during the past ten years.

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

- A. Principal Executive Officers and Management persons:

Jeffrey M. Berkman, CPA, PFS - Chief Compliance Officer, Member: Born in 1962, Jeff earned a Bachelor of Arts Degree in Accounting from the University of Washington in 1985. Since graduation, Jeff has worked in accounting as a CPA and consultant in the financial service industry and in private industry as a financial officer, and is also a member in the accounting firm of Harrison Berkman and Claypool, PLLC.

David R. Harrison, CPA, PFS – Member: Born in 1947, David earned a Bachelor of Arts Degree in Accounting from the University of Texas in 1969. David has worked in accounting as a CPA and consultant in the financial service industry, and is also a member of the accounting firm of Harrison Berkman and Claypool, PLLC.

James B. Claypool, CPA, PFS – Member: Born in 1965, Jim earned a Bachelor of Arts Degree in Accounting from Seattle University in 1987. Since graduation, Jim has worked in accounting as a CPA and consultant in the financial service industry and in private industry as a General Manager. In 1998, Jim earned his MBA from UCLA. Jim is also a member in the accounting firm of Harrison Berkman and Claypool, PLLC.

James D. Guard III, CPA, PFS – Senior Manager: Born in 1969, Jay earned a Bachelor of Arts Degree in Philosophy from the University of Washington in 1991. Since graduation, Jay has worked in accounting as a CPA and in private industry as a financial officer, and is an employee of Harrison Berkman and Claypool, PLLC.

- B. As described in Item 10C, the principals of HBC Financial Services, PLLC are also the principals of Harrison Berkman and Claypool, PLLC, a CPA firm. The two firms share common office space and employees. Approximately 65% of our combined time is spent on the CPA firm.
- C. Neither we nor any supervised persons are compensated for advisory services with performance-based fees. Therefore we are *not* incentivized to recommend an investment that may carry a higher degree of risk to the client.
- D. Neither we nor any management persons have been involved in one of the events below:
1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500.

**HBC Financial Services, PLLC**  
Part 2A of Form ADV: Firm *Brochure*

2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding.
- E. Neither we nor any management persons have any relationships or arrangements with any issuers of securities that is not listed in Item 10C.