

# SBK Financial, Inc.

Form ADV Part 2A

Brochure

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March 3, 2021

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

Since the March 30, 2020 annual update filing, this Brochure has been amended at Item 5 to expand the range of potential fees charged for tax preparation services, which services are only available to certain existing clients.

SBK Financial, Inc.’s Chief Compliance Officer, Stephanie F. Stumpf, CPA, CFP®, remains available to address any questions regarding this Form ADV Part 2A, Brochure. You may reach her at (804) 237-1700 or [sstumpf@sbkfinancial.com](mailto:sstumpf@sbkfinancial.com).

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## **Item 4 – Advisory Business**

SBK Financial, Inc. (“SBK,” or “we”) is a Virginia corporation founded in 2005, and registered as an investment adviser with the United States Securities and Exchange Commission since May 2005. SBK is principally owned by J. Kevin King, President and Andrea L. Broughton, Vice President.

### **INVESTMENT MANAGEMENT SERVICES**

SBK provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans. We primarily invest client assets in mutual funds or exchange traded funds (“ETFs”). We evaluate, select and oversee other investment managers to manage a portion of the client’s account when appropriate. For clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, we may occasionally recommend private investment funds, which may include debt, equity and/or pooled investment vehicles when consistent with the client’s investment objectives. We may also assist in selecting, evaluating, negotiating, closing, oversight and monitoring investments in certain tax credits, including historic rehabilitation, land preservation, education improvement scholarship, and neighborhood assistance tax credits. We engage an independent consulting firm to perform due diligence on the mutual funds, investment managers and private investment funds we recommend. We review the due diligence and decide which investments to use in a client’s portfolio.

SBK tailors its services to the individual needs of its clients. We work with each client to develop an appropriate investment profile and strategy, and seek to manage the portfolio accordingly. To the extent specifically requested by the client, the annual investment advisory fee charged for investment management services also compensates for limited financial planning and consulting services such as tax planning, estate planning, non-investment related financial counseling, etc. While we believe it is important for clients to address these issues on an ongoing basis, our investment advisory fee will remain the same regardless of whether clients choose to pursue those services. 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 various growth, balanced and conservative strategies. Clients may impose reasonable restrictions on SBK’s management of their accounts.

## **TAX PREPARATION AND PLANNING SERVICES**

Certain existing clients may also engage SBK under a separate agreement to provide tax preparation and/or planning services through its representatives who are Certified Public Accountants. In these limited circumstances, SBK charges a fixed fee that varies depending upon the scope and complexity of the tax services required.

## **MISCELLANEOUS**

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. To the extent requested by the client, SBK may also provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, etc. SBK does not serve as a law firm and no portion of its services should be construed as legal services. Accordingly, SBK does not prepare estate planning documents. Unless specifically agreed in writing, neither SBK nor its representatives are responsible to implement or provide any monitoring of any financial plans or financial planning / consulting advice. To the extent requested by a client, SBK may recommend the services of other professionals for certain implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are under no obligation to engage the services of any recommended professional, who will be solely responsible for the quality and competency of the services they provide. If the client engages any unaffiliated recommended professional, and a dispute arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional. The client retains absolute discretion over all financial planning and consulting implementation decisions and is free to accept or reject any recommendation from SBK and/or its representatives in that respect.

Other Limited Services. In addition to those services described in this Item 4, SBK may, on a very limited basis, provide services to a client who is not an investment management client in coordination with such client's other registered investment advisers. The services SBK may provide could include tax advisory, estate planning, non-investment related financial counseling, etc., and will be separately identified and billed. Fees for these limited engagements may vary, are negotiable, may be charged on a time and materials basis or as a flat fee, and are typically payable in part upon commencement of a project, periodically over the life of the engagement or upon completion of the engagement.

Independent Managers. SBK may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Managers") in accordance with the client's designated investment objectives. In such situations, the Independent Managers will have day-to-day responsibility for the active discretionary management of the allocated assets. SBK will

continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. SBK generally considers the following factors when recommending Independent Managers: the client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Managers are exclusive of, and in addition to, SBK's ongoing investment advisory fees, which will be disclosed to the client before entering into the Independent Manager engagement and/or subject to the terms and conditions of a separate agreement between the client and the Independent Managers.

