

# **PETTYJOHN, WOOD & WHITE, INC.**

## **DISCLOSURE BROCHURE**

### **(FORM ADV, PART 2)**

PETTYJOHN, WOOD & WHITE, INC.

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September 21, 2017

**This brochure provides information about the qualifications and business practices of PETTYJOHN, WOOD & WHITE, INC. If you have any questions about the contents of this brochure, please contact us by phone at (434) 845-1266, or by email at [cwhite@pwandw.com](mailto:cwhite@pwandw.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.**

**Additional information about PETTYJOHN, WOOD & WHITE, INC. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2           Material Changes**

The purpose of this item is to inform you of any material changes that we have made to this Disclosure Brochure since our last annual updating amendment on March 24, 2017.

In the future, this section entitled “Item 2 Material Changes” will be used to provide clients with a summary of new and/or updated information. The Company will reference the date of our last update of our brochure. The Company will further provide clients with a new Disclosure Brochure as necessary based on changes or new information, at any time, without charge.

The following is a summary of material changes in this Disclosure Brochure:

**On September 21, 2017, we added disclosures outlining that, on a limited basis, the Company may provide financial counseling services to executives under arrangements with their employers. Specifically, we updated “Item 4 Advisory Business” to provide a description of these executive financial counseling services, and we updated “Item 5 Fees and Compensation” along with Exhibit 1 to disclose our fees for executive financial counseling services. We also updated “Item 8 Methods of Analysis, Investment Strategies and Risk of Loss” to note as a risk factor that it is the client’s responsibility to determine if, and how, any suggestions made in connection with our executive financial counseling services should be implemented or otherwise followed, and we also updated “Item 14 Client Referrals and Other Compensation” to disclose that the Company’s fee(s) for providing executive financial counseling services may be paid, in whole or in part, by the client’s employer.**

**On September 21, 2017, we also added disclosures and updates to certain of our brokerage practices stemming from a recent transition, currently underway, of client assets held in custody at Wells Fargo Advisers to Charles Schwab & Co., Inc. (“Schwab”) or other third-party qualified custodians. Specifically, we updated “Item 12 Brokerage Practices” to (i) disclose that we presently recommend that our clients use Schwab as the qualified custodian of their accounts, (ii) discuss generally the transfer of client accounts from Wells Fargo Advisers to Schwab, and (iii) disclose that, in connection with this transition, we have entered into a Client Benefit Confirmation Agreement with Schwab. Relatedly, we also updated “Item 14 Client Referrals and Other Compensation” to clarify that we receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors in respect of clients who maintain accounts at Schwab.**

<b>Item 3</b>	<b>Table of Contents</b>	
<b>Item 2</b>	<b>Material Changes .....</b>	<b>ii</b>
<b>Item 3</b>	<b>Table of Contents .....</b>	<b>1</b>
<b>Item 4</b>	<b>Advisory Business .....</b>	<b>2</b>
<b>Item 5</b>	<b>Fees and Compensation .....</b>	<b>3</b>
<b>Item 6</b>	<b>Performance-Based Fees and Side by Side Management.....</b>	<b>5</b>
<b>Item 7</b>	<b>Types of Clients .....</b>	<b>5</b>
<b>Item 8</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>5</b>
<b>Item 9</b>	<b>Disciplinary Information.....</b>	<b>8</b>
<b>Item 10</b>	<b>Other Financial Industry Activities and Affiliations.....</b>	<b>8</b>
<b>Item 11</b>	<b>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>8</b>
<b>Item 12</b>	<b>Brokerage Practices .....</b>	<b>9</b>
<b>Item 13</b>	<b>Review of Accounts .....</b>	<b>15</b>
<b>Item 14</b>	<b>Client Referrals and Other Compensation.....</b>	<b>15</b>
<b>Item 15</b>	<b>Custody .....</b>	<b>15</b>
<b>Item 16</b>	<b>Investment Discretion .....</b>	<b>16</b>
<b>Item 17</b>	<b>Voting Client Securities.....</b>	<b>17</b>
<b>Item 18</b>	<b>Financial Information.....</b>	<b>17</b>
	<b>Fee Schedule .....</b>	<b>18</b>
	<b>Privacy Notice to Clients .....</b>	<b>19</b>
	<b>FORM ADV Part 2B - Brochure Supplement for Representatives .....</b>	<b>A-1</b>

#### **Item 4            Advisory Business**

Pettyjohn, Wood & White, Inc. (the “Company”) provides professional guidance and advice in the management of financial assets in the amount of approximately \$426,099,207 as of September 19, 2017 (and approximately \$421,000,000 as of December 31, 2016). Due to routine client transactions and fluctuations in the market since that time, however, the amount of assets under management may be different as of the date hereof.

