



**Wilbanks, Smith & Thomas Asset Management, LLC**

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**March 30, 2012**

## **FORM ADV 2A**

This brochure provides information about the qualifications and business practices of Wilbanks, Smith & Thomas Asset Management, LLC ("WST"). If you have any questions about the contents of this brochure, please contact us at 757-623-3676. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Wilbanks, Smith & Thomas Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search for our firm by using our CRD number which is 106060.

WST is registered with the SEC. However, this registration, while required by law, does not indicate any established or set level or skill or training on our part.

### **MATERIAL CHANGES**

This section only discussed any material changes to our Form ADV Part 2A disclosure document which we will refer to in this document as the brochure. Since the date of our last annual update to this brochure which was March 31, 2011, we have increased our investment strategies to include the Dynamic Portfolio Manager Strategy. Please refer to the section on Advisory Business for more information on our strategies.

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## ADVISORY BUSINESS

Wilbanks, Smith & Thomas Asset Management, LLC was founded in 1990 and is located at 150 West Main Street, Norfolk Virginia 23510. WST is privately owned by its principals and Wealthtrust, LLC, a Nashville based financial holding company with a minority non-voting interest. All operational and investment decisions are made by the firm's principals. We are one of the oldest and largest Independent investment advisors in Southeastern Virginia. WST's Investment Committee has a combined experience of over 150 years in the investment management industry

WST provides investment services for individuals, pension and profit sharing plans, corporations, Taft Hartley organizations, municipalities, bank trust departments, trust companies, insurance companies, foundations and endowments. Our investment management services include asset allocation, security selection, portfolio rebalancing, and performance monitoring and reporting. We provide our clients with investment advisory services consisting of discretionary asset management through use of equity, fixed income and balanced (between equity securities such as stocks and fixed income securities such as municipal and government bonds) portfolios.

Our primary strategy is to diversify the portfolio by asset class, geography, market capitalization, and style. The investment program used to implement this strategy employs exchange traded funds (ETF's) and/or mutual funds and/or individual stocks in the equity segment of the portfolio and individual bonds and/or bond funds and/or ETF's in the fixed income segment. These portfolios are implemented for our clients based on their specific objectives.

In addition, WST also provides advisory services which seek investment gains attributable to market movement between mutual funds/ exchange traded funds and money market funds based upon rules based (technical indicators) models we maintain to guide us as to the appropriate time to buy and/or sell particular funds. We refer to these services as our Dynamic Portfolio Manager Strategy (DPM), Dynamic Asset Allocation Strategy ("DAA"), Dynamic Total Return Strategy ("DTR"), Dynamic Global Strategy ("DGS") and Dynamic All Strategy ("DAS"). Depending upon the particular investment objectives and risk tolerance of a client, WST may utilize one or more or all of the strategies in an effort to achieve the client's investment objectives and, depending upon what we may consider adverse market conditions, we may, in our discretion, fully invest a client's assets in this service in money market funds as a defensive strategy. These strategies involve various levels of risk. First, we may not be successful in implementing the strategy thus resulting in investment losses and, second, the particular strategy may not work as planned with the potential for missing out on beneficial movements in price due to an error in timing.

The long-term objective of each Dynamic strategy is to achieve risk adjusted returns that exceed those of comparable buy and hold strategies. The strategies incorporate multiple management strategies that utilize several technical indicators. Each strategy attempts to limit losses during declining markets and to participate in rising markets. The strategies shift investments among money market funds and multiple asset classes through investments in actively managed and/or passive equity and fixed income mutual funds or exchange traded funds. Portfolio allocations may be rebalanced at WST's discretion. Each of the

DAA strategies have varying degrees of investment risk that are unique to that particular strategy as disclosed to clients via the DAA Investment Advisory Agreement and the DAA risk disclosure statement.

WST offers investment advice to retirement plans such as 401(k) plans and other retirement plans or related entities regarding the type of securities or investments which should be included as investment options for the plan participants. We also offer various allocation strategies and investment advice to individual plan participants based upon the participant's particular investment objectives which include the use of various retirement resource platforms offering, among other investments, a selection of mutual funds offered by a variety of mutual fund complexes. In those instances, where the plan provider is an insurance company offering insurance products as investment options, WST may receive commissions relating to the purchase of an insurance product by a plan participant.