Availability of Mutual Funds and Exchange Traded Funds. While SBK may allocate investment assets to mutual funds and ETFs that are not available directly to the public, SBK also allocate or recommend investment assets to publicly-available mutual funds and ETFs that the client could purchase without engaging SBK as an investment adviser. However, if a client or prospective client determines to purchase publicly-available mutual funds or ETFs without engaging SBK as an investment adviser, the client or prospective client would not receive the benefit of SBK's initial and ongoing investment advisory services with respect to management of the asset. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through selected registered investment advisers. SBK may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of SBK's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

Unaffiliated Private Investment Funds. SBK may also provide investment advice regarding unaffiliated private investment funds. SBK, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. SBK's role relative to the private investment funds is limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the funds will be included as part of "assets under management" for purposes of SBK calculating its investment advisory fee. SBK's clients are under absolutely no obligation to consider or make an investment in a private investment funds. Please refer to Item 8 below for a more complete description of the risks associated with private fund investments, including liquidity concerns. . If SBK bills an investment advisory fee based upon the value of private investment funds or otherwise references private investment funds owned by the client on any supplemental account reports prepared by SBK, the value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

Tax Credits. When prudent, based upon a client's tax situation, SBK may assist in selecting, evaluating, negotiating, closing, oversight and/or monitoring certain transferable tax credits such as land preservation and investments in historic rehabilitation tax credits, in addition to charitable tax credits such as education improvement scholarship and neighborhood assistance tax credits. Please refer to Item 8 below for a more complete description of the risks associated with tax credits.

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If SBK recommends that a client roll over their retirement plan assets into an account to be managed by SBK, such a recommendation creates a conflict of interest if SBK will earn a new advisory fee, or increase its advisory fee based on the value of the rolled-over assets. No client is under any obligation to roll over retirement plan assets to an account managed by SBK. SBK's Chief Compliance Officer, Stephanie F. Stumpf remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such a rollover recommendation.

Non-Discretionary Service Limitations. Clients that determine to engage SBK on a non-discretionary investment advisory basis must be willing to accept that SBK cannot execute any account transactions without obtaining the client's prior consent to the transactions. Therefore, if SBK would like to make a transaction for a client's account (including removing a security that SBK no longer believes is appropriate, adding a security that SBK believes is appropriate, or in the event of a correction), and the client is unavailable, SBK will be unable to execute the account transactions (as it would for its discretionary clients) without first obtaining the client's consent. This may place affected clients at an economic disadvantage.

Cash Positions. SBK may hold a portion of client's assets in cash or cash equivalent positions (such as but not limited to money market funds) typically for defensive and liquidity purposes. Investments in these assets may cause a client to miss upswings in the markets. Unless SBK expressly agrees otherwise in writing, account assets consisting of cash and cash equivalent positions are included in the value of an account's assets for purposes of calculating SBK's advisory fee. A client can advise SBK not to maintain (or to limit the amount of) cash or cash equivalent positions in their account.

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 SBK) will be profitable or equal any specific performance level.

Client Obligations. In performing its services, SBK will not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Clients are responsible to promptly notify SBK if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SBK's previous recommendations and/or services.

Portfolio Trading Activity / Inactivity. As part of its investment advisory services, SBK will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when SBK determines that trades within a client's portfolio are not prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Asset Aggregation / Reporting Services. SBK may provide access to reporting services that can reflect all of the client's investment assets, including those investment assets that are not part of the assets managed by SBK (the "Excluded Assets"). SBK's service relative to the Excluded Assets is limited to reporting service access only, which does not include investment implementation. Because SBK does not have trading authority for the Excluded Assets, the client (and/or another investment professional), and not SBK, will be exclusively responsible for directly implementing any recommendations for the Excluded Assets. Further, the client and/or their other advisors that maintain trading authority, and not SBK, will be exclusively responsible for the investment performance or related activity (such as timing and trade errors) pertaining to the Excluded Assets. The third-party reporting platform may also provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by SBK. Accordingly, SBK will not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the third party reporting platform without SBK's participation or oversight.

