

**Sullivan Bruyette  
Speros & Blayney**

BMO  A part of BMO Financial Group

## **Advisory Brochure of**

# **Sullivan, Bruyette, Speros & Blayney, Inc.**

**March 31, 2014**

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This brochure provides information about the qualifications and business practices of Sullivan, Bruyette, Speros & Blayney, Inc. If you have any questions about the contents of this brochure, please contact us at 703-734-9300 or email Greg Sullivan at [greg.sullivan@sbsbinc.com](mailto:greg.sullivan@sbsbinc.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.

Sullivan, Bruyette, Speros & Blayney, Inc is a registered investment adviser. Registration of an adviser with the SEC does not imply a certain level of skill or training.

Additional information about Sullivan, Bruyette, Speros & Blayney, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our firm's CRD number is 109732.

## **Item 2 – Material Changes**

There have been no material changes to our brochure since our last update dated September 9, 2013.

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## **Item 4 – Advisory Business**

Sullivan, Bruyette, Speros & Blayney, Inc. (“we,” “us,” “our,” “SBSB”) is an SEC-registered investment advisor located in McLean, Virginia. SBSB was established in 1991 and conducts business under the brand names “Sullivan Bruyette Speros & Blayney” and “SBSB”. SBSB is a wholly-owned subsidiary of BMO Financial Corporation, whose parent company is Bank of Montreal.

We offer investment advisory, financial planning, and tax services to a variety of affluent individuals, trusts, non-profit organizations, and corporations.

As of December 31, 2013, we had \$2.6 billion in discretionary assets under management and \$100 million in non-discretionary assets under management.

### **Investment Advisory Services**

We develop a personalized Investment Policy Statement (IPS) based upon data gathered through personal discussions with our clients. 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 each 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 in 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 publicly-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**

We also provide financial planning services. Financial planning is a comprehensive evaluation of a client’s current and future financial state using currently known variables to attempt to predict future cash flows, asset values and withdrawal plans. Clients who request this service receive customized, tailored advice designed to assist them in achieving their 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 their attorney, accountant, insurance agent, and/or investment advisor. Implementation of financial plan recommendations is entirely at the client's discretion.

**Tax Services**

We provide tax preparation and tax consulting services to clients that request them. 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 our clients.

## **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– Brokerage Practices) generally pay fees at an annualized rate that is 0.15% higher than our other advisory clients.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Management fees will continue to be assessed during that 30 day period.

### **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 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 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 typically billed upon completion of the return.

### **General Information**

*Mutual Fund Fees:* All fees paid to us 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 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 Item 12 – Brokerage Practices of this brochure for additional information.

We have agreements with certain custodians for custody and trade execution services. 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**

We do not charge performance-based fees.



## **Item 7 – Types of Clients**

We provide advisory services to individuals, trusts, non-profit organizations, corporations, and retirement accounts. In general, we require 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, negotiations with clients, etc.)

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

*Investing in securities involves risk of loss that clients should be prepared to bear.* Investment products are not FDIC insured, have no bank guarantee and may lose value. We make no guarantee or representation of performance.

### **Methods of Analysis**

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 our advisors, we may utilize a variety of other investment strategies if we deem the strategy is in the client's best interest and/or the client requests the use of any particular strategy. Other investment strategies may include:

- short term purchases (securities sold within a year);
- selling securities within 30 days of purchase;
- short sales;
- margin transactions; and,
- 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,
- potentially having to take 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**

We have no management persons registered as or pending registration as a registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

We may have common management and officers with some of our affiliates. We rely on Bank of Montreal and BMO Financial Corp. for various administrative support, including information technology, human resources, business continuity, legal, finance, enterprise risk management, and internal audit. We do not believe that this support present any conflicts of interest to our clients.

## **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. Our Code of Ethics requires compliance with applicable federal securities laws. 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 our 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 of Ethics also provides for oversight, enforcement and recordkeeping provisions. The Code of Ethics further includes our policy prohibiting the use of material non-public information.

Our Code of Ethics is intended to help prevent personal securities transactions, activities, and interests of our employees from interfering with our duty to make decisions in the best interest of our clients.

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

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

A copy of our Code of Ethics is available to our clients and prospective clients. You may request a copy by contacting us at 703-734-9300 or by emailing Greg Sullivan at [greg.sullivan@sbsbinc.com](mailto:greg.sullivan@sbsbinc.com).