WST provides strategic and business consulting services as well as other financial advice to clients upon request generally on matters not related to investments in securities.

WST will also provide research information and analysis on its own investment styles and strategies to other investment advisory firms and other institutions which these firms may use to provide services to their clients.

Non discretionary investment management services are available on a limited basis although our focus is discretionary investment management services.

WST may provide advice relating to insurance products for which we or our employees may receive insurance commissions.

Our wealth management services include asset allocation, investment management, financial and retirement planning and net worth/cash flow planning.

Client accounts may be managed directly by WST or through the use of other investment management firms, referred to as "sub advisors", which we will retain to manage all or a portion of your assets on a sub advisory basis on a fully discretionary basis subject to limitations imposed by the client's investment objectives and other regulatory limitations.

Our services and processes are designed to determine and address our individual clients' individual overall wealth management needs with a focus on coordination and implementation of the client's overall investment and retirement needs. This process involves the use of a detailed confidential investor profile designed to collect information as to the client's investment and financial circumstances and objectives, time horizon expectations and risk tolerance as well as the collection of certain key financial documents as well as meetings with our clients and discussions in some instances with their professional advisers. The client may also impose restrictions on our ability to implement particular types of investments on its behalf if that is the client's preference as part of the process. We then prepare a written investment policy/asset allocation policy for the client upon request based upon the information collected.

We do not provide legal, tax or accounting advice or services and you should not assume that we are providing you such services at any time. Also, you should understand that, generally speaking, securities or other investments for which we provide advice to you are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency and that neither WST nor any of its affiliated companies is a trust or banking institution.

WST has entered into “wrap fee” arrangements sponsored by Strategic Asset Management Group Advisors, Inc., Williams Financial Group, and LPL Financial Group, which are unaffiliated with WST. Also, some of our clients may be involved in other such arrangements with brokerage firms or other companies which sponsor such arrangements. Under a wrap fee arrangement, a brokerage firm or other company may recommend retention of WST to manage all or a portion of your assets; pay us our fee for our services; monitor and evaluate our services in managing your assets; execute securities transactions which we implement on your behalf; and provide you with custodial services for your assets, or the brokerage firm or other company may provide any combination of these services, for a set fee to be paid by you to the brokerage firm or other company. Under a wrap fee arrangement, your assets would be managed by us in the same manner as assets managed by us for our clients not in a wrap fee arrangement although this would be subject to your particular investment needs and objectives and we may have limited or minimal contact with you where the brokerage firm or other company maintains the direct and primary relationship with you. You should understand that, depending upon the amount of the wrap fee the brokerage firm or other company charges you, the number of securities transactions in your account, the value of custodial or other services you will receive under the arrangement, the amount of the wrap fee may or may not be less than the total cost for such services added together if you obtained them separately and therefore such arrangements may not be suitable for all clients based on the client’s individual financial circumstances and investment goals. You can find more specific information on each wrap fee arrangement in the Wrap Fee Program Brochure which should be available to you from the wrap fee arrangement sponsor. WST does not act as a sponsor of any wrap fee arrangements.

The principal owners of WST are Wayne Wilbanks, who is President, Thomas Investment Properties, LLC and WealthTrust, LLC. The amount of client assets we manage on a discretionary basis as of December 31, 2011 is \$1,736,366,461 and the amount of client assets we manage on a non-discretionary basis as of December 31, 2011 is \$38,883,931.

## **FEES AND COMPENSATION**

WST is typically compensated for its investment advisory services by charging you a management fee based on the market value of your assets under our management based upon the fee schedule set forth below:

<b><u>Equity &amp; Balanced Accounts</u></b>	<b><u>Fixed Income Accounts</u></b>
1.00% on the first \$5 million	.60% on the first \$10 million
.75% on the next \$5 million	and negotiated thereafter
.50% above \$10 million	

WST's management fee for its DAA service, as described in the section on Advisory Business above, is 2.0%.