The Company’s office is located at 1925 Atherholt Road, Lynchburg, Virginia 24501. Our regular business hours are Monday – Friday, 8:30 a.m. to 5:00 p.m. The Company’s phone number is (434) 845-1266. The Company currently maintains a website which can be accessed at [www.pwandw.com](http://www.pwandw.com).

The Company specializes in customized portfolio management primarily for individuals and families, including high net worth individuals. The Company also provides services to retirement plans, trusts, estates and foundations, as well as, on a limited basis, financial counseling services to executives under arrangements with their employers. The Company is not affiliated with any brokerage firm, bank, money management firm, or any other financial institution. The Company seeks to tailor portfolios to each individual client’s unique risk profile and objectives. The Company’s investment process is driven by each client’s unique circumstances and we seek to provide our clients with a high level of service and customization.

The Company manages advisory accounts on a discretionary basis. Client portfolios are customized in accordance with each client’s risk profile. Investment objectives are determined, and subsequently affirmed, through regular contact and individual consultation with clients. Portfolios typically include direct ownership of individual equities and investment grade fixed income securities. In some cases we also utilize exchange traded funds (ETF’s) or mutual funds in the interest of efficiency and diversification.

The Company enters into a written discretionary investment management agreement with each of its clients (the “Management Agreement”). The Management Agreement remains in effect until either party terminates the Agreement. The client may terminate the Management Agreement at any time upon written notice to the Company pursuant to the terms of the Management Agreement. The Company does not charge clients a fee in connection with the termination of those Management Agreements.

The Company has eleven (11) employees, including the following seven (7) who manage client accounts: John D. Doyle, Jr., James W. Poats, Brian K. Blankinship, Thomas D. Gerhardt, Charles B. White, Gorham B. (“Bunny”) Wood, and Charles S. (“Shep”) Nowlin III.

Each client relationship is the primary responsibility of one portfolio manager. The trades within that client’s portfolio(s) may be executed by any authorized account manager and/or trader. The

primary account manager is responsible for ensuring that the asset allocation and individual security positions are in accordance with that client's objectives and risk tolerance.

On a limited basis, the Company also provides financial counseling services to executives under arrangements with such executives' employers. The nature and scope of these services will vary among clients, depending on the service offering selected by the client and the client's employer-sponsor, as well as the facts, requests, circumstances, personal financial goals and/or needs of each executive client. Executive financial counseling services generally may include, without limitation, investment planning, benefits and compensation planning, cash-flow planning and formulation of strategies for long-term wealth-accumulation and preservation, in each case as agreed upon in advance and set forth in a written executive financial counseling services agreement (an "Executive Financial Planning Services Agreement") with each executive client and his or her employer-sponsor. The Executive Financial Planning Services Agreement remains in effect until either party terminates the Agreement. The client or the employer-sponsor may terminate the Executive Financial Planning Services Agreement at any time upon written notice to the Company pursuant to the terms of the Agreement. The Company does not charge a fee in connection with the termination of an Executive Financial Planning Services Agreement. In providing executive financial counseling services, the Company does not act as an investment manager with respect to any of the client's assets, and the Company does not possess or exercise any discretionary authority or discretionary control with respect to any transactions the client may execute, except in the event that the Company and the client enter into a separate Management Agreement for discretionary investment management.

## **Item 5            Fees and Compensation**

### **Investment Advisory Services**

The Company is compensated for advisory services based on the value of a client's assets under management. The Company's standard annual fees for new accounts are set forth on the attached **Exhibit 1**. The actual fees charged to each client, however, are set forth in the written Management Agreement with each client. The annual fees for services are based on the market value of the assets in the account as computed quarterly, in arrears, and they are prorated for partial quarters. Although the minimum account size and minimum fee have varied from time to time, as of the date hereof, the preferred minimum account size for new clients of the Company is \$500,000.

Minimum account size and fees are negotiable in the Company's sole discretion. Please note that existing clients of the Company may be subject to discounted fee schedules or arrangements, different from both the Company's current standard fee schedule attached hereto and from each other, which may result in the Company charging different fees for similar investment management services under certain circumstances. The Company retains the right to revise the

terms of client Management Agreements in the future in accordance with the terms of each Agreement.

The Company typically deducts management fees due directly from client accounts. Fees are deducted quarterly (which may not correspond to a calendar quarter) in arrears. Upon request, we may bill certain clients directly for fees. We do not charge clients for services before the service is provided.

In addition to the fees described above, a client may incur expenses and charges, including brokerage and transaction fees, mark-ups on the purchase or sale of bonds, custodial fees, management and other fees and expenses embedded in mutual fund or ETF products, or other fees related to their account. Such fees and expenses are paid to parties other than the Company. ETF and Mutual fund fees and expenses, while not typically detailed on custodial account statements, are described in each fund's prospectus.

