

# Sullivan Bruyette Speros & Blayney

Advisory Brochure of

## **Sullivan, Bruyette, Speros & Blayney, LLC** **March 31, 2017**

8444 Westpark Drive, Suite 610  
McLean, VA 22102  
(703) 734-9300  
[www.sbsblc.com](http://www.sbsblc.com)

This brochure provides information about the qualifications and business practices of Sullivan, Bruyette, Speros & Blayney, LLC. If you have any questions about the contents of this brochure, please contact us at 703-734-9300 or email Martine Lellis at [martine.ellis@sbsblc.com](mailto:martine.ellis@sbsblc.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, LLC 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, LLC 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**

The following is a summary of the changes made to this brochure since the last update dated March 31, 2016:

**On November 18, 2016, SBSB Added Fidelity Clearing & Custody Solutions to SBSB's recommended Broker-Dealer list as described in item 12 below. In June of 2016, SBSB hired Smith, Elliott, Kearns & Company, LLC to perform the annual Surprise Custody Examination as documented in Section 9.C of ADV Part 1A.**

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## **Item 4 – Advisory Business**

We are an SEC-registered investment advisor located in McLean, Virginia. We were established in 1991 and conduct business under the brand names “Sullivan Bruyette Speros & Blayney” and “SBSB”. We are a wholly-owned by SBSB Holdings, LLC, a Virginia limited liability company (“SBSB Holdings”).

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, 2016, we had approximately 2.93 billion in discretionary assets under management.

### **Investment Advisory Services**

We develop a personalized Investment Policy Statement (IPS) based upon data gathered through discussions with our clients. We build a customized and diversified portfolio that meets the parameters outlined in the IPS. 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. The IPS is amended as appropriate 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. We rebalance client portfolios 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 publically-traded securities, mutual funds, exchange-traded funds, and corporate or municipal bonds. We 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 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 attitude towards risk. We carefully review the information gathered and deliver our advice and recommendations during meetings or telephone calls.

Should the client choose to implement any suggestions or recommendations contained in the plan, we advise the client to work closely with their attorney, accountant, insurance agent, 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. 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.

### **Important Disclosures**

*Limitations of Financial Planning and Non-Investment Consulting/Implementation Services:* As indicated above, to the extent requested by a client, we may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Please Note: We do not serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as legal or accounting services. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc). Clients are reminded that they are 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 we make. Please Note: If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

*Retirement Plan Rollovers-No Obligation/Conflict of Interest:* A 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 his/her former employer's plan, if permitted, (ii) roll over the assets to his/her 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). We may recommend an investor roll over plan assets to an IRA managed by SBSB. As a result SBSB and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to SBSB (unless clients engage us to monitor and/or manage the account while maintained at his/her employer). We have an economic incentive to encourage a client to roll plan assets into an IRA that we will manage or to engage us to monitor and/or manage the account while maintained at the client's employer. There are various factors that we may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus SBSB's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. No client is under any obligation to roll over plan assets to an IRA managed by SBSB or to engage SBSB to monitor and/or manage the account while maintained at the client's employer.

*Use of Mutual Funds:* While we may recommend allocating investment assets to mutual funds that are not available directly to the public, we may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging SBSB as an

investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging us as an investment advisor, the client or prospective client would not receive the benefit of our initial and ongoing investment advisory services.

*Fee Differentials:* As indicated below, we shall receive an investment advisory fee based upon a percentage (%) of the market value of the assets placed under management (between 0.25% and 1.15%). However, fees shall vary depending upon various objective and subjective factors, including but not limited to: the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services we provide to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

*Separately Managed Account Programs:* We may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated Separately Managed Account programs in accordance with the client's designated investment objective(s). In such situations, the Separately Managed Account Manager shall have day-to-day responsibility for the active discretionary management of the allocated assets. We shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which we shall consider in recommending Separately Managed Account programs include the client's designated investment objective(s) as applied to the Separately Managed Account program: management style, performance, reputation, financial strength, reporting, pricing, and research.

*Client Obligations:* In performing our services, we shall not be required to verify any information received from the client or from the client's other professionals, and are expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify us if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising our previous recommendations or services.

*Disclosure Statement:* A copy of our written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of any advisory agreement.

## **Item 5 – Fees and Compensation**

### **Investment Advisory and Portfolio Management Fees**

Our fees for investment advisory services are generally 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 1.15%. 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.

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 holistic 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 or consultation service.

### **General Information**

*Mutual Fund Fees:* All fees paid to us by clients for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds 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 us 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 our advisory fee.

*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 (fees based on a share of capital gains, or capital appreciation of, the assets of a client).

## **Item 7 – Types of Clients**

We provide advisory services to high net worth 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 such as anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, and negotiations with clients.

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

*Investment Risk:* Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by SBSB) will be profitable or equal any specific performance level(s).

### **Methods of Analysis**

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

*Asset Allocation:* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income investments, 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 investments, and cash will change over time due to market movements and, if not corrected, will no longer be appropriate for the client's goals.

*Mutual Fund and 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 successfully 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 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 holdings less suitable for the client's portfolio.



## **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 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, the clients may be 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.

## **Risk of Loss**

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, provide accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

We attempt to offset this risk by reviewing and rebalancing each client's portfolio as outlined in the Investment Policy Statement. Because of the dynamic and fast-moving nature of investment markets, unanticipated new risks can arise at any time. Maintaining a highly diversified investment portfolio helps to offset these types of risks but cannot eliminate them altogether.