Fees are billed quarterly in arrears based upon the market value of the assets at the end of the preceding quarter. If your relationship with us is begun or ended during a calendar quarter, your fee will be prorated for the appropriate number of days completed or remaining in the quarter and, where applicable, you will be issued a refund for any portion of your quarterly fee paid in advance (such as in a wrap fee arrangement) which was unearned.

We may negotiate the amount of your fee depending upon circumstances including but not limited to account composition and complexity, other client, employee or family relationships, etc. which may result in different fees being charged by us for client accounts similar in composition and objectives. Our employees and their family related accounts may be charged a reduced fee, or no fee, for our services.

You may pay your fee to us directly upon receipt of an invoice from us or you may authorize your custodian to allow us to directly debit our fee from your account or accounts. If you choose the latter method, your custodian will not confirm our fee but will pay the amount based on the fee amount communicated to the custodian by us and send it directly to us. You will receive a periodic statement from your custodian which will include the amount of the fee which has been sent to us. You should confirm the accuracy of our fee calculation upon receipt of your custodian's statement.

The fees you pay us do not include brokerage commissions or other fees or charges associated with securities transactions implemented with or through a brokerage firm, mark-ups or mark-downs in principal transactions, deferred sales charges, odd-lot differentials, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation all of which will be charged to you in addition to our fee. We do not receive any portion of any of the foregoing expenses or fees. You should go to the section on Brokerage Practices in our brochure for more information on how we select or recommend brokerage firms for your securities transactions and information related to that process.

Our fee for our consulting services and investment advisory services for retirement plans and participants, as described above in the section on Advisory Business, may be negotiated on a case by case basis.

You should understand that mutual funds, including exchange traded funds, in which your assets are invested by us or by others, impose separate investment management fees and other operating expenses, described in the fund's prospectus, for which you, the client, will be charged separately from the fee paid to us for our services.

Unless provided otherwise, we will pay for the services of any sub advisor retained to provide asset management or research services directly out of our fee that we collect from you. Generally, any such sub advisors will receive a fee, based upon a percentage of the market value of your assets for which the sub advisor is providing services, ranging 40% to 60% of the fee we receive from you for our services.

As we discussed in the section on Advisory Services in our brochure, we have entered into “wrap fee” arrangements with certain brokerage firms or other companies where you pay the brokerage firm or other company an agreed upon fee for investment management by us or other investment advisory firms such as us, brokerage commissions, custodial services and possibly consulting services. We receive a portion of the “wrap fee” you pay the brokerage firm for our services. Our portion of the fee generally ranges from 25 to 60 basis points of the assets we manage depending upon our arrangement with the brokerage firm or other company which sponsors the wrap fee arrangement.

WST also serves in a sub advisory role or research provider for investment management firms, some of which may be affiliated with us (Please refer to the section on Other Financial Industry Activities and Affiliations below for more information.) or other institutions. The fees we receive for these arrangements generally range from 25 to 100 basis points of the client’s assets for which the service is being provided.

WST or its employees may receive additional compensation in the form of commissions or similar fees as a result of the purchase or sale of insurance products as described in the section on Advisory Business above. This presents a conflict of interest on our part since we will have an incentive to recommend these insurance products based on the compensation we receive as a result of the transaction rather than based on what may be in your best interest. However, we address this conflict of interest by monitoring any these transactions prior to their being completed on your behalf to confirm that the transaction is in your best interest. You also have the option to purchase these insurance products through another firm or individual which is not affiliated with us. We do not reduce our investment advisory fees by the amount of any commissions or similar fees received by us as described above. We primarily recommend “no load” mutual funds and exchange traded funds for our client portfolios which are mutual funds sold without a commission or sales charge.

Clients should be aware that similar or comparable services may be available from other firms including other investment management firms at a cost higher or lower than that available through us.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This section does not apply to Wilbanks, Smith & Thomas Asset Management, LLC.