#### Investment Advice and Counseling

##### *Executive Financial Counseling:*

The Company's fees for providing executive financial counseling services are negotiable and may vary significantly depending on the nature and scope of services contracted for and the terms of the Executive Financial Planning Services Agreement negotiated by the Company and the client or the client's employer-sponsor. The Company typically charges a flat annual fee, as negotiated, for each individual participating in an employer-sponsored executive financial counseling arrangement. Annual fees typically are payable in equal quarterly installments, in arrears. Fees for executive financial counseling services may be paid, in whole or in part, by the client's employer.

The Company currently is providing executive financial and counseling services to executives of one company. Thus, while the Company anticipates that its fees for executive and counseling services will span a range depending on the scope of services, as of the date hereof the Company charges a flat fee of \$12,000 per executive per year.

##### *Other:*

On a limited basis in years past, but not in recent history, the Company has provided to other clients investment advice and portfolio analysis and review through consultations. In such cases, the fee for such services was set at a negotiable hourly or fixed rate and was billed to the client after we performed the services. While the Company has accommodated such client requests on a case by case basis, this is not a core service traditionally provided to clients of the Company.

## **Item 6            Performance–Based Fees and Side by Side Management**

The Company does not charge performance-based fees or perform side-by-side management.

## **Item 7            Types of Clients**

The Company provides services primarily to families and individuals, including high net worth individuals. The Company also provides services to trusts, business entities, estates, qualified retirement plans, individual retirement accounts, charities, and foundations. Although subject to negotiation, we may require a minimum account of \$500,000. Subject to requirements for minimum account size, the Company has not established minimum income or asset requirements for its clients.

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

In managing client assets, our priorities are as follows: 1) Maintain and implement prudent risk management disciplines to protect client wealth; and 2) Design and execute a reasonable, long-term strategy to engineer a competitive rate of total return. We then focus our time and energy on effectively managing the details of each client relationship.

We generally manage balanced portfolios with an emphasis on both appreciation and generation of current income.

For new clients, our process typically begins with an analysis of each client’s total financial picture. Factors considered in establishing a client’s risk profile and investment objectives include, but are not limited to: time horizon, projected liquidity and income needs, tax considerations (capital gains, estate, and income tax), concentrated positions, securities held elsewhere, legal and regulatory considerations, and client-imposed restrictions or preferences.

### Equity Management

Our team-based research methods incorporate a combination of qualitative and quantitative measures. We draw on a number of sources of information, including without limitation: industry publications, public SEC filings, independent research providers, and research from national and regional brokerage firms. We exercise independent judgment in selecting securities. In addition to our independent research, we use external research as a supplemental source of information and as a means of gauging market sentiment and “testing” our investment thesis. We examine several qualitative factors including, but not limited to, the following company characteristics: competitive position within industry, brand and franchise value, and depth and quality of management. The quantitative process incorporates a blend of “bottom-up” and “top-down” fundamental considerations. Bottom-up considerations may include, but may not be limited to, the following:

- Traditional absolute valuation measures (P/E, Price/Book, Price/Sales, Price/Cash Flow);
- Company valuation relative to its projected earnings and dividend growth rate (such as the P/E to growth rate, or PEG ratio);
- Company valuation relative to its own trading history; and
- Company valuation relative to its peer group and the broader market averages.

Our top-down view of identifiable long-term macroeconomic trends, combined with bottom-up valuation considerations, are considered in determining the appropriate sector exposure for a given client.

The majority of our equity holdings have a market capitalization of over \$5 billion. We will use Exchange Traded Funds (ETF's) when deemed more efficient to achieve exposure to a part of the market that requires specialized research, or if we want some broad-based exposure to a particular asset class or sector of the market.

### Fixed Income Management

For individually managed accounts, the Company's fixed income management style is best characterized as a passively managed ladder. We generally do not actively trade bond positions. We view the fixed income portion of a portfolio as a vehicle for controlling portfolio volatility, providing cash-flow to supplement client liquidity needs, or to provide a source of funds for future equity and fixed-income purchases. On occasion we may sell bond positions and re-allocate the proceeds to take advantage of extreme interest rate volatility, yield-spread inefficiencies, and yield improvement opportunities. For individually managed accounts, our fixed income exposure typically consists of investment-grade corporate and tax-free municipal bonds (depending on a given client's tax situation). We may also own Treasuries, U.S. Government Agencies, Taxable Municipals, and FDIC insured bank certificates of deposit. In addition, we will purchase closed end funds (CEF) and ETFs in the interest of diversification and efficiency.

