

Item 1 – Cover Page

# SBK Financial, Inc.

## Part 2A of Form ADV The Brochure

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March 2011

This Brochure provides information about the qualifications and business practices of SBK Financial, Inc. If you have any questions about the contents of this Brochure, please contact us at (804) 237-1700. 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.

SBK Financial, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SBK Financial, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may be requested by contacting Stephanie Stumpf, Chief Compliance Officer at (804) 237-1700 or [stephanie.stumpf@sbkfinancial.com](mailto:stephanie.stumpf@sbkfinancial.com).

Additional information about SBK Financial, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with SBK Financial, Inc. who are registered, or are required to be registered, as investment adviser representatives of SBK Financial, Inc.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	3
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Item 9 – Disciplinary Information.....	4
Item 10 – Other Financial Industry Activities and Affiliations .....	5
Item 11 – Code of Ethics.....	5
Item 12 – Brokerage Practices .....	5
Item 13 – Review of Accounts .....	7
Item 14 – Client Referrals and Other Compensation .....	7
Item 15 – Custody.....	7
Item 16 – Investment Discretion .....	8
Item 17 – Voting Client Securities.....	8
Item 18 – Financial Information .....	8
Brochure Supplement	

## **Item 4 – Advisory Business**

SBK Financial, Inc. (“SBK,” “Advisor” or “We”) was founded in 2005 and is owned by J. Kevin King, President and Andrea L. Broughton, Vice President. As of March 10, 2011 SBK Financial, Inc. managed \$267 million of client assets on a discretionary basis.

### **WEALTH MANAGEMENT SERVICES**

SBK provides customized wealth management services to individuals, high-net-worth individuals and associated trusts, estates, pension and profit sharing plans. We generally invest client assets in domestic and international mutual funds or exchange traded funds (ETFs). We may also evaluate, select and oversee other investment managers to manage a portion of the client’s account. We engage an independent consulting firm to perform due diligence on the mutual funds and investment managers we recommend. We review the due diligence and decide which mutual fund or investment manager to use in a client’s portfolio.

We tailor our services to the individual needs of our clients. We work with each client to establish an appropriate investment profile and strategy. In designing an investment portfolio, we consider the client’s age, investment goals, time horizon, financial circumstances, tax situation, investment experience, risk tolerance, investment limitations and trading restrictions. We help clients select from growth, balanced and conservative strategies. Clients may impose reasonable restrictions on SBK’s management of their accounts.

Financial planning and tax planning are important factors in how we work with clients and manage client assets. We help clients plan for retirement, maximize employer sponsored benefits, finance education needs, fund charitable gifts, evaluate insurance needs, reduce estate taxes and minimize the family’s collective income tax burden. We may also prepare income tax returns for our wealth management clients.

### **CORPORATE SPONSORED GROUP PROGRAMS**

SBK provides financial planning services to the executives of our corporate clients. These services include tax and estate planning, retirement planning, education planning and investment planning. We may also prepare the executives’ income tax returns.

## Item 5 – Fees and Compensation

### WEALTH MANAGEMENT SERVICES

SBK Financial, Inc. charges most of its clients an annual investment management fee based on the following schedule:

Assets Under Management	Fee
Up to \$1 Million	1.00%
Next \$2 Million	0.75%
Next \$2 Million	0.50%
Next \$5 Million	0.35%
Next \$5 Million	0.25%
All Additional Assets	0.20%

SBK has negotiated lower fees for certain clients, such as clients with multiple family members or entities.

SBK imposes a minimum annual fee of \$10,000, which may be reduced.

SBK charges fees quarterly in advance based on the account value at the beginning of the quarter. Most clients authorize SBK to deduct fees automatically from their investment accounts, but clients may request that SBK send quarterly invoices to be paid by check.

Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. Upon termination of an account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. Adjustments for significant contributions and withdrawals will be pro-rated for the quarter in which the change occurs.

In addition to SBK's management fees, clients bear trading costs, custodial fees and fees and expenses that mutual funds or non-affiliated investment managers charge.

Item 12 further describes the factors that SBK considers in selecting or recommending a custodian for client transactions and determining the reasonableness of their compensation.

## CORPORATE SPONSORED GROUP PROGRAMS

Fees for personal and general advisory services to group program Participants are generally negotiated between SBK and the group Sponsor on a case-by-case basis. The fees typically are based upon a “per capita” eligible Participant amount. SBK’s fees in such engagements may be paid wholly or partially by the corporate Sponsor or by Participants, whose payments for services received (if any) may be collected by the Sponsor through payroll deductions and remitted to SBK. Participant also may incur expenses for fees to any other investment adviser they may consult (unless such expenses are paid for by a Sponsor) and will be responsible for transaction charges imposed by broker-dealers through or with whom they effect transactions for their accounts.