## **TYPES OF CLIENTS**

Our clients include individual persons, banks or thrift institutions, pension and profit sharing plans, 401(k) plans, Taft-Hartley organizations, trusts, estates, endowments, charitable organizations and foundations, corporations or similar business entities and governmental entities. Generally, our minimum account size is \$1,000,000 although this may be waived based on considerations such as the account’s relationship to established clients and other factors.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Our investment committee is the clearinghouse for the origination, research, and implementation of investment ideas. Committee discussions are wide ranging and committee members are encouraged to bring new ideas to the table. Our research universe includes hundreds of funds, stocks, and bonds, all of which are closely monitored by our analyst team and research committee. WST researches and monitors individual companies as well as actively managed mutual funds/managers, index funds/passive funds and ETF's. The portfolio managers and research analysts' work together to analyze and identify companies and funds which are suitable for inclusion in client portfolios.

We use several methods of investment analysis and investment strategies to provide services to our clients. Our methods of investment analysis include fundamental analysis which is the analysis of a company's financial statements, its management, competitive advantages, markets, etc.; cyclical analysis which involves the buying and selling of investments when certain financial ratios are low or high; and technical analysis which is the analysis of a company by studying past market data such as price and volume.

Our investment strategies may include, depending upon the client's objectives, long term purchases (securities generally held for at least a year); short term purchases (securities generally held for less than a year); short term trading (securities generally bought and sold within thirty days); and short sales (a technique which seeks to gain from an anticipated decline in the price of a company's securities).

The use of stock options (securities which provide the investor with an opportunity to purchase another security or property at a specified price over a stated time); and margin transactions (buying securities with borrowed money used to magnify returns; margin refers to the equity in the investment) are available on a limited basis but only if requested by the client.

We also use our Dynamic Asset Allocation strategies which are described in more detail in the section on Advisory Business above.

Strategies such as short sales and the use of stock options and margin transactions carry a higher risk of market losses which can result from unanticipated movements in the market price of the underlying security being used in the strategy.

The securities we use in our investment strategies and investment advice include equity securities such as exchange listed securities, securities traded over the counter and foreign issues; warrants; debts securities of corporations and similar entities; commercial paper; certificates of deposit; municipal and government securities; investment company securities including variable life insurance, variable annuities and mutual fund shares including exchange traded funds; options on securities and commodities; futures contracts; and interests in real estate and oil and gas partnerships. We also offer advice, on a limited basis, on direct real estate investments and on private alternative investments such as "hedge funds" (generally refers to a wide range of private restricted investments that can vary substantially in terms of size, strategy, business model, and organizational structure) and private equity



funds (private restricted funds that make investments directly into private companies or conduct buyouts of public companies).

Investing in securities such as the types of securities used by us in managing your assets or providing you investment advice involves the potential risk of loss in the value of the securities both in the amount invested in the securities as well as any profits which have not been realized by selling the securities. You should be prepared to bear the risk of such losses. The degree of risk depends upon the type of security or strategy involved.

## **DISCIPLINARY HISTORY**

This section does not apply to Wilbanks, Smith & Thomas Asset Management, LLC or any of its employees.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

WST is affiliated with Jolley Asset Management, LLC ("Jolley") through its ownership of a minority interest in Jolley. Jolley is an investment management firm located in Rocky Mount, NC. WST and Jolley may provide sub advisory services to each under written agreements and may refer potential clients to each other for investment management services under written agreements for which WST will receive compensation as a sub advisor, for its referral activities and as an owner of Jolley. Please refer to the sections on Advisory Business and on Client Referrals and Other Compensation for more information. This may create a conflict of interest on our part due to our financial interest in the use by clients of the investment management services of Jolley. We address this conflict of interest by disclosing this relationship to clients in this document and in other written disclosures provided to clients.

WST is also affiliated with the following investment management firms based on common ownership interest through one of our owners, WealthTrust, LLC:

Kanawha Capital Management, LLC  
Duncker Streett & Co., LLC  
Harvey Investment Company, LLC  
WealthTrust Arizona, LLC  
Foldes Financial Management, LLC  
Optimum Investment Advisors, LLC  
Delta Asset Management, LLC  
WealthTrust Axiom, LLC  
WealthTrust Fairport, LLC

However, WST does not have a relationship or arrangement with any of these affiliated investment management firms which is material to our business or to our clients.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

WST has adopted a written Code of Ethics under which all our full time employees are generally restricted from effecting transactions in securities for their personal accounts absent written pre-approval by our chief compliance officer or designee in order to seek to avoid conflicts of interest with transactions being effected in client accounts. Our employees may buy or sell the same securities that we recommend that our clients invest in or that we purchase or sell on our clients' behalf. This presents a conflict of interest between our employees' own financial interest and the best interest of our clients. We have addressed this conflict of interest by imposing trading restriction under the Code of Ethics referenced above which include restrictions on our employees' personal trading based upon investment activity occurring in, or being contemplated for, our clients' accounts as well as certain restrictions on short term trading (transactions in the same security within a thirty day time frame).