### Risk

Your account with the Company may lose money. We make investment decisions based on a long-term view, and the likelihood of loss may be greater if you invest your money with us for a shorter period of time. The prices of, and the income generated by, the common stocks, bonds and other securities that we invest in may decline due to market conditions and other factors, including those directly involving the issuers of securities that we invest in. Income produced in client portfolios may be reduced by changes in the dividend policies of, and the capital resources



available at, the companies in which we invest. We cannot and do not guarantee results and the client may lose all or some of the investment.

Rising interest rates will generally cause the prices of bonds and other debt securities to fall. In addition, falling interest rates may cause an issuer to redeem, call or refinance a security before its stated maturity, which may result in us having to reinvest the proceeds in lower yielding debt securities. Longer maturity debt securities may be subject to greater price fluctuations than shorter maturity debt securities. Bonds and other debt securities are subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality debt securities. There may be little trading in the secondary market for particular bonds or other debt securities, which may make them more difficult to sell.

The Company actively manages our client's investments. Consequently, our clients are subject to the risk that the methods and analyses employed by our firm in this process may not produce the desired results. This could cause a client account to lose value or its results to lag relevant benchmarks. Further, while equity prices can and do fluctuate for a variety of reasons, including the overall strength of the economy, demand for particular products or services, and world events, because of our active management our clients may experience results that differ significantly from a given market index or benchmark.

As discussed above, for some of our clients we purchase mutual funds and ETFs rather than individual securities. The value of a mutual fund is impacted by the value of the securities held in the fund and is subject to market risk. Some of the additional risks of mutual funds include having to pay capital gain taxes on distributions the client receives, even if the fund declines in value, and the lack of real-time prices. Each mutual fund has its own risk features based on the type of the fund. Generally, the higher the potential return, the greater the risk of loss. Exchange traded funds are also impacted by the value of the underlying securities and are subject to market risk. As with mutual funds, each exchange traded fund has its own risk factors based on the type of the fund. Additional risk related to individual ETFs and mutual funds are set forth the prospectus for those funds. We will provide you with a copy of any prospectus on request.

With respect to the Company's executive financial counseling services, except as otherwise expressly agreed in writing, the Company does not assume any duties to take action pursuant to recommendations, advice or financial planning strategies that the Company may provide to an executive client, which ultimately remain each client's obligation. It is the client's responsibility to determine if, and how, any suggestions made in connection with the Company's executive financial counseling services should be implemented or otherwise followed. Our executive financial counseling services are not designed, and should not be relied upon, as a substitute for

the client's own business judgment nor are they meant to mitigate the necessity of the client's personal review and analysis of any particular plan, strategy or recommendation. Clients should carefully consider all relevant factors in making these determinations, including consulting with other professionals (for example, your attorneys, accountants and other advisors).

#### **Item 9           Disciplinary Information**

Investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the Company or the integrity of the Company's management. Neither the Company nor any of its principals or employees is currently subject to, nor ever has been subject to, any legal or disciplinary event of a material nature.

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

Eric J. Sorenson, Jr., a member of the Company's board of directors, is a principal in the law firm of Woods Rogers, PLC in Lynchburg, Virginia. We do not believe that this creates a material conflict of interest with our clients. Except for the foregoing, the Company and its related persons are not engaged in other financial industry activities.

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

We require all of our employees to maintain high ethical standards. We have adopted a Code of Ethics that each of the managers and all employees are required to follow. We have designed our Code of Ethics to ensure that the high ethical standards that we have set for ourselves continue to be applied. The purpose of the Code is to preclude activities that may lead to or give the appearance of a conflict of interest, insider trading, or other forms of prohibited or unethical business conduct. The Code of Ethics sets forth certain restrictions and standards of conduct for the Company's managers and employees. Annually, our employees acknowledge that such employee has a) received a copy of the Code of Ethics, b) has read and understands the Code of Ethics, and c) agrees to comply with the Code of Ethics. All violations must be reported to the Chief Compliance Officer who will investigate the violation.

The Company will provide a copy of its Code of Ethics to any client upon request.

The portfolio managers of the Company may, from time to time, buy or sell, or have a position in securities that are owned by or recommended to clients. Because of the potential for a conflict of interest with our clients, we have also adopted a Personal Trading Policy. In addition to the requirements set forth in our Code of Ethics, the Personal Trading Policy is designed to reduce the potential for a conflict of interest.

In accordance with our Code of Ethics and our Personal Trading Policy:

- Our managers and employees are required to prepare and submit quarterly a disclosure form showing any significant transaction for their own or related account(s).
- We monitor the securities transactions of managers and employees to ensure that such transactions are not adverse to the interest of the Company's clients.

