

Firm Brochure

(Part 2A of Form ADV)

ZRC Financial Services, LLC
3510 Unocal Place, Suite 350
Santa Rosa, CA
(707) 524-6131
Fax: (707) 525-0331
www.zrcfinancial.com
rclarke@zrccpas.com

This brochure provides information about the qualifications and business practices of ZRC Financial Services, LLC. If you have any questions about the contents of this brochure, please contact us by phone, or by email. 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 ZRC Financial Services is available on the SEC's website at www.adviserinfo.com

December 9, 2011

Item 2. Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (707) 524-6131 or by email at: rclarke@zrccpas.com.

Item 3. Table of Contents

Annual Update	ii
Material Changes since the Last Update	ii
Full Brochure Available	ii
Item 4. Advisory Business.....	1
Firm Description.....	1
Principal Owners.....	1
Types of Advisory Services.....	1
Tailored Relationships	1
Types of Agreements.....	2
Advisory Service Agreement.....	2
Asset Management	2
Termination of Agreement	3
Item 5. Fees and Compensation	3
Description	3
Fee Billing	3
Other Fees	3
Expense Ratios.....	4
Past Due Accounts and Termination of Agreement	4
Item 6. Performance-Based Fees.....	4
Sharing of Capital Gains	4
Item 7. Types of Clients	4
Description	4
Account Minimums.....	4
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	5
Methods of Analysis.....	5
Investment Strategies	5
Risk of Loss	5
Item 9. Disciplinary Information	6
Legal and Disciplinary.....	6
Item 10. Other Financial Industry Activities and Affiliations	7
Financial Industry Activities.....	7
Affiliations	7

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Code of Ethics	7
Participation or Interest in Client Transactions.....	7
Personal Trading.....	7
Item 12. Brokerage Practices	7
Selecting Brokerage Firms.....	7
Best Execution	8
Soft Dollars	8
Order Aggregation	8
Item 13. Review of Accounts	8
Periodic Reviews	8
Review Triggers.....	8
Regular Reports.....	8
Item 14. Client Referrals and Other Compensation.....	8
Incoming Referrals.....	8
Referrals Out	9
Other Compensation.....	9
Item 15. Custody	9
Account Statements.....	9
Performance Reports.....	9
Net Worth Statements.....	9
Item 16. Investment Discretion	9
Discretionary Authority for Trading.....	9
Limited Power of Attorney.....	9
Item 17. Voting Client Securities.....	9
Proxy Votes	9
Item 18. Financial Information.....	10
Financial Condition	10
Item 19. Business Continuity Plan.....	10
General	10
Disasters.....	10
Alternate Offices	10

Item 20. Information Security Program	10
Information Security	10
Privacy Notice	10
Item 21. Brochure Supplement (Part 2B of Form ADV).....	12
Education and Business Standards	12
Professional Certifications	12
Richard P. Clarke, CPA, PFP	13
John L. Davis, CFP	13

Item 4. Advisory Business

Firm Description

ZRC Financial Services, LLC, was founded in 1999.

ZRC Financial Services, LLC provides personalized confidential investment management to individuals, pension and profit sharing plans, trusts, estates, and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, investment management, education funding, retirement planning, and estate planning.

ZRC Financial Services, LLC is a fee-only investment management firm. The firm does not participate in wrap fee programs, nor does it sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

Principal Owners

Richard P. Clarke is 78% stockholder and Betsy Stewart, and Linda Kachiu are each 11% stockholders.

Types of Advisory Services

ZRC Financial Services, LLC provides investment supervisory services, also known as asset management services.

On an occasional basis, ZRC Financial Services, LLC furnishes related advice to clients on matters not involving securities, such as financial matters, taxation issues, and trust services that often include estate planning.

As of December 1, 2011, ZRC Financial Services, LLC manages approximately \$61,000,000 in assets for approximately 75 clients. Approximately \$61,000,000 is managed on a discretionary basis, and \$0 is managed on a non-discretionary basis.

Tailored Relationships

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

Types of Agreements

The following agreements define the typical client relationships.

Advisory Service Agreement

Most clients choose to have ZRC Financial Services, LLC manage their assets in order to obtain ongoing advice. Various aspects of the client's financial affairs are reviewed. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. The fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship.

The annual Advisory Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

1.00%_ on the first \$1,000,000;
0.80%_ on the next \$1,000,000 (from 1,000,001 to 2,000,000); and
0.60%_ on the assets above \$2,000,000.