Pre-approval must also be obtained by employees before investing in initial public offerings of securities and before investing in a private placement of securities. Our employees are required to submit quarterly reports relating to their personal transactions and an annual report of their personal securities holdings to us. Our Code of Ethics also contains policies and procedures which are intended to prevent the misuse of material non-public information. A copy of our Code of Ethics is available to you upon request by contacting us through the contact information provided on the Cover Page of this brochure.

## **BROKERAGE PRACTICES**

WST considers the following factors in selecting or recommending brokerage firms for your transactions and in determining the reasonableness of the compensation or other remuneration paid to the brokerage firms:

Trade Implementation Costs

Market Liquidity Provided

Confidentiality of Trading Intentions

Investment Styles (compatibility between us and the brokerage firm)

Trade Error Resolution Process

Financial Stability

Ability to Execute Difficult Trades

## Other Factors Which May Be Identified By Us From Time To Time

We have established an Execution Quality Committee which periodically reviews our brokerage practices and the reasonableness of compensation or other remuneration paid to brokerage firms and monitors our efforts to seek best execution of client transactions.

**Research and Other Soft Dollars Benefits:** Where more than one brokerage firm satisfy our criteria, preference may be given to brokerage firms which provide us with certain brokerage and research services and products as allowed by law under Section 28(e) of the Securities Exchange Act of 1934 which WST may use to execute client transactions even though the commissions or similar costs for particular transactions may be higher than the commissions or costs incurred by using another brokerage firms which does not provide WST with these brokerage and research services or products. Payments to brokerage firms for such services through commission revenue rather than direct cash payments are referred to as “soft dollars”. We will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research services or products provided by the brokerage firm(s) which we consider to be a significant benefit to our clients. We may use these brokerage and research services and products to benefit all of our clients’ accounts not just those whose transactions may pay for the services.

The brokerage and research services or products we may receive under the arrangement described above include general investment research.

The use of client brokerage commissions or similar costs for transactions to obtain brokerage or research services and products presents a conflict of interest to us because we would not have to internally produce the service or product or purchase them directly elsewhere. This also means that we would have a financial incentive to select or recommend brokerage firms which provide us such brokerage and research services or products rather than based on a consideration of the lowest commission cost to our clients. To address these conflicts as applicable, WST has a commission review process in place to review the reasonableness of commission amounts and rates used to obtain brokerage and research services and products described above. This review is conducted during meetings of our Execution Quality Committee.

**Charles Schwab & Co., Inc.:** We may recommend or require that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, to maintain custody of their assets and to effect trades for their accounts. Although we may recommend or require that clients establish accounts at Schwab, it is the client’s decision to custody assets with Schwab. WST is independently owned and operated and not affiliated with Schwab.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the

advisor's clients' assets are maintained in accounts at Schwab Institutional and are otherwise contingent upon our committing to Schwab any specific amount of business such as assets in custody or trading commissions. These 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.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders such as our clients through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts maintained by our clients.

Schwab Institutional also makes available to us other products and services that benefit us but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering clients' accounts include 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 its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. Schwab Institutional may also provide other benefits to our employees such as educational events or occasional business entertainment. In evaluating whether to recommend or require that our clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest since our recommendation that our clients maintain accounts at Schwab may be based in part on the availability to the Firm of all or some of the products or services described above.