We do not engage in any “agency cross securities transactions” (defined below), “internal cross trades” (defined below) or “principal transactions” (defined below) for client accounts.

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An “agency cross securities transaction” is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. An “internal cross trade” occurs when we buy and sell the same security from one client account to another.

In addition, the Company is a member of the national not-for-profit Investment Advisers Association (IAA). The Association is the oldest organization that exclusively represents SEC-registered investment advisor firms (although we are registered as an investment advisor with the SEC, such registration does not imply any level of skill or training). The Association works closely with Federal and State policy makers and regulators to promote the highest standards of integrity, public responsibility and competence in the investment advisory profession and to provide effective, quality representation of the investment advisory profession at all levels of government with respect to the development, formulation, and enactment of legislation, rules, and regulations relating to investment advisers.

## **Item 12 Brokerage Practices**

### The Custodian and Brokers We Use

We do not maintain custody of your assets, although we may be deemed to have custody of your assets under certain circumstances as described in “Item 15 – Custody.” We require that all clients use a “qualified custodian,” generally a broker-dealer or bank, to hold and maintain the assets we manage.

As of the date hereof, Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, serves as the qualified custodian of approximately 73.7% of our total assets under management, and Wells Fargo Advisors serves as the qualified custodian of approximately 21.7% of our total assets under management. We presently recommend that our

clients use Schwab as the qualified custodian. Some current clients have chosen to use third-party custodians other than Schwab or Wells Fargo Advisors. Other independent entities serve as the qualified custodians of approximately 4.6% of our total assets under management.

Owing to recent changes in certain of Wells Fargo Advisors' policies and procedures affecting some of the services we provide for clients, we believe that Wells Fargo Advisors will no longer be able to serve as the qualified custodian for our clients in respect of their assets managed by us. Accordingly, we presently are working with affected clients to transition their accounts from Wells Fargo Advisors to another qualified custodian, primarily Schwab. We expect that an orderly transfer of all client accounts from Wells Fargo Advisors to Schwab (or another qualified custodian) will be completed within the next six (6) months; however, there can be no assurance that accounts will be transferred within this timeframe or that transfers of accounts will not cause disruption to the Company or our clients.

In connection with this transition of client assets held in custody at Wells Fargo Advisors, the Company recently entered into a Client Benefit Confirmation Agreement (the "Benefit Agreement") with Schwab, through its Advisor Services division. Pursuant to the Benefit Agreement, Schwab Advisor Services has agreed to reimburse each client who transfers its account assets to Schwab within six (6) months from the date of the Benefit Agreement the cost of such transfer, up to an aggregate amount specified, based on the expectation that the Company will have a specified minimum additional amount in end client statement equity in Schwab client accounts within the next six (6) months. The Benefit Agreement is subject to modification or termination by Schwab, in its sole discretion, at any time six (6) months or more from the date of the Benefit Agreement, and Schwab may terminate the Benefit Agreement at any time in its sole discretion without advance notice if Schwab believes that the terms and conditions of the Benefit Agreement are inconsistent with applicable law or if the Company has breached the Benefit Agreement.

The Company is independently owned and operated and it is not affiliated with Schwab, Wells Fargo Advisors, or any other custodian used by our clients.

While we presently recommend that clients use Schwab as the qualified custodian, the Company allows its new and existing clients to select and use (from among a number of qualified custodians) a qualified custodian of their own choosing for their accounts. Consequently, a client generally may keep its account with its current custodian, or move the account to Schwab or another qualified custodian. For new clients, the Company will consider a wide range of factors in assisting those clients in their evaluation of the best potential qualified custodians, whether Schwab or other qualified custodians, to meet their needs (see "How the Company Selects Brokers / Custodians to Recommend" in this Item 12 below).

Once a client selects the qualified custodian, we will assist the client in opening the account by having the client enter into an account agreement directly with the custodian—we do not open

the account for you. The custodian will then hold the client's assets in a brokerage account and buy and sell securities as instructed by the Company. Even though your account is maintained at Schwab or another qualified custodian, we still may use other brokers to execute trades for your account.

#### How the Company Selects Brokers / Custodians to Recommend

We seek to recommend and use qualified custodians who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- 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 client accounts);
- 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, etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Technology, including the ability to interface with our service providers and to provide online account access to our clients;
- 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; and
- Availability of other products and services that benefit us, as discussed below (see "Products and Services Available from Custodians" in this Item 12).

#### Brokerage and Custody Costs Borne by Clients for Accounts Maintained by Custodians

Third party custodians for clients of the Company generally do not charge you separately for custody services but, rather, are compensated by charging commissions or other fees on trades

that they execute or that settle into client accounts. The custodian will typically charge the client 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 (settled) into a client’s account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Schwab’s commission rates applicable to our client accounts at Schwab were negotiated based on our commitment to maintain at least a certain amount of our clients’ assets statement equity in accounts at Schwab. This commitment benefits our clients with accounts at Schwab because the overall commission rates such clients pay are lower than they would be if we had not made the commitment.