Margin / Securities Based Loans. Upon client request, SBK may help clients obtain information or establish a margin loan or a securities-based loan (collectively, "SBLs") with the client's broker-dealer/custodian or their affiliated banks (each, an "SBL Lender") to access cash flow. Unlike a traditional real estate-backed loan, an SBL has the potential benefit of enabling borrowers to access to funds in a shorter period of time, providing



greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor. The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at any time. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing "margin calls" and liquidating securities and other assets in the client's accounts.

If SBK recommends that a client apply for an SBL instead of selling securities that SBK manages for a fee to meet liquidity needs, the recommendation presents an ongoing conflict of interest because selling those securities (instead of leveraging those securities to access an SBL) would reduce the amount of assets to which SBK's investment advisory fee percentage is applied, and thereby reduce the amount of investment advisory fees collected by SBK. Likewise, the same ongoing conflict of interest is present if a client determines to apply for an SBL on their own initiative. These ongoing conflicts of interest would persist as long as SBK has an economic disincentive to recommend that the client terminate the use of SBLs. Clients are therefore reminded that they are not under any obligation to employ the use of SBLs, and are solely responsible for determining when to use, reduce, and terminate the use of SBLs. Although SBK seeks to disclose all conflicts of interest related to its recommended use of SBLs and related business practices, there may be other conflicts of interest that are not identified above. Clients are therefore reminded to carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender as applicable, and contact SBK's Chief Compliance Officer with any questions regarding the use of SBLs.



Cybersecurity Risk. The information technology systems and networks that SBK and its third-party service providers use to provide services to SBK's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in SBK's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and SBK are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although SBK has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that SBK does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

#### **WRAP PROGRAMS**

SBK does not offer investment management services on a wrap-fee basis.

#### **REGULATORY ASSETS UNDER MANAGEMENT**

As of December 31, 2020, SBK had \$864,347,096 in assets under management, of which \$803,111,543 was being managed on a discretionary basis, and \$61,235,553 was being managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

### **INVESTMENT MANAGEMENT SERVICES**

SBK Financial, Inc. charges a negotiable annual investment management fee based on the following tiered schedule:

Assets Under Management	Fee
Up to \$2 Million	1.00%
Next \$3 Million	0.75%
Next \$5 Million	0.50%
Next \$10 Million	0.35%
All Additional Assets	0.25%

SBK generally imposes a \$10,000 annual minimum fee for advisory services. Therefore, a client maintaining less than \$1,000,000 in assets under SBK's management who is subject to the \$10,000 annual minimum fee will pay a higher percentage than the 1.0% referenced in the above fee schedule. SBK, in its sole discretion, may reduce its investment advisory fees, reduce or waive tax preparation fees, and/or reduce or waive its annual fee minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, servicing needs, negotiations with client, etc.). Certain legacy clients may have accepted different and/or pre-existing service offerings from SBK and may therefore receive different services under different fee schedules than as set forth above. As a result of these factors, similarly situated clients could pay different fees, and the services to be provided by SBK to any particular client could be available from other advisers at lower fees.

### **TAX PREPARATION AND PLANNING SERVICES**

SBK's fixed fee for tax preparation services available only to certain existing clients generally ranges between \$0 and \$19,975, depending upon the scope and complexity of the services required. To engage SBK to provide such services, clients are required to execute an agreement with SBK on an annual basis, which generally incorporates a 5% increase in fees from the previous year (as applicable). However, the fee is also subject to reduction based upon the scope and complexity of the applicable annual engagement. In certain

limited cases, SBK may also provide tax preparation services for an hourly fee of approximately \$150.

### **OTHER FEE DISCLOSURES**

In addition to SBK's investment advisory fees, clients bear trading costs, custodial fees and fees and expenses that mutual funds or non-affiliated Independent Managers charge. Specifically, broker-dealers charge transaction fees for executing certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose charges for custodial services / fees associated with maintaining the client's account. For mutual fund and ETF purchases, clients will incur charges imposed by the respective fund, which represent the client's pro rata share of the fund's management fee and other fund expenses. These fees and expenses are described in each fund's prospectus or other offering documents. When SBK or the applicable Independent Manager reasonably determines that it would be beneficial for the client, individual equity and/or fixed income transactions may be executed through broker-dealers other than the account custodian. In that event, the client will generally incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian. The fees and charges imposed by the applicable broker-dealer/custodian, Independent Managers, and the charges imposed by mutual funds and ETFs, are separate from and in addition to SBK's investment advisory fee described in this Item 5. SBK does not share in any portion of those fees or expenses.

