

Harris SBSB Brochure  
Form ADV Part 2A



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This brochure provides information about the qualifications and business practices of Sullivan, Bruyette, Speros & Blayney, Inc. (Harris SBSB). If you have any questions about the contents of this brochure, please contact us at 703-734-9300 or [greg.sullivan@harris-sbsb.com](mailto:greg.sullivan@harris-sbsb.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 Harris SBSB also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 109732.

## **Item 2- Material Changes**

No material changes to this document have made from the prior version dated March 30, 2012.

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## **Item 4- Advisory Business**

Sullivan, Bruyette, Speros & Blayney, Inc., an SEC-registered investment advisor located in McLean, Virginia, was established in 1991 and conducts business under the brand name Harris SBSB. Harris SBSB is a wholly-owned subsidiary of Harris RIA Holdings, Inc., which is in turn a wholly-owned by BMO Financial Corporation, whose parent company is Bank of Montreal. Throughout this brochure "Harris SBSB" or "we" or "us" will be used to refer to the firm.

With \$2,055,000,000 in assets under management as of 12/31/2011, Harris SBSB offers investment advisory, financial planning, and tax services to a variety of affluent individuals, trusts, non-profit organizations, and corporations.

### **INVESTMENT ADVISORY**

Harris SBSB develops a personalized Investment Policy Statement (IPS) based upon data gathered through personal discussions with the client. We build a customized and diversified portfolio that meets the parameters outlined in that policy. During our data-gathering process we discuss the client's goals and objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

Account assets are managed in accordance with the IPS and are adapted as needed to meet the client's objectives, taking into account changing economic conditions, and tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

We perform an internal review of client information at least annually to help ensure that the client's current needs and investment objectives are being appropriately addressed. Client portfolios are rebalanced on an as-needed basis to comply with the stated objective on the IPS.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding publically-traded securities, mutual funds, exchange-traded funds, and corporate or municipal bonds. We attempt to recommend investments that are suitable for the client and consistent with the client's stated investment objectives, tolerance for risk, and liquidity needs.

### **FINANCIAL PLANNING**

Harris SBSB provides financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Clients who request this service receive customized, tailored advice designed to assist the client in achieving his or her financial goals and objectives. Financial consulting may also be provided on a more limited basis as requested by our clients.

We gather information from our clients through in-depth personal interviews and the review of various financial documents, including a confidential questionnaire completed by the client. Information gathered includes the client's current financial status, tax situation, future goals, and attitudes towards risk. We carefully review the information gathered and deliver our advice and recommendations during a face-to-face meeting or series of meetings.

Should the client choose to implement any recommendations contained in the plan, we advise the client to work closely with his/her attorney, accountant, insurance agent, and/or investment advisor. Implementation of financial plan recommendations is entirely at the client's discretion.

### **TAX SERVICES**

Harris SBSB provides tax preparation and tax consulting services. These services may include preparing tax returns and projections, conducting tax research, advising on tax strategies, and/or communicating with tax authorities on behalf of the client.

## **Item 5- Fees and Compensation**

### **INVESTMENT ADVISORY AND PORTFOLIO MANAGEMENT FEES**

Our fees for Investment Advisory Services are based upon a percentage of all the client's assets under our management, including cash, and margin balances. Our general fee range is an annualized rate between 0.25% and 1.00%. Our fees are billed in arrears at the end of each calendar quarter and are based upon the average of the month-end market values of the client's account during the quarter, including cash and margin balances. Fees are invoiced directly to the client or deducted from the client's account(s) in accordance with the client's instructions to us. Fees are negotiable.

Clients referred to us through the Schwab Advisor Network program (see Item 12—Client Referrals) and SigFig generally pay fees at an annualized rate that is 0.15% higher than our other advisory clients.

Harris SBSB receives 12b-1 fees from various mutual fund companies. In some instances it is not in the best interest of the client to liquidate these funds due to potential adverse tax consequences for the client. The fees can be a potential conflict of interest; however they represent a small percent of Harris SBSB income. Also, investment advisory fees are not charged on these assets.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice.

### **FINANCIAL PLANNING FEES**

Our fees for Financial Planning Services are based upon the nature of the particular services provided and the complexity of each client's circumstances. In addition to

comprehensive financial planning services, clients may receive financial consulting services on a more limited basis.

Our financial planning fees are calculated based upon hourly rates typically ranging from \$75 to \$500 per hour plus all expenses incurred on the client's behalf, depending on the specific arrangement reached with the client. Fixed fees, if billed, will not exceed \$500 for work that will not be completed within six months. Fees are negotiable.

If a client terminates the relationship with us, a refund of any fees paid, less time and direct expenses incurred, will be made upon such termination. Any unpaid fees will be billed in arrears.

