Part 2A of Form ADV: *Firm Brochure*

Item 1: Cover Page

HBC Financial Services, PLLC

1200 Westlake Avenue N, Suite 902

Seattle, Washington 98109

206-548-5000

www.advisorcpa.com

February 3, 2023

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 jay@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.adviserinfo.sec.gov.

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

Item 2: Material Changes

There have been no material changes made to the HBC Financial Services, PLLC ("HBCFS") disclosure statement since our most current Annual Amendment filing on February 3, 2023. **HBCFS's Chief Compliance Officer, James D. Guard, III CPA, PFS, remains available to address any questions regarding this Part 2A.**

Item 3: Table of Contents

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 Claypool & Guard, PLLC) clients and others. Our principal owners are:

James B. Claypool, CPA, PFS
James D. Guard III, CPA, PFS
Janon L. Niess, 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 primarily through various managed and passive mutual funds and exchange traded funds.

C. We tailor our advisory services to the individual needs of our clients. Our services are generally based upon the client's designated investment objective and risk tolerance, and the results of any corresponding financial, retirement and estate planning analysis that may be provided to the client. By so doing, we are able to allocate the client's designated investment assets 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 1, 2023, we managed $395 million of client assets on a discretionary basis. We managed $18 million of client assets on a non-discretionary basis.

Overview of Services Offering: HBCFS provides discretionary investment advisory services on a *fee* basis as discussed at Item 5 below. Before engaging HBCFS to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with HBCFS setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. To commence the investment advisory process, HBCFS will ascertain each client's investment objective(s) and then allocate the client's assets consistent with the client's designated investment objective(s). Once allocated, HBCFS provides ongoing supervision of the account(s).

Upon the commencement of an engagement, a client (excluding an ERISA plan or entity client) will engage HBCFS for initial financial planning services per the terms and conditions of a separate *Financial Planning and Consulting Agreement*-***see below.*** Thereafter, HBCFS' annual investment advisory fee shall generally (exceptions can occur-***see below***) include investment management services, and, to the extent specifically requested by the client, subsequent ongoing financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of HBCFS), HBCFS may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client. A client can choose to engage HBCFS without the initial planning engagement, If a client determines to do so, HBCFS' advisory fee shall not include financial planning services. Should the client subsequently desire financial planning services, HBCFS will make them available for a separate fee per the terms and conditions of a separate *Financial Planning and Consulting Agreement.*

Initial and/or Stand-Alone Financial Planning Services. As indicated above, commencement of an engagement, HBCFS offers to provide financial planning and related consulting services regarding matters such as tax and estate planning, insurance, etc. on a stand-alone basis per the terms and conditions of a separate written agreement and fee, the fee for which shall generally be based upon the individual providing the service and the scope of the services to be provided. Prior to engaging HBCFS to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with HBCFS setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HBCFS commencing services. **Exceptions**: As indicated above, a client can choose to engage HBCFS without the initial planning engagement, If a client determines to do so, HBCFS' advisory fee shall not include financial planning services. Should the client subsequently desire financial planning services, HBCFS will make them available for a separate fee per the terms and conditions of a separate *Financial Planning and Consulting Agreement.*

Ongoing Financial Planning and Non-Investment Consulting/Implementation Services. As discussed above, if the client initially engages HBCFS for financial planning services, HBCFS' ongoing advisory services will generally include subsequent ongoing financial planning and related consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions could occur based upon extraordinary matters, special projects, for which Firm may charge a separate or additional fee). **Please Note**. HBCFS believes that it is important for the client to address financial planning issues on an ongoing basis. HBCFS' advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with HBCFS. **Please Also Note**: HBCFS **does not** serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as same. Accordingly, HBCFS **does not** prepare legal documents, prepare tax returns, or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.), including HBCFS' affiliated CPA firm **Harrison Berkman Claypool & Guard, PLLC** per the terms and conditions of a sperate engagement and fee-***see*** Item 10 below**. Please Further Note: HBCFS and Harrison Berkman Claypool & Guard, PLLC are separate entities offering different services,**

and each of their respective service offerings is subject to the terms and conditions of a separate written agreement and fee. The client is not under any obligation to engage any such professional(s). No client is under any obligation to engage the services of a recommend professional, including **Harrison Berkman Claypool & Guard, PLLC. HBCFS will work with the CPA and other professionals of the client's choosing.** The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HBCFS and/or its representatives. If the client engages any unaffiliated professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** HBCFS, shall be responsible for the quality and competency of the services provided.