**Directed Brokerage:** WST will execute transactions through a particular brokerage firm as a result of your decision to direct us to execute transactions through a particular brokerage firm or as a result of your decision to participate in a "wrap fee" arrangement in which case trades are generally executed through the brokerage firm with which you have entered into the "wrap fee" arrangement. In this situation, you will be responsible for negotiating the commission rates you pay, not us. You should be

aware that our inability to negotiate commissions, obtain volume discounts and that best execution may not be achieved for transactions in your account(s). As a result, transactions in accounts directed by you to a particular brokerage firm may result in higher commissions, greater spreads or less favorable net prices than would be the case if we were authorized to choose the brokerage firm through which to execute transactions for your account(s). You should also be aware that disparities in commission charges for similar transactions in accounts in different clients of ours may exist and that there is a conflict of interest arising from such directed brokerage practices.

You should be aware that transactions for accounts which we have been instructed by you to direct to a specified brokerage firm may be placed subsequent to transactions we enter for client accounts where we determine the brokerage firm through which to execute transactions for clients. This may result in less favorable execution for those accounts where we have been instructed by you to direct trades to a specified brokerage firm for execution.

You should be aware that you have brokerage options which you should consider other than instructing us to direct your transactions to a particular brokerage firm including the use by us of other brokerage firms we determine to use for execution of client transactions possibly at a lower commission cost and that this option may be available through us.

**Blocked Transactions:** We may group or block orders from time to time for the same security for more than one client account in order to more effectively execute the orders. This is what is known as a “block transaction”. This process can create trading efficiencies, prompt attention to the order and improved price execution since the block transaction may be executed at various prices but averaged as to price. Therefore, clients whose transactions are part of the block transaction will receive the same average price and trading costs. Where such block transactions are not fully executed, we will seek to allocate the executed portion of the block transaction on a basis which we consider fair to our clients over time. Generally, this will mean a pro rata allocation or allocation on a rotational basis although we may, in certain circumstances, allocate purchases or sales on some other basis, after consideration of factors such as taxability of the account, cash available for investment, asset mix of the account, objectives and restrictions of the account, company and industry concentrations, broker designations specified by the client, size of the execution versus the total order size, and partial positions versus full positions.

**Trade Errors:** Errors in executing client transactions may occur from time to time which we will seek to correct on a timely basis so that you will not incur a loss or other costs as a result of any such errors. Any loss or costs incurred as a result of the correction of such errors will be borne by us or by your broker/custodian while any market gains result from the correction of such errors will usually be retained by your broker/custodian or by you.

## **REVIEW OF ACCOUNTS**

Our clients' accounts are reviewed on a periodic basis by the individual portfolio manager with primary responsibility for the particular account. In addition, our Investment Committee composed of Wayne Wilbanks, President; Lawrence Bernert, Vice President; T. Carl Turnage, Vice President; D. J. Kyle Elliott, Principal; Mark Warden, Principal; Thomas McNally, Portfolio Manager; Roger Scheffel, Portfolio Manager; John Duy, Director of Research; Scott McCluney, Research Analyst; Amie Baty, Research Analyst; and Warner Halladay "Hal" Scott, Research Analyst as well as other employees from time to time meets weekly to monitor and revise as needed WST's products, models, sector weightings and economic or market trends. Factors which may trigger more frequent reviews include change in client investment objectives or circumstances such as retirement or a large contribution or withdrawal to or from an account, significant developments or events specific to a particular security held in the account, or significant market, economic or political developments.

We will provide you written reports concerning your account(s) with us on at least a quarterly basis unless requested otherwise by you. These quarterly reports may include details of the date of purchase and cost basis for each security as well as market value and income yield and the current and historical performance for the account, separated by asset classes and possibly grouped with other accounts related to you. The report you receive from us may track all activity including income earned, contributions, withdrawals and capital gains. This report will also include an invoice for our quarterly fee. If you are involved in a wrap fee arrangement as described in the section on Advisory Business, you may receive report including those assets of yours for we are providing services directly from the brokerage firm which created the wrap fee arrangement. You should also receive written reports directly from your custodian concerning your account(s) which generally contain information relating to all transactions and other account activity.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

We may from time to time enter into written agreements with other persons or companies including some which are affiliated with us (Please refer to the section on Other Financial Industry Activities and Affiliations above for more information.) who refer potential clients to us in exchange for a referral or solicitor fee which typically is a percentage of the fee we receive from the referred client for our services. This means that the persons or companies who refer potential clients to us as described will have a financial interest in your selecting us to provide you services. If you are referred to us through an arrangement like this, you will receive a written document which will disclose that we have an arrangement with the solicitor, any affiliation between us and the solicitor, and a description of the compensation the solicitor will receive from us if you establish an account with us. The fee we charge you for our services will not be increased as a result of our use of these referral arrangements.