### **TAX PREPARATION AND CONSULTING FEES**

Our fees for Tax services are calculated based upon hourly rates typically ranging from \$75 to \$500 per hour depending on the complexity and staff assigned, plus all expenses incurred on the client's behalf. The client is usually billed upon completion of the return.

### **GENERAL INFORMATION**

***Mutual Fund Fees:*** All fees paid to Harris SBSB for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees by the separate account manager in addition to the advisory fee charged by our firm.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Harris SBSB has agreements with certain custodians for custody and transaction execution of trades. Custodial transaction fees, paid for by the client, typically range from \$8.95 to \$75 per transaction and are generally determined by the security type being traded and the amount (dollars or shares) of the trade. Clients may incur lower

transactional charges by investing through other sources. Our custodians may also charge custodial fees.

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

The firm does not charge fees based on performance.

## **Item 7- Types of Clients**

Harris SBSB provides advisory services to individuals, trusts, non-profit organizations, corporations, and retirement accounts. In general, Harris SBSB requires a minimum account size of \$1,000,000 for discretionary investment management services. However, at our own discretion, we may reduce the account minimum based on certain criteria (i.e., anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition and negotiations with clients, etc.)

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

### **METHODS OF ANALYSIS**

Investing in securities involves risk of loss that clients should be prepared to bear.

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Asset Allocation:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis:** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine that the fund's securities are consistent with the peer group's asset class. We also monitor the funds or ETFs in an attempt to determine if they continue to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager of the fund or ETF may deviate from the stated investment mandate or strategy of that fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Risks for all forms of analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we try to be alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We attempt to select investment strategies that are appropriate for the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

While long-term purchases, ideally holding the securities in the account for a year or more, represent the typical investment strategy deployed by advisors at Harris SBSB, we may utilize a variety of other investment strategies if we deem the strategy(ies) in the client's best interest and/or the client requests the use of any particular strategy(ies). Other investment strategies may include:

- short term purchases (securities sold within a year);
- selling securities within 30 days of purchase
- short sales
- margin transactions
- option writing (including covered options, uncovered options, or spread strategies).

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, a security may decline sharply in value before we make the decision to sell.

Utilizing a strategy involving selling securities within a brief period of time after purchase creates the potential for sudden losses if the anticipated upward price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.



In addition, because this strategy involves more frequent trading than does a longer-term strategy, there may be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

## **Item 9- Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Harris SBSB has no management persons registered as or pending registration as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities

### **MANAGEMENT PERSONNEL**

**Registrations:** Certain personnel of our firm are separately licensed as registered representatives of Capitol Securities Management, Inc.,(CSM), an unaffiliated FINRA member broker-dealer. Use of this broker-dealer is on a limited basis for existing clients only who came to us with previously-purchased securities that they desire to continue to hold. No new client relationships are being established with CSM. These individuals, in their separate capacity, can affect securities transactions for which Harris SBSB will receive separate, yet customary compensation in the form of 12b-1 fees. While Harris SBSB and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of 12b-1 fees creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Harris SBSB and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our

Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions. The firm's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [jo.pantelis@harrisbank.com](mailto:jo.pantelis@harrisbank.com), or by calling us at 312-461-5592.

Harris SBSB and individuals associated with our firm do not engage in principal transactions or agency cross transactions.

Our Code of Ethics is intended to help prevent personal securities transactions, activities, and interests of our employees from interfering with our making and implementing decisions in the client's best interest.

Our firm and/or individuals associated with our firm may buy and/or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

In an attempt to prevent employees from benefiting from transactions placed on behalf of advisory accounts, our Code of Ethics prohibits employees from buying or selling any security on a day when Harris SBSB has made a decision to buy or sell that same security for its clients, including a decision to increase or decrease clients' positions in the same security, until after the clients' transactions have been executed.

As disclosed in the preceding section of this Brochure (Item 10), certain persons of our firm are separately registered as securities representatives of an unaffiliated broker-dealer. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12- Brokerage Practices**

Clients will determine the broker-dealer to use for client transactions and will provide that information to Harris SBSB in writing by signing the client agreement. Clients must include any limitations on this discretionary authority in this written authority. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Harris SBSB will recommend broker-dealers to custody client assets based on their past record and general reputation and which Harris SBSB reasonably believes will provide best execution services for client trades. Unless otherwise instructed, for clients in need of brokerage or custodial services, Harris SBSB will generally recommend that clients

establish accounts with the following broker/dealers to maintain custody of clients' assets and to effect trades for their accounts:

- Schwab Advisor Services ("Schwab"), division of Charles Schwab & Company, Inc., an independent and unaffiliated registered broker-dealer and FINRA member;
- Pershing Advisor Solutions LLC ("Pershing"), an independent and unaffiliated registered broker-dealer and FINRA member;
- TD Ameritrade ("TD"), an independent and unaffiliated registered broker-dealer and FINRA member.