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 based upon the effective date or termination date of the Investment Management Agreement, as applicable. Upon termination of an account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

### **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 currently provides investment management services to individuals, high-net-worth individuals and associated trusts and estates. SBK's minimum account size is generally \$1,000,000. SBK also generally imposes a \$10,000 annual minimum fee for advisory services. Therefore, a client maintaining less than \$1,000,000 in assets under SBK's management who is subject to the \$10,000 annual minimum fee will pay a higher percentage than the 1.0% referenced in the fee schedule above at Item 5. SBK, in its sole discretion, may charge a lesser investment management fee, reduce or waive tax preparation/financial planning/other advisory fees, reduce its minimum account size, and/or reduce or waive its annual fee minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

SBK uses the investment strategies and methods of analysis described below in providing investment advice to our clients and managing client assets.

### *Investment Strategies*

SBK meets with the client to determine the client's goals, risk tolerance and time horizon. Based on these discussions, SBK designs an appropriate investment plan and a strategic, well-diversified asset allocation for each client. Such an asset allocation requires the spreading of investments among a number of asset classes (stocks vs. bonds, U.S. vs. International, large cap stocks vs. small cap stocks, growth vs. value stocks, taxable bonds vs. municipal bonds, etc.). After determining how much of a client's portfolio should be allocated to each asset class, SBK then selects the mutual funds and/or investment managers for each asset class.

Maintaining a strategic, well-diversified asset allocation requires discipline to periodically rebalance. We help clients maintain this discipline. We place great emphasis on minimizing portfolio turnover and trading/transaction costs. Those costs as well as taxes influence the decisions to rebalance and as such fairly wide latitude is given to rebalancing.

### *Methods of Analysis*

SBK retains a qualified, independent research consultant to provide capital market assumptions, broad asset allocation strategies and to conduct the due diligence on actively managed mutual funds, investment managers and private investment funds that SBK may recommend to clients. SBK reviews the quantitative and qualitative criteria used to evaluate the actively managed mutual funds, investment managers and private investment funds. The criteria may include minimum length of track record, minimum performance levels, minimum amounts invested or under management, consistency of investment style, employee turnover, efficiency and capacity. SBK, along with the independent research consultant, monitors the recommended investments to determine whether they continue to meet the quantitative and qualitative criteria stated above. The independent research consultant also negotiates reduced account minimum balances and reduced fees with approved mutual funds, investment managers and private investment funds whenever possible.

We evaluate the performance of our clients' investments in a variety of ways that help us understand how the clients' investments are performing versus appropriate benchmarks. Our performance reports provide clients with an overview of their total portfolio performance (excluding private investment funds), an analysis of each individual mutual fund or manager's performance and an analysis of each asset class's performance. As private investment funds do not have transparent trading markets from which accurate and current pricing information can be derived, SBK is not able to monitor or verify the accuracy of performance information.

### *Risk of Loss*

SBK generally recommends that clients invest in equities, mutual funds, ETFs, municipal bonds and occasionally, private investment funds. Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal balance. Past performance may not be indicative of future results. 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 SBK or any Independent Manager) will be profitable or equal any specific performance level. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies.

Securities recommended for investment are subject to market risk, which is the risk that the stock market as a whole will decline, reducing the values of individual securities regardless of their fundamental characteristics. The direction of the stock market is difficult to predict and depends upon changes in interest rates, inflation and a host of other economic and political factors.

In addition to general market risk, SBK has identified the following risks unique to our investment strategies:

**Mutual Fund Risk** – Mutual funds are operated by investment companies that raise money from shareholders and invest it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

**Exchange Traded Fund Risk** – ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: an ETF's shares may trade at a market price that is above or below its net asset value; the ETF may employ an investment strategy that uses high leverage ratios; or trading of an ETF's shares may be halted if the listing exchange's officials deem the action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

**Dependence on Research Consultants** – We rely upon information provided by one or more research consultants, which we have reason to believe is accurate and complete. However, we cannot guarantee that the recommendations provided will result in successful investments. If our research consultant were to provide SBK with incorrect or incomplete information, there is a risk which may result in losses due to such incomplete information.