Fees for executive planning services are charged on a fixed fee basis. Factors that will determine the actual amount of the fixed fee may include, but are not limited to, the complexity of the executive’s financial circumstances and the estimated time and expense needed to service the account. Such fees shall be mutually agreed upon by the corporate client and SBK and will be invoiced on a quarterly basis in arrears.

## OTHER SERVICES

SBK may, on a very limited basis, provide services to a client who is not a wealth management client or is not part of a corporate sponsored group program. Such services may include tax advisory, tax preparation, estate planning, non-investment related financial counseling, etc., and will be separately identified and billed. Fees may vary and are negotiable. Fees may also be charged on a time and materials basis or as a flat fee. Fees may be charged upon commencement of a project, periodically over the life of the engagement or upon completion of the engagement.

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

SBK does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Some investment advisors experience conflicts of interest in connection with side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to SBK.

## **Item 7 – Types of Clients**

SBK provides portfolio management services to individuals, high-net-worth individuals and associated trusts, estates, pension and profit sharing plans. SBK's minimum account size is generally \$1,000,000.

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

First, SBK designs a target asset allocation based on the client's risk tolerance, time horizon, goals, etc. Second, SBK selects the mutual funds and/or investment managers for each asset class in the target portfolio. SBK retains a qualified, independent research consultant to provide capital market assumptions, broad asset allocation strategies and to conduct the due diligence on the mutual funds and investment managers SBK may recommend to clients. SBK currently uses Rogerscasey, Inc. of One Parklands Drive, Darien, Connecticut 06820 ("Rogerscasey") as its independent research consultant. SBK approves the quantitative and qualitative criteria used to evaluate mutual funds and investment managers. The criteria may include minimum length of track record, minimum performance levels, minimum amounts invested or under management, consistence of investment style, employee turnover, efficiency and capacity. Rogerscasey and SBK monitor the approved mutual funds and investment managers to determine whether they continue to meet the quantitative and qualitative criteria stated above. Rogerscasey also negotiates reduced account minimum balances and reduced fees with approved mutual funds and managers whenever possible.

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

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SBK or the integrity of SBK's management. SBK has no information applicable to this Item.

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

SBK and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **Item 11 – Code of Ethics**

SBK has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SBK must acknowledge the terms of the Code of Ethics annually, or as amended.

SBK's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Stephanie F. Stumpf, Chief Compliance Officer.

## **Item 12 – Brokerage Practices**

SBK does not maintain custody of client assets that we manage or on which we advise. However, we may be deemed to have custody of client assets if clients give us authority to withdraw assets from their account (see Item 15 – Custody, below). Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we/you instruct them to. While we recommend that you use Schwab as custodian, clients will decide whether to do so and will open their account with Schwab by entering into an account agreement directly with them. We do not open the account for the client, although we may assist the client in doing so.

Schwab provides SBK and our clients with access to its institutional brokerage – trading, custody, reporting, and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an



unsolicited basis and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab.

*Services That Benefit You.* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

*Services That May Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but may not directly benefit a client or a client's account. These products and services assist us in managing and administering our clients' accounts. They include investment research as well as software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from other clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

*Services That Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

*Best Execution Reviews.* SBK periodically evaluates the pricing and services offered by Schwab with those offered by other reputable firms. SBK has sought to make a good-faith determination that Schwab provides clients with good services at competitive prices. Historically, SBK has concluded that Schwab is as good as or better than the other firms that have been considered. SBK would notify its clients if it were to determine that another firm offered better pricing and services than Schwab.

### **Item 13 – Review of Accounts**

Accounts under SBK's management are monitored on an ongoing basis by the Directors. The Directors review each account in detail on at least an annual basis, as well as in connection with each client meeting. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. SBK may supplement these custodial statements with reports provided during client meetings or as requested.

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

Other than the previously described products and services that SBK receives from Schwab, SBK does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

SBK may offer professional referrals to clients for services it does not provide such as legal services and insurance services. The firm does not receive any financial incentive for providing these referrals.

Other professionals or clients may refer prospective clients to SBK. SBK does not compensate anyone for referring a prospective client to the firm.

### **Item 15 – Custody**

Client accounts are held in custody by unaffiliated broker/dealers or banks, but SBK can access many client accounts through its ability to debit advisory fees. For this reason SBK is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements and should compare these statements to any account information provided by SBK. Our statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

SBK usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, SBK observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions must be provided to SBK in writing.

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

As a matter of firm policy and practice, SBK does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SBK's financial condition. SBK has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.