Currently, we have three clients who have chosen a third party that does not offer brokerage services (e.g., a bank or trust company) as a custodian. For these accounts, we typically execute trades through Schwab. Based on our analysis of the services Schwab provides and the fees Schwab charges, we have determined that this arrangement is beneficial to our clients.

When opening an account or when otherwise requested, we advise clients of these fees. Our clients also received detailed fee information from the selected custodian.

#### Products and Services Available from Custodians

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 their institutional brokerage services—trading, custody, reporting, and related services—many of which are not typically available to retail customers. Schwab also makes available various support services. Some of those services help the Company manage or administer our clients’ accounts, while others help us manage and grow our business. Those support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a minimum total amount with the custodian.

#### Custodian Services That Benefit our Clients

The institutional brokerage services offered by Schwab and other custodians selected by the clients of the Company include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and some other custodians 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 and other custodians’ services described in this paragraph generally benefit our clients and their accounts.

#### Custodian Services That May Not Directly Benefit our Clients

Schwab and other custodians also make available to us other products and services that benefit us but may not directly benefit our clients. These products and services assist us in managing and administering our clients' accounts. They include investment research, both that of the custodians themselves and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the particular custodian offering the service at issue. In addition to investment research, Schwab and other custodians may also make 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 our clients' accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

#### Custodian Services That Generally Benefit Only the Company

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

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

Although we are currently not using any such services from other custodians, other custodians may offer these and similar services from time to time.

### The Company's Interest in the Custodian's Services

The availability of some services from the custodians benefits the Company because we do not have to produce or purchase them. The Company does not have to pay for these services so long as our clients collectively keep certain minimum totals of their assets in accounts at the respective custodians. Beyond that, these services are not contingent upon us or our clients committing any specific amount of business to the custodians in trading commissions or assets in custody. The minimum account amounts may give us an incentive to recommend that you maintain your account with a particular custodian, based on our interest in receiving that custodian's services that benefit our business rather than our clients' interest in receiving most favorable execution. This presents a theoretical and potential conflict of interest. We believe, however, that this conflict does not exist because (1) the amounts currently held with our primary custodians are well in excess of the minimum threshold requirements; and (2) our recommendation of a custodian and broker will always be made in the best interests of our clients. Our recommendation is primarily supported by the scope, quality, and price of the custodian's services (see "How the Company Selects Brokers / Custodians to Recommend" in this Item 12 above) and not by how a custodian's services will or may benefit only us.

We have adopted a "Block Trade Allocation Policy" which we follow when blocking trades, that is, aggregating the orders of more than one client, to ensure that we distribute investment opportunities among client accounts in an efficient, rational, and consistent manner. Clients who choose a third-party custodian other than Schwab may be unable to participate in block trades and as a consequence, their trade executions likely will differ from firm clients who have selected Schwab.

If we are unable to fill an order in full, we allocate shares to clients on a pro rata basis.

### Soft Dollar Benefits to the Company from Custodians

As discussed above, we receive certain services, including research, from certain custodians. We use the research in making investment decisions for all clients, regardless of whether the custodian providing the service actually serves as custodian or executes trades for or on behalf of those clients. To the extent that such services constitute a "soft dollar" benefit, the provisions and receipt of such services are in compliance with applicable law.

In the event that any client has any questions or concerns about any differences in cost or practice between Schwab or any other potential third-party custodian, the Company is committed to providing whatever information is necessary for that client to determine which option may be best for the client in each individual case. Likewise, if a client directs us to direct trades through a specific broker, the costs for such trades could be greater than the trades we execute through Schwab. In addition, we may not be able to obtain the most favorable execution of trades through the selected broker.



### **Item 13            Review of Accounts**

Major holdings held firm-wide are monitored on a daily basis by the officers of the Company. Individual client accounts are reviewed continuously and evaluated as to the appropriateness of their portfolio structure and diversification. Individual securities are continuously monitored as to suitability for each client's individual risk profile. Reviewers include our Account Managers: John D. Doyle, Jr., Thomas D. Gerhardt, James W. Poats, Brian K. Blankinship, Charles B. White, Gorham B. ("Bunny") Wood, or Charles S. ("Shep") Nowlin III.