The minimum annual fee is \$5,000 and is negotiable. Current client relationships may exist where the fees are lower than the fee schedule above, and lower fees for comparable services may be available from other sources.

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Asset Management

Assets are invested primarily in no-load mutual funds and exchange-traded funds through Charles Schwab & Co, custodian. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Charles Schwab & Co. may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. ZRC Financial Services, LLC does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, mutual funds shares, and U. S. government securities.

Initial public offerings (IPOs), and wrap fee programs are not available through ZRC Financial Services, LLC.

Termination of Agreement

Either party may terminate this agreement at any time and termination shall be effective upon receipt of written notice of termination. Fees paid in advance shall be prorated to the date of termination specified in the notice of termination. Fees payable in arrears shall be calculated as of the date of termination. If unearned fees paid in advance exceed any fees due in arrears, the excess will be refunded to the client. If fees due in arrears exceed unearned fees, the difference will be billed to the client. If the client terminates this agreement within five business days, a full refund will be processed.

Item 5. Fees and Compensation

Description

ZRC Financial Services, LLC bases its fees on a percentage of assets under management. See fee schedule in Item 4.

Fees are negotiable.

Fee Billing

Investment management fees are billed quarterly, in advance meaning that we invoice you before the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

ZRC Financial Services, LLC, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Expense Ratios

We primarily recommend no load mutual funds and they charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by the client to ZRC Financial Services, LLC.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Past Due Accounts and Termination of Agreement

ZRC Financial Services, LLC reserves the right to stop work on any account that is more than 60 days overdue.

Item 6. Performance-Based Fees

Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

ZRC Financial Services, LLC does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Item 7. Types of Clients

Description

ZRC Financial Services, LLC generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

Account Minimums

The minimum account size is \$500,000 of assets under management, which equates to an annual fee of \$5,000.

When an account falls below \$400,000 in value, the minimum annual fee of \$4,000 is charged.

ZRC Financial Services, LLC has the discretion to waive the account minimum. Accounts of less than \$500,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts

bringing the total to \$500,000 within a reasonable time. Other exceptions may apply to relatives of existing clients.

Clients receiving ongoing asset management services will be assessed a \$4,000 minimum annual fee. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

In analyzing mutual funds we take into account the size of the fund, the fund type, manager tenure, expense ratio, historical results etc.

The main sources of information include newsletters, financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that ZRC Financial Services, LLC may use include Morningstar Principia mutual fund information, Morningstar Principia stock information, Charles Schwab & Company, Advisor Intelligence, the Aegis Group and the World Wide Web.

Investment Strategies

The primary investment strategy used on client accounts is asset allocation utilizing a core and satellite approach. This means that we use passively-managed index and exchange-traded funds as the core investments, and then add actively-managed funds where there are greater opportunities to make a difference. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Item 9. Disciplinary Information

Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients including civil or criminal actions, and administrative proceedings before the SEC or self regulatory organizations.

Item 10. Other Financial Industry Activities and Affiliations

Financial Industry Activities

ZRC Financial Services, LLC is a registered investment advisor.

Affiliations

ZRC Financial Services, LLC has arrangements that are not material to its advisory or its clients with Zainer Rinehart Clarke, an accounting firm, who is a related person.

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

Code of Ethics

The employees of ZRC Financial Services, LLC have adopted a Code of Ethics that is available for review by clients and prospective clients upon request. The Code of Ethics establishes standards of conduct for the employees of ZRC Financial Services, LLC. In general, it requires that employees comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to personal trading, conflicts of interest, and confidentiality of client information. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

ZRC Financial Services, LLC and its employees may buy or sell mutual funds that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the ZRC Financial Services, LLC *Compliance Manual*.

Personal Trading

The Chief Compliance Officer of ZRC Financial Services, LLC is Richard P. Clarke. He reviews all employee trades each quarter. His trades are reviewed by John Davis. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

Item 12. Brokerage Practices

Selecting Brokerage Firms

ZRC Financial Services, LLC does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on

their need for such services. ZRC Financial Services, LLC recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

ZRC Financial Services, LLC recommends Charles Schwab and Co. as a discount brokerage. Schwab also provides ZRC Financial Services, LLC investment research, continuing education, and practice management advice.

ZRC Financial Services, LLC does not receive fees or commissions from any of these arrangements.

Best Execution

ZRC Financial Services, LLC reviews the execution of trades at each custodian annually. Trading fees charged by the custodians are also reviewed on an annual basis. ZRC Financial Services, LLC does not receive any portion of the trading fees.