**Independent Manager Risk** – Such investment managers make investment decisions independently of SBK and may at times hold economically offsetting positions. Investment managers do not seek approval or notify SBK before placing trades in our client accounts.

Additionally, each investment manager must deal with the full spectrum of risk as it applies to their portfolios. SBK does not control the level of risk or the performance derived from such managers. Clients should review Independent Managers Form ADV Part 2A for a description of the types of risk involved with applicable strategies. To mitigate those risks, SBK periodically monitors the performance and investments made by the managers.

**Private Investment Fund Risk** – Such funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client will establish that they are qualified for investment in the fund, and that they acknowledge and accept the various risk factors associated with such an investment

**Tax Credit Risk** – This involves various risk factors, including but not limited to the following:

**Legislative Risk:** Changes either directly to the underlying programs enacted by the legislature or to tax laws and regulations that affect utilization of the credits may reduce the expected value of the investment. Changes to laws or budgets which support the underlying assets generating tax credits may also increase the risk of recapture.

**Utilization Risk:** Clients must have sufficient tax liability in order to utilize tax credits and any companion deductions generated by the investment. Each program has its own rules relating to use. In addition, regulations may prescribe the order in which credits and deductions must be used by the investor. Furthermore, a public market for tax credits does not currently exist. Some tax credit investments are difficult to trade, and others effectively cannot be traded once earned.

**Recapture Risk:** Land Preservation and Historic Rehabilitation Tax Credits may be subject to recapture of all or a portion of credits previously claimed along with potential loss of future credits. Land Preservation Tax Credits involve the appraisal, sale, and transfer of real property, subject to various contractual provisions, formalities, and regulatory conditions. If certain legal and regulatory requirements are not met in a timely manner or changes to the appraised value of the underlying property occur due to non-compliance with the guidelines for qualified appraisals then adopted by the granting governmental entity, or an otherwise deficient or fraudulent appraisal was conducted, all of which could be determined after purchase, an investor’s expected benefits could be reduced or eliminated. Historic



Rehabilitation Tax Credit investments typically involve the construction or rehabilitation of real estate or the installation of fixtures or equipment. Failure to complete these objectives and corresponding legal and regulatory requirements within required timeframes may result in expected benefits being reduced or eliminated.

Entity Risk: Similar to investments in Private Funds, Historic Rehabilitation Tax Credit investments must be transferred through ownership interests in an investment vehicle, typically a limited partnership or limited liability company (each an “Entity”). Ownership interests securing investments in Historic Rehabilitation Tax Credits are not registered, and are otherwise highly illiquid and typically non-transferable. These ownership interests and the Entities themselves are governed by contract and internal agreement, the breach or default of which may result in, but not be limited to monetary penalties, the entire loss of the investor’s ownership interest, or both. Please also see the above risk disclosures associate with “Private Funds.”

Non-Transferability on Death: Historic Rehabilitation, Education Improvement Scholarship, and Neighborhood Assistance Tax Credits may not be transferred on or after the death of the taxpayer.

## **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**

Neither SBK, nor its representatives, are registered or have an application pending to register as: a broker-dealer or a registered representative of a broker-dealer; a futures commission merchant; a commodity pool operator; a commodity trading advisor; or a representative of the foregoing. SBK does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

Schwab Advisory Board. As discussed in Item 12.A.1. below, SBK generally recommends Charles Schwab & Co., Inc. and its affiliates (“Schwab”) for execution and custodial services. SBK’s Vice President and Secretary, Andrea Broughton, recently served on the Schwab Advisor Services Advisory Board (the “Schwab Advisory Board”). The Board consisted of approximately 20 representatives of independent investment advisory firms who were

invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Board members serve for two-year terms. Ms. Broughton's term ended in 2020. Board members enter nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange and the NASDAQ stock market (symbol SCHW). The Board met approximately twice per year and has periodic conference calls scheduled as needed. Ms. Broughton was not compensated by Schwab for this service. However, Schwab paid for Ms. Broughton's travel, lodging, meals and other incidental expenses incurred in attending Schwab Advisory Board meetings. This relationship therefore presents a conflict of interest because it may incentivize SBK to recommend that clients engage Schwab as broker-dealer/custodian based on Ms. Broughton's interest in receiving the above-described benefits for her service to the Schwab Advisory Board. SBK therefore reminds clients that they are not required to engage Schwab as broker-dealer/custodian.