Charles Schwab & Co., Inc.: We receive client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in Schwab Advisor Network® (the "Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a brokerage firm independent of and

unaffiliated with us. Schwab does not supervise us and has no responsibility for our management of your assets or our other advice or services. We pay Schwab fees to receive client referrals through the Service. Our participation in the Service may raise conflicts of interest as described below.

We pay Schwab a Participation Fee on all referred client accounts that are maintained in custody at Schwab and Non-Schwab Custody Fee on all client accounts that are maintained at, or transferred to, another custodian. The Participation Fee is a percentage of the fees the client pays us or a percentage for the value of the assets in your 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 charged to us quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by us and not by you. We have agreed not to charge clients referred through the Service fees or cost greater than the fees or costs we charge clients with similar accounts with us who were not referred to us through the Service.

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

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of our clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, we will have an incentive to encourage household members of our 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 your account.

Clients of ours who maintain custody of their accounts at Schwab will not be charged separately for custody but Schwab will receive compensation from our clients in the form of commissions or through transaction related compensation on securities transactions executed through Schwab. Schwab also will receive a fee (generally lower than the commissions on transactions it executes) for clearance and settlement of transactions executed through brokerage firms other than Schwab. Schwab's fees for transactions executed at other brokerage firms are in addition to the other brokerage firm's fee. Thus, we will have an incentive to cause transactions to be executed through Schwab rather than through another brokerage firm although we understand we have a duty to seek best execution of our clients' transactions. Transactions for client account maintained in custody at Schwab may be executed through a different brokerage firm than trades for our other clients so transactions in accounts maintained in custody at Schwab may be executed at different times and different prices than transactions in client accounts that are executed at other brokerage firms.

We may also compensate our employees, including our portfolio managers, who refer potential clients to us for our services. Thus, the employee will have a financial interest in the selection of WST by the client for investment management services.

Please refer to the section on Brokerage Practices in our brochure for information on other economic benefits we may receive for providing services to you.

## **CUSTODY**

In addition to any account statements you may receive from us, you will receive account statements directly from your custodian on at least a quarterly basis although you may receive them on a monthly basis. You should carefully review these statements and compare these statements to statements you receive from us for any discrepancies. You should also remember that the statements you receive from your custodian are your official record of your accounts and assets for tax purposes.

## **INVESTMENT DISCRETION**

We will accept discretionary investment authority over your assets if you agree to such an arrangement. This is typically accomplished through execution of a limited trading authority contained in your client agreement with us or through similar authority contained in a wrap fee arrangement you may execute with the brokerage firm which established the wrap fee arrangement. When executing your client agreement with us, you can further limit the extent of discretionary investment authority to be granted to us although this may impact the level of services we can provide you. You may also place restrictions on our authority such as instructions not to make investments in certain industries or to not sell certain investments you may have due to possible adverse tax consequences to you.

## **VOTING CLIENT SECURITIES**

You should understand that we will not vote proxies or render any advice on proxies solicited by or with respect to certain investments in your account except as otherwise required by, or by us with, the particular account in which case our general voting policy is to vote with the management recommendations of the particular company as well as other pre-determined voting guidelines. Required records will be maintained. We will not forward you any proxy or litigation materials we receive, electronically or otherwise, inadvertently and you should contact your custodian directly and instruct it to make arrangements for your proxy or litigation materials to be forwarded directly to you or your representative.

WST will not take any action or render any advice on investments in your accounts which become subject to class actions or related litigation or other matters such as mergers, acquisitions, tender offers, bankruptcy proceedings or other similar events although we may provide you limited assistance upon request on an informal basis.



**FINANCIAL INFORMATION**

This section does not apply to Wilbanks, Smith & Thomas Asset Management, LLC as we have never filed for bankruptcy nor are we subject to any financial conditions which could impair our ability to meet our obligations to you.