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

## Item 12 – Brokerage Practices

Clients determine which broker-dealer to use for their transactions and provide that information to us in writing by signing the client agreement. In the client agreement clients can include any limitations on our discretionary authority. Clients may change/amend these limitations as required by providing the amendments to us in writing.

We recommend broker-dealers to custody client assets based on their past record and general reputation and broker-dealers that we reasonably believe will provide best execution services for client trades. Unless otherwise instructed, for clients in need of brokerage or custodial services, we generally recommend that clients establish accounts with the following broker-dealers to maintain custody of their assets and 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 we may recommend clients establish accounts at one of the above broker-dealers, it is ultimately the client’s 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, we receive certain investment research products and services which assist us in the investment decision making process for our clients’ accounts. To that end, a client may pay transaction fees that are higher than those of another broker-dealer for similar transactions; however we endeavor to select broker-dealers whose transaction fees we have determined are reasonable in relation to the value of the brokerage and overall services they provide. Such research and other services are generally be used to service all clients, including clients whose transactions 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 instruct us to execute all transactions through that broker-dealer. In these cases, where a client directs us to use a particular broker or dealer, it should be understood that under those circumstances we 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 us to use a particular broker or dealer. Schwab, Pershing and TD provide us 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 us 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 our fees from 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.

Schwab, Pershing and TD may also offer 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, Pershing and TD may make available, arrange and/or pay third-party vendors for the types of services rendered to us. They may discount or waive fees they 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. They may also provide other benefits such as educational events or occasional business entertainment to our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Pershing or TD 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, which may create a potential conflict of interest.

### **Soft Dollars**

We have soft dollar arrangements with Schwab. Schwab makes products and services that benefit us but may not directly benefit our client's accounts available to us. Many of these products and services may be used to service all or a 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.

### **Client Referrals**

We participate in Schwab's customer referral programs (Schwab Advisor Network). There is no direct link between our participation in the program and the investment advice we give to our clients.

### **Aggregated Trades**

We are not a significant participant in block trades. However, in the event we do participate, we will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution for our clients. Additionally, 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 our 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, we will prepare a written statement (the "Allocation Statement") specifying the participating client accounts and how we intend 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 a client's personal situation may cause more frequent reviews. Client account reviews are performed by our financial advisors. 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, we also offer clients access to weekly performance and appraisal reports through a secure website. The report will review the portfolio detail and investment performance of the account(s) under our supervision.

Financial plans are 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**

We participate in the Schwab Advisor Network referral program, as mentioned in Item 12. Pursuant to an agreement, in exchange for client referrals we 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 for clients referred to us through the program.

At the time of solicitation, unaffiliated solicitors disclose to prospective clients the nature of the solicitor relationship with us. When a client enters into an advisory agreement with us, the client acknowledges in writing the nature of the referral arrangement, including the terms of compensation between us and the solicitor.

## **Item 15 – Custody**

Clients should receive statements at least quarterly from the broker-dealer, bank, or other qualified custodian that maintains their investment assets. As mentioned in Item 13, we 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 us and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with additional written instructions.

## **Item 17 – Voting Client Securities**

We do 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 holding their assets to forward them copies of all proxies and shareholder communications relating to their investments.

For trust accounts where we serve as investment advisor and Charles Schwab serves as trustee, we direct Charles Schwab (or its designee) to maintain exclusive responsibility for (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by a client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to a trust's investment assets.

## **Item 18 – Financial Information**

We do not have any financial condition that would impair our ability to meet contractual commitments to our clients and have not been the subject of a bankruptcy proceeding. A balance sheet is not required because we do not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

## **Additional Information**

### **Privacy Notice**

Our Privacy Notice, which includes information on options about how client information may be shared within BMO and its affiliates and with others, is available by contacting us at 703-734-9300 or by emailing Greg Sullivan at [greg.sullivan@sbsbinc.com](mailto:greg.sullivan@sbsbinc.com).

### **Anti- Money Laundering**

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

A corporation, partnership, trust or other legal entity may need to provide other information such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement or a trust agreement. We may be required to disclose this information pursuant to applicable laws, rules or regulations, but it will otherwise be retained in confidence according to our privacy policy.