Although Harris SBSB may recommend that clients establish accounts at one of the above broker-dealers, it is ultimately the clients' decision where to custody their assets. In seeking best execution, the determining factor is not the lowest possible commission rate, but rather the broker's ability to provide qualitative executions, competitive commission rates, research, and other professional services. In return, Harris SBSB receives certain investment research products and services which will assist Harris SBSB in the investment decision making process for its clients' accounts. To that end, a client may pay transaction fees that are higher than those of another broker-dealer for similar transactions; however Harris SBSB will endeavor to select broker-dealers whose transaction fees Harris SBSB determines are reasonable in relation to the value of the brokerage and overall services they provide. Such research and other services will generally be used to service all clients, including clients whose transaction did not generate the transaction fees used to pay for these services.

Many clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker or dealer and they will instruct Harris SBSB to execute all transactions through that broker-dealer. In cases such as this, where a client directs Harris SBSB to use a particular broker or dealer, it should be understood that under those circumstances Harris SBSB may not have authority to negotiate fees or obtain volume discounts and best execution may not be achieved. In addition, a disparity in fees charged may exist between the fees charged to other clients who do not direct Harris SBSB to use a particular broker or dealer. Schwab, Pershing and TD provide Harris SBSB with access to institutional trading and custody services which are typically not available to retail investors. They may, from time to time, provide products and services that assist Harris SBSB in managing and administering clients' accounts including software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Harris SBSB fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab's, Pershing's and TD's services generally are available to independent investment advisors on an unsolicited basis at no charge to them. These services are not contingent upon our firm committing to these custodians any specific amount of business (e.g., assets in custody or trading fees). These custodians' brokerage

services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **SOFT DOLLARS**

Harris SBSB has soft dollar arrangements with Schwab. Schwab makes available to our firm other products and services that benefit Harris SBSB but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab. Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that provide research, pricing, and other market data.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal, and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Harris SBSB. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that client's custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **CLIENT REFERRALS**

Harris SBSB participates in Schwab's customer referral programs (Schwab Advisor Network). There is no direct link between Harris SBSB's participation in the program and the investment advice Harris SBSB gives to its clients.

### **AGGREGATED TRADES**

Harris SBSB is not a significant participant in block trades. However, in the event Harris SBSB does participate, Harris SBSB will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution for clients. No advisory client will be favored over any other client; each client that is included in an aggregated order will participate at the average share price for all Harris SBSB's transactions in that security on a given business day with transaction costs shared pro rata based on each client's participation in the transaction. Before entering an aggregated order, Harris SBSB will prepare a written statement (the "Allocation

Statement") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated pro rata based on the Allocation Statement.

### **Item 13- Review of Accounts**

Client accounts are reviewed at least annually. Material market events or changes in the client's personal situation may cause more frequent reviews. Client account reviews will be performed by financial advisors employed by Harris SBSB. Client reviews are assigned based on the reviewer's abilities, skills, and experience.

As part of our investment supervisory services, investment reports are provided to clients on a periodic basis typically after the end of each quarter (March, June, September, and December). In addition to quarterly reports, Harris SBSB also offers clients access to weekly performance and appraisal reports through a secure website. The nature of the report will be to review the portfolio detail and investment performance of the account(s) under supervision.

Financial plans will be provided to our clients as contracted for at the inception of the relationship. These reports are generally rendered on an as requested basis.

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

Harris SBSB participates in the Schwab Advisor Network referral program, as mentioned in Item 12. Pursuant to an agreement, in exchange for client referrals Harris SBSB will pay Schwab a referral fee that is an annualized rate of 0.10% to 0.25%, paid quarterly on the average account balance for all assets we manage which are held by clients referred through the program.

In addition, Harris SBSB has a referral arrangement in place with SigFig Wealth Management LLC, an unaffiliated entity. In exchange for client referrals, Harris SBSB will pay a fee equal to 20% of the advisory or management fee to SigFig for the duration of the relationship.

At the time of solicitation, the unaffiliated solicitor discloses to the prospective client the nature of the solicitor relationship with Harris SBSB, and when the client enters into the advisory agreement with us, the client acknowledges in writing the nature of the referral arrangement, including the terms of compensation between Harris SBSB and the solicitor.

## **Item 15- Custody**

Clients should receive statements at least on a quarterly basis from the Schwab, Pershing, TD, other broker-dealer, bank, or other qualified custodian that maintains their investment assets. As mentioned in Item 13, Harris SBSB will provide clients with periodic investment reports typically on a quarterly basis. We urge our clients to compare the investment reports they receive from us with the account statements they receive from their custodians.

## **Item 16- Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy and/or sell
- Determine the amount of the security to buy and/or sell
- Determine when to buy and/or sell a particular security

Clients give us discretionary authority when they sign a Portfolio Management agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17- Voting Client Securities**

Harris SBSB does not vote proxies for client accounts. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

## **Item 18- Financial Information**

This section is not applicable.