We provide clients with account valuations and performance updates typically on a quarterly basis, but not less frequently than annually. These reports are client driven and are created and communicated in the forms and at the times preferred by each client, whether by mail and/or in telephone / face-to-face meetings, or otherwise. To the extent that written reports are provided, they will include at least the following information: a) current portfolio appraisal, including type of security, cost, market value, current yield and estimated annual income, and security ownership by category; and b) a portfolio summary (which includes a summary of management fees paid). In addition, the third-party custodian for each account (e.g., Schwab and/or, historically, Wells Fargo Advisors, or other custodian) provides the client with monthly reports that contain month-end asset values and a detailed accounting of all account transactions.

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

The Company does not a) compensate any outside parties for client referrals; or b) except as described below, receive any non-cash economic benefit for client referrals.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors in respect of clients who maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above in "Item 12 – Brokerage Practices." The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

The Company's fee(s) for certain executive financial counseling services may be paid, in whole or in part, by the client's employer.

### **Item 15            Custody**

The Company requires that all clients use a third-party qualified custodian such as a bank or a broker-dealer, usually Schwab or, historically, Wells Fargo Advisors, to hold and maintain assets we manage.

We typically are authorized to deduct our fees from client accounts. This process generally is more efficient for both the client and the Company. Under government regulations, we are

deemed to have custody of your assets if you authorize us to instruct Schwab or another qualified custodian for your account, as the case may be, to deduct our advisory fees directly from your account. The qualified custodian maintains actual custody of your assets.

Historically, the majority of our clients that selected Wells Fargo Advisors as the third-party qualified custodian have executed a power of attorney that permits us to transfer cash and securities to third parties. For these clients, we are deemed to have custody such client's assets.

The Company currently provides bill paying services to a limited number of clients both directly and, for these clients with accounts at Schwab, through Old Dominion Client Services, LLC, a wholly-owned subsidiary. Clients electing to receive these services must provide either the Company or ODCS, as applicable, with a limited power of attorney authorizing these services. Through the services it provides, ODCS is deemed to have custody of the cash and bank accounts of the ODCS clients. ODCS currently does not charge a fee in connection with these services.

In addition, in limited circumstances, an account officer of the Company may serve as a trustee of trusts that are clients of the Company. Except when such person serves as a result of a family or personal relationship, the firm is deemed to have custody of the trust's assets.

All of our clients receive account statements directly from the third-party qualified custodians not less frequently than quarterly. These statements are sent directly to the address the client provided to the qualified custodian. To ensure that all account transactions, including the fee deductions, holdings, and values are correct, we urge our clients to carefully review these account statements promptly upon receipt and also to compare them to the periodic reports and statements that we furnish.

Because we have custody over some client assets, the Company has entered into an agreement with an independent accounting firm that is registered with the Public Company Accounting Oversight Board to perform the annual surprise examination required by SEC rule 206(4)-2 under the Investment Advisors Act of 1940 (the "Act"). The Company had a surprise examination in 2016 and received an unqualified opinion (a copy of which is available upon request). In addition, a copy of Form ADV-E will be provided at your request. An electronic copy is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Company will have another surprise examination in 2017.

## **Item 16      Investment Discretion**

By signing the Management Agreement, clients hire us to provide discretionary asset management services. Under this arrangement we place trades in a client's account without contacting the client prior to a trade to obtain the client's permission. This discretionary authority includes the ability to determine the securities to be bought and sold as well as the

amount of the security to buy or sell. Under the Management Agreement, we have full discretion regarding securities selection and the composition and structure of the client's portfolio. Generally, there are no limitations on this authority unless confirmed in writing. We may determine the amount and type of securities to be purchased, subject to unique client guidelines if any.

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

The Company has adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with our fiduciary duties and SEC rule 206(4)-6 under the Act.

Unless otherwise directed by a client, the Company votes proxies for client accounts. The Company's clients retain the right to vote their own proxies. A client that wishes to vote its own proxies or direct the proxy vote should instruct the Company in writing.

The Company generally votes with management on routine matters related to the operation of the company that are not expected to have a material impact on the company and/or shareholders. We evaluate a company's management and corporate governance prior to making an initial investment and are therefore likely to agree with most management recommendations. However, if we conclude that a proposal is likely to be detrimental to shareholders, we will vote against the proposal or sell our holdings.

When voting proxies, each proxy is reviewed and voted on by an account manager of the Company. Should we determine that a particular issue conflicts with what is in the best interest of our clients, or if we believe that a material conflict of interest exists on a proxy matter between the Company and our clients, then the matter is submitted to the Company's Proxy Committee for a determination and the Company will ultimately vote the proxy in accordance with the recommendations of its Proxy Committee. The Proxy Committee consists of the officers of the Company.

The Company maintains records on how it has voted proxies for the requisite period of time. Upon written request, the Company will provide a client with information on how that client's proxies were voted.

A copy of the proxy voting policy of the Company is available upon request.