## **Item 11 – Code of Ethics**

SBK maintains an investment policy relative to personal securities transactions. This investment policy is part of SBK's overall Code of Ethics, which serves to establish a standard of business conduct for all of SBK's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request. In accordance with Section 204A of the Investment Advisers Act of 1940, SBK also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by SBK or any person associated with SBK.

Neither SBK nor any related person of SBK recommends, buys, or sells for client accounts, securities in which SBK or any related person of SBK has a material financial interest.

SBK and/or representatives of SBK may buy or sell securities that are also recommended to clients. This practice may create a situation where SBK and/or representatives of SBK are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if SBK did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-

running” (i.e., personal trades executed before those of SBK’s clients) and other potentially abusive practices.

SBK has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of SBK’s “Access Persons.” SBK’s securities transaction policy requires that an Access Person of SBK must provide the Chief Compliance Officer or a designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or a designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date SBK selects; provided, however that at any time that has only one Access Person, he or she will not be required to submit any securities report described above.

SBK and/or representatives of SBK may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where SBK and/or representatives of SBK are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. As indicated above, SBK has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of SBK’s Access Persons. SBK’s clients or prospective clients may request a copy of the firm’s Code of Ethics by contacting SBK’s Chief Compliance Officer, Stephanie F. Stumpf.

## **Item 12 – Brokerage Practices**

If a client requests that SBK recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct SBK to use a specific broker-dealer/custodian), SBK generally recommends that investment management accounts be maintained at Schwab. Before engaging SBK to provide investment management services, the client will be required to enter into a formal Investment Management Agreement with SBK setting forth the terms and conditions under which SBK will manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Depending on which custodian clients select to maintain their account, they may experience differences in customer service, transaction timing, the availability of sweep account vehicles and money market funds, and other aspects of investing.

Factors that SBK considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with SBK, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by SBK’s clients will conform to SBK’s duty to seek best execution, a client may pay a commission that is higher than another qualified broker-

dealer might charge to effect the same transaction where SBK determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although SBK will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, SBK's investment management fee.

#### *Non-Soft Dollar Research and Additional Benefits in General*

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, SBK receives from Schwab (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products, certain of which assist SBK to better monitor and service client accounts maintained at such institutions. The support services that SBK receives can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by SBK in furtherance of its investment advisory business operations. As referenced above, some of the support services and/or products that SBK can receive may assist SBK in managing and administering client accounts. Others do not directly provide such assistance, but rather assist SBK to manage and further develop its business enterprise. The receipt of these support services and products presents a conflict of interest, because SBK has the incentive to recommend that clients utilize Schwab as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need. However, SBK's clients do not pay more for investment transactions executed and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by SBK to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements.

*How We Select Brokers/Custodians.* We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients

*Your Brokerage and Custody Costs.* For our clients' accounts that Schwab maintains, Schwab generally does not charge clients separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. For some accounts, Schwab may charge clients a percentage of the dollar amount of assets in the account in lieu of commissions. In addition to commission and asset-based fees, Schwab charges you a flat dollar amount as a "prime broker" or "trade-away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited or settled into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How We Select Brokers/Custodians").

*Products and Services Available To Us From Schwab.* Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage services (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 (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services.

*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. Schwab's services described in this paragraph generally benefit you and your account.

*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, both Schwab's own and that of third parties. We may use this research to service clients' accounts. In addition to investment research, Schwab also makes available 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.



*Additional Benefits Currently Received From Schwab.* Schwab Advisor Services™ has agreed to provide reimbursement credited directly to SBK's clients, to compensate for the actual amount of any account transfer of account exit fees that may be incurred. The reimbursement is available to SBK clients who determine to transfer their investment accounts that SBK will manage from another broker-dealer/custodian to Schwab. However, the total amount that Schwab has agreed to reimburse SBK's clients is capped at a specific amount, and is only available for account transfers made before February 22, 2020. SBK also typically sends representatives to Schwab's annual educational conference and certain events, such as compliance updates. SBK pays a fee to Schwab to attend the annual conference. SBK has also used Schwab's consulting on certain technology and practice management initiatives. SBK reviews Schwab's publications on compliance and practice management among other relevant topics.