Soft Dollars

ZRC Financial Services does not receive any soft dollars.

Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Item 13. Review of Accounts

Periodic Reviews

Account reviews are performed periodically by Richard P. Clarke. Account reviews are performed more frequently when market conditions dictate or when cash is contributed or withdrawn from an account.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

Regular Reports

Clients receive periodic communications on at least a semiannual basis.

Item 14. Client Referrals and Other Compensation

Incoming Referrals

ZRC Financial Services, LLC has been fortunate to receive many client referrals over the years. The referrals came from current clients, attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

ZRC Financial Services, LLC does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

NA.

Item 15. Custody

Account Statements

All assets are held at qualified custodians which provide account statements directly to clients at their address of record at least quarterly.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by ZRC Financial Services, LLC.

Net Worth Statements

NA

Item 16. Investment Discretion

Discretionary Authority for Trading

ZRC Financial Services, LLC accepts discretionary authority to manage securities accounts on behalf of clients. ZRC Financial Services, LLC has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. ZRC Financial Services, LLC does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades for you.

Item 17. Voting Client Securities

Proxy Votes

ZRC Financial Services, LLC does not vote proxies on securities. Clients are expected to vote their own proxies which will come from Schwab. If clients

have questions about a particular solicitation, they may call ZRC Financial Services, LLC.

Item 18. Financial Information

Financial Condition

ZRC Financial Services, LLC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients and has not been subject to any bankruptcy petition.

Item 19. Business Continuity Plan

General

ZRC Financial Services, LLC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Item 20. Information Security Program

Information Security

ZRC Financial Services, LLC maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

ZRC Financial Services, LLC, a registered investment advisor, is committed to safeguarding the confidential information of its clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by ZRC Financial Services, LLC. We have never disclosed information to nonaffiliated third parties, except as permitted by law, and do not anticipate doing so without advising you first. As you know, we use financial information that you provide to us to help you meet your personal financial goals while guarding against any real or perceived infringements of your rights of privacy. Our policy with respect to personal information about you is listed below.

- We limit employee and agent access to information only to those who have a business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf.)
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- The categories of nonpublic personal information that we collect from a client depend upon the scope of the client engagement. It will include information about your personal finances, information about your health to the extent that it is needed for the planning process, information about transactions between you and third parties, and information from consumer reporting agencies.
- For unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws, and consistent with the CFP Board Code of Ethics and Professional Responsibility. After this required period of record retention, all such information will be destroyed.
- We do provide nonpublic personal information to our affiliate, Zainer Rinehart Clarke, an accounting firm. This information consists of transactions in the clients accounts that is used for tax preparation purposes.

Item 21. Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

Advisory persons associated with ZRC Financial Services, LLC must possess a college degree and/or have experience in financial services. A CPA, CFP and/or MBA designation would also be looked upon favorably. They must also be properly licensed in the jurisdictions in which they offer investment advice.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Public Accountant (CPA)

- CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination.

Personal Financial Specialist (PFS)

- The PFS credential demonstrates that an individual has met the minimum education, experience and testing required of a CPA in addition to a minimum level of expertise in personal financial planning. To attain the PFS credential, a candidate must hold an unrevoked CPA license, fulfill 3000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board (www.cfp.net).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.

Richard P. Clarke, CPA, PFS

Educational Background: B.A., Economics, Amherst College, Amherst, MA, 1967

M.B.A., Finance, The Wharton School of Finance, Philadelphia, PA, 1970

Business Experience:

- Managing Member and Chief Compliance Officer, ZRC Financial Services, LLC, Santa Rosa, CA 9/99 to present
- Owner, Zainer Rinehart Clarke, CPAs Santa Rosa, CA 12/79 to 12/03

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

The following additional items are required if you are a state-registered advisor:

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

John L. Davis, CFP

Educational Background: attended United States International University

Business Experience:

- Foothill Securities 5/2005 to 2/01/2006
- State Farm Insurance 10/2002 to 5/2005
- Dean Witter Reynolds, Inc 2000 to 9/2002

Disciplinary Information: none

Additional Compensation: None

Supervision:

John L. Davis is supervised by Richard P. Clarke. He reviews John L. Davis's work through frequent office interactions as well as remote interactions. He also reviews John L. Davis's activities through our client relationship management system.

SUPERVISOR'S contact information: Richard P. Clarke (707) 525-1163
rclarke@zrccpas.com

The following additional items are required if you are a state-registered advisor:

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None