## **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.

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

We have adopted Standards of Business Conduct and Code of Ethics for Investment (as supplemented by our Compliance Manual and other applicable policies and procedures, the “Code”) which establishes standards for both business conduct and personal investments by our supervised persons. The Code sets forth the high ethical standards of business conduct that we require of our employees. The firm and our supervised persons act as a fiduciary to our advisory clients and we owe our clients duties of loyalty, fairness and good faith. We are obligated to place our clients’ interests first and foremost and to make full and fair disclosure of all material facts and, in particular, information as to any potential or actual conflict of interest.

Our Code prohibits our supervised persons from engaging in fraudulent conduct or trading on the basis of material non-public information. The Code also contains provisions governing confidentiality of information, compliance with laws, conflicts of interest, gifts and entertainment, and personal trading. Our Code also contains provisions requiring that supervised persons comply with the federal securities laws and promptly report any violations of the Code. 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 our supervised persons 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 prohibits employees from buying or selling any security that is included on our Insider Stock Watch List 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. These transactions must be pre-cleared by our Chief Compliance Officer. Our compliance personnel ensure that procedures regarding personal trading are followed by pre-clearing certain trades in accordance with the Code, reviewing holdings reports, and reviewing personal securities transactions reports.

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 Martine Lellis at [martine.ellis@sbsblc.com](mailto:martine.ellis@sbsblc.com).

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

We do not recommend to our clients any investments in which we or a related party have a proprietary interest.

It is possible that related parties recommend, purchase, or sell securities that we recommend, purchase, or sell for our clients, thereby sharing in the profits and losses of those investments. We believe our policies, procedures, and controls, as well as those of the related parties, are reasonably designed to ensure that any result of conflicts of interest are addressed appropriately.

## **Item 12 – Brokerage Practices**

Although we may recommend clients establish accounts at certain broker-dealers, it is ultimately the client's decision where to custody their assets and which broker-dealers to engage. This is established in the client agreement and changed pursuant to amendment.

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; and
- TD Ameritrade Institutional ("TD"), Division of TD Ameritrade, Inc., member FINRA/SIPC.
- Fidelity Clearing & Custody Solutions is a division of Fidelity Brokerage Services LLC, member NYSE, SIPC.

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 used to service all clients, including clients whose transactions did not generate the transaction fees used to pay for these services.

Schwab, Pershing, TD and Fidelity 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, TD's and Fidelity'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, TD and Fidelity 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, TD and Fidelity 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, TD or Fidelity 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.

Some clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker-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-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 by the broker-dealer to other clients who do not direct us to use a particular broker-dealer.

Our clients, regardless of their advisory relationship, are under no obligation to use any of our affiliated entities to provide brokerage services or act as custodian of assets. Clients may select affiliated entities to provide brokerage or custodial services. We receive no compensation for the use of affiliated entities to provide brokerage or custodial

### **Soft Dollars**

In return for effecting securities transactions Schwab, we may receive certain investment research products or services which assist us in our investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by SBSB may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions 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 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 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. Although the investment research products or services that may be obtained by SBSB will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by SBSB that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, we shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to our investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by SBSB with hard dollars. The brokerage commissions or transaction fees charged by Schwab are exclusive of, and in addition to, our investment management fee.

### **Schwab Referrals**

We receive client referrals from Schwab through our participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with SBSB. Schwab does not supervise our firm and has no responsibility for our management of clients' portfolios or our other advice or services. We pay Schwab fees to receive client referrals through the Service. Our participation in the Service may raise potential conflicts of interest described below.

We pay Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee is a percentage of the fees owed by the client to SBSB or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. We pay Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to SBSB quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is not paid by the client.

We generally pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab, unless the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees we generally would pay in a single year. Thus, we will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in our client's accounts who were referred by Schwab and those referred clients' family members living in the same household. Thus, we will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our fees directly from the accounts.

For client accounts maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from our clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance

and settlement of trades to be executed through Schwab rather than another broker-dealer. We nevertheless acknowledge our duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for our other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **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 includes the portfolio detail and investment performance of the account(s) under our supervision.

Financial plans are provided to our clients as contracted. 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—Brokerage Practices of this brochure. 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, Schwab discloses 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 Schwab.

## **Item 15 – Custody**

We shall have the ability to have our advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts.

To the extent that we provide clients with periodic account statements or reports, the client is urged to compare any statement or report provided by SBSB with the account statements received from the account custodian. Your account custodian does not verify the accuracy of our advisory fee calculation.

Relationships Requiring Heightened Compliance: Although we do not hold ourselves out to clients as an entity which may be engaged to perform trustee services, certain of our related persons have been engaged, in their individual capacities, as trustees of client trusts. Additionally, we may accept certain standing letters of authorization allowing us to transfer assets from a client's account to a designated third party. These relationships require SBSB to undergo, each year, a surprise audit which is conducted by an unaffiliated Certified Public Accountant.

## **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 or sell
- Determine the amount of the security to buy or sell
- Determine when to buy 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 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 Schwab serves as trustee, we direct 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 is available by contacting us at 703-734-9300 or by emailing Martine Lellis at [martine.ellis@sbsblc.com](mailto:martine.ellis@sbsblc.com).

### **Anti-Money Laundering**

When clients open an account, we will ask for their name, address, date of birth, and other information that will allow us to identify them. We may also ask clients to provide a copy of their 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, certificate of incorporation, government-issued business license, partnership agreement, trust agreement, or other identifying documents.

The information clients provide may be used to verify clients' identity by using internal sources and third party vendors. If the requested information is not provided within thirty calendar days, we can suspend services to a client's account.