*Our Interest in Schwab's Services and Benefits and Related Conflict of Interest.* We don't have to pay Schwab or any other entity for the services and additional benefits that Schwab provides us. The availability of the services and other benefits described above therefore provide us with an advantage, because we do not have to produce or purchase them. These services and benefits are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. However, this arrangement nonetheless incentivizes us to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This presents a conflict of interest. When making such a recommendation, however, we do so when we reasonably believe that recommending Schwab to serve as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only SBK.

*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.

*Schwab Advisory Board.* SBK's Vice President and Secretary, Andrea Broughton, served on the Schwab Advisor Services Advisory Board (the "Schwab Advisory Board") until 2020. Please refer to Item 10 above for more information about that engagement. This relationship presents a conflict of interest because it may incentivize SBK to recommend that clients engage Schwab as broker-dealer/custodian based on Ms. Broughton's receipt of



the above-described benefits for her service to the Schwab Advisory Board. SBK therefore reminds clients that they are not required to engage Schwab as broker-dealer/custodian.

#### *Brokerage for Client Referrals*

SBK does not receive referrals from broker-dealers.

#### *Directed Brokerage*

SBK does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client would negotiate terms and arrangements for their account with that broker-dealer, and SBK would not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by SBK. As a result, the client could pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event the client directs SBK to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through SBK. Higher transaction costs adversely impact account performance. Finally, transactions for directed accounts would generally be executed following the execution of portfolio transactions for non-directed accounts.

#### *Aggregation of Purchases or Sales*

To the extent SBK provides investment management services to its clients, the transactions for each client account generally will be executed independently, unless SBK decides to purchase or sell the same securities for several clients at approximately the same time. SBK may (but is not obligated to) combine or “batch” such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among SBK’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. SBK will not receive any additional compensation or remuneration as a result of such aggregation.

SBK’s Chief Compliance Officer, Stephanie F. Stumpf, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding conflict of interest presented.

### **Item 13 – Review of Accounts**

Accounts under SBK's management are monitored on an ongoing basis by its advisers. The advisers 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**

As referenced in Item 12 above, SBK receives economic benefits from Schwab including support services and/or products without cost and/or at a discount. SBK's clients do not pay more for investment transactions executed and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by SBK to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. SBK's Chief Compliance Officer, Stephanie F. Stumpf, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest presented.

SBK does not compensate, directly or indirectly, any person, other than its representatives, for client referrals. SBK may offer professional referrals to clients for services it does not provide, such as legal 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**

SBK will have the ability to have its fees for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian or program sponsor for the client accounts. SBK may also provide a written periodic report summarizing account activity and performance.

SBK engages in other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of the services subject the affected accounts to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. Certain clients have also signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from SBK to transfer client funds to “third parties.” These arrangements are also reflected at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC’s February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

To the extent that SBK provides clients with periodic account statements or reports, SBK urges clients to carefully review those statements and compare them to custodial account statements. SBK’s statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of SBK’s advisory fee calculations.

#### **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. However, in limited circumstances with respect to its management of trust accounts in which the trust has designated a corporate trustee or co-trustee, SBK has agreed to vote proxies. In such limited circumstances, the client will maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits. SBK shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. SBK shall monitor corporate actions of

individual issuers and investment companies consistent with SBK's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which SBK will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to include: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, SBK may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), SBK may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. SBK shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how SBK voted on any specific proxy issue is also available upon written request. Requests should be made by contacting SBK's Chief Compliance Officer, Stephanie F. Stumpf.

#### **Item 18 – Financial Information**

SBK does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. Therefore, a balance sheet is not required to be attached. There is no known financial condition that is reasonably likely to impair SBK's ability to meet contractual commitments to clients, and SBK has not been the subject of a bankruptcy proceeding.

**ANY QUESTIONS:** SBK's Chief Compliance Officer, Stephanie F. Stumpf, CPA, CFP®, remains available to address any questions about this Brochure.