Please Note: **Retirement Rollovers-Potential for Conflict of Interest**: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If HBCFS recommends that a client roll over their retirement plan assets into an account to be managed by HBCFS, such a recommendation creates a conflict of interest if HBCFS will earn new (or increase its current) compensation as a result of the rollover. If HBCFS provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), HBCFS is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. **No client is under any obligation to roll over retirement plan assets to an account managed by HBCFS, whether it is from an employer's plan or an existing IRA**. **HBCFS' Chief Compliance Officer, James Guard, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

Custodian Charges-Additional Fees. As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, HBCFS generally recommends that or *Fidelity* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including *Fidelity*, do not currently charge fees on individual equity transactions, including ETFs, others do. **Please Note**: there can be no assurance that Fidelity will not change its transaction fee pricing in the future). These fees/charges are in addition to HBCFS' investment advisory fee at Item 5 below. HBCFS does not receive any portion of these fees/charges. **ANY QUESTIONS: HBCFS' Chief Compliance Officer, James D. Guard III, CPA, PFS, remains available to address any questions that a client or prospective client may have regarding the above.**

Portfolio Activity. HBCFS has a fiduciary duty to provide services consistent with the client's best interest. HBCFS will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when HBCFS determines that changes to a client's portfolio are neither necessary, nor prudent. Clients remain subject to the fees described in Item 5 below during periods of account inactivity.

Please Note: **Socially Responsible Investing Limitations**. ***Socially Responsible Investing*** involves the incorporation of **Environmental**, **Social** and **Governance** considerations into the investment due diligence process ("ESG). There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by HBCFS), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful.

ERISA Plan Engagements: HBCFS may be engaged to provide discretionary investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, HBCFS will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). HBCFS will generally provide services on an "assets under management" fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and the Firm.

Client Retirement Plan Assets. If requested to do so, HBCFS shall provide investment advisory services relative to 401(k) plan assets maintained by the client in conjunction with the retirement plan established by the client's employer. In such event, HBCFS shall allocate (or recommend that the client allocate) the retirement account assets among the investment options available on the 401(k) platform. HBCFS' ability shall be limited to the allocation of the assets among the investment alternatives available through the plan. HBCFS will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify HBCFS of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account. Unless expressly indicated by the HBCFS to the contrary, in writing, the client's 401(k) plan assets shall be included as assets under management for purposes of HBCFS calculating its advisory fee. HBCFS **does not** maintain possession of client retirement account passwords.

Please Note: Cash Positions. HBCFS continues to treat cash as an asset class. As such, unless determined to the contrary by HBCFS, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating HBCFS' advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), HBCFS may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, HBCFS' advisory fee could exceed the interest paid by the client's money market fund. **ANY QUESTIONS**: **HBCFS' Chief Compliance Officer, James D. Guard III, CPA, PFS, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.**

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 $1,500 to $2,500 on a fixed fee basis, and approximately $330 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) involved. 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 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 ongoing 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 on the Fee Schedule annexed to the *Investment Advisory Agreement* between HBCFS and the client.

B. We typically deduct our investment advisory fees from clients' assets every trimester and manually bill clients for financial planning and consulting fees monthly. However, clients can choose to be manually billed every trimester for investment advisory fees.

C. Clients will also incur brokerage commissions and/or transaction fees for making certain securities transactions for the client's account as discussed below in Item 12. 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 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 within 30 days of the date of the 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.

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 alongside 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 Open-Ended Mutual Fund and Exchange-Traded Funds. We may also utilize corporate, municipal, and U.S. Government debt 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.

We primarily recommend Open-Ended Mutual Funds and Exchange Traded 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, James Claypool, James Guard, and Janon Niess are Principals of and practitioners with Harrison Berkman Claypool & Guard, 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. Claypool, Guard and Niess, devote approximately 80%, 62% and 86% 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. **Our Chief Compliance Officer, James D. Guard, III, CPA,**

<u>PFS, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create</u>.

D. We *do not* recommend nor select other investment advisers for our clients and *have not* 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.

<u>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</u>

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 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.

1. <u>Research and Additional Benefits.</u> We *do not* receive any "soft dollar" benefits nor maintain any "soft dollar" arrangements from any broker-dealers or other third parties. However, while 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 another broker-dealer/custodian investment platform and/or mutual fund sponsor) 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. The support services we may obtain include: 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 attend-

ance at conferences (including travel expenses, lodging, meals and entertainment during those conferences), meetings and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used in furtherance of our investment advisory business operations.

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

Our clients do not pay more for investment transactions affected and/or assets maintained at Fidelity (or another broker-dealer/custodian investment platform and/or mutual fund sponsor) as result of this arrangement. There is no corresponding commitment made by us to Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Our Chief Compliance Officer, James D. Guard, III, CPA, PFS, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

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.

   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 ac-count 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. 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 annually, by our Principals and/or supervised persons. 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.

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 unless they elect not to, 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 (including travel expenses, lodging, meals and entertainment during those 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.

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, unless they elect not to. 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.

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

HBCFS's Chief Compliance Officer, James D. Guard, III CPA, PFS, remains available to address any questions regarding this Part 2A.