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

Only firms that require or solicit pre-payment for more than \$1,200 advisory fees per client, six months or more in advance are required to disclose financial information. The Company has no such pre-payment requirements for customers and, therefore, this Item does not apply to our Company. The Company has never been subject to a bankruptcy petition.

**Exhibit 1**

**PETTYJOHN, WOOD & WHITE, INC.**

1925 Atherholt Rd  
P.O. Box 310 (24505)  
Lynchburg, VA 24501  
(434) 845-1266

**Fee Schedule**

**INVESTMENT ADVISORY SERVICES**

The following is the standard annual fee schedule for new accounts under management of Pettyjohn, Wood & White, Inc. The actual fees charged, however, are set forth in the written Management Agreement with each client. The fee is based upon the market value of assets under management. The fee is charged quarterly (prorated for partial quarters) and is based on that quarter's market valuation.

1% for the first \$1 million of an account

0.75% for the next \$2 million

0.5% for the balance over \$3 million

**EXECUTIVE FINANCIAL PLANNING AND CONSULTING SERVICES**

The following is the standard fee schedule for the Company's current executive financial planning and consulting services relationship. The actual fees charged are set forth in a written Executive Financial Planning Services Agreement and will be based on the scope of services provided under such agreement.

\$12,000 per year

## **Privacy Notice to Clients**

See Privacy Notice beginning on following page

# **PETTYJOHN, WOOD & WHITE, INC.**

## **PRIVACY NOTICE**

### **GUIDING PRINCIPLES**

Pettyjohn, Wood & White, Inc. (“PW&W”) places a high value on the relationships we have with our clients and prospective clients. We strive to maintain our clients’ trust and confidence in our company, an essential aspect of which is our commitment to protecting their personal information to the best of our ability. We believe that our clients and prospective clients value their privacy, so we have established this Privacy Notice to help us ensure that information about our clients and prospective clients will be handled in an appropriate manner. As a general rule, we will not disclose your personal information to anyone outside of PW&W unless you consent, it is necessary to enable us to provide you with our products or services, or it is permitted or required by law. In addition, all such disclosures will be made in accordance with this Privacy Notice.

### **WHY YOU HAVE RECEIVED THIS NOTICE**

The reason you have received this notice is that you are either a current PW&W client, or you have contacted PW&W about certain products or services that we provide. This notice describes our practices and policies concerning how we handle information about you.

### **THE PERSONAL INFORMATION THAT WE COLLECT, MAINTAIN, AND DISCLOSE**

PW&W collects and maintains your personal information so we can provide investment management services to you. The types and categories of information we collect and maintain include personally identifiable financial information about you that we obtain in connection with providing services to you, including:

- Information we receive from you to open an account or provide investment advice to you (such as your home address, telephone number, social security number, and financial information);
- Information that we generate to service your account (such as trade tickets and account statements);
- Information about your transactions with us; and
- Information that we may receive from third parties with respect to you or your account (such as trade confirmations from brokerage firms or information from consumer reporting agencies).

## **DISCLOSURE OF NONPUBLIC PERSONAL INFORMATION OF OUR CLIENTS**

We do not disclose any nonpublic personal information about you or our former clients to anyone, except to assist us in servicing your account or as required by law.

In order to assist us in servicing your account, we may provide nonpublic personal information to certain nonaffiliated third parties. These parties may include financial service providers (such as companies that perform services on your behalf, including securities brokers-dealers), non-financial companies (such as our technology consultants who assist us in maintaining our computer systems), and other nonaffiliated third parties to whom disclosure of nonpublic personal information is required by law (such as the Securities and Exchange Commission).

## **DISCLOSURE OF NONPUBLIC PERSONAL INFORMATION ABOUT OUR FORMER CLIENTS**

If you choose to close your account(s) or become an inactive client, we will adhere to this Privacy Notice with respect to your nonpublic personal information. Nonpublic personal information about former PW&W clients will not be treated any differently than information about our current clients.

## **HOW WE PROTECT OUR CLIENTS' PERSONAL INFORMATION**

To fulfill our privacy commitment at PW&W, we have instituted firm-wide practices to safeguard the information that we maintain about our clients. These practices include:

- Adopting policies and procedures that put in place physical, electronic, and other safeguards to keep our clients' personal information safe;
- Limiting access to personal information to those employees who need it to perform their job duties;
- Requiring third parties that perform services for us to certify annually that they will keep personal information strictly confidential; and
- Protecting information of our former clients to the same extent as our current clients.

**FORM ADV Part 2B - Brochure Supplement for Representatives**

**Item 1**

Pettyjohn, Wood & White, Inc.

1925 Atherholt Road

P.O. Box 310

Lynchburg, Virginia 24505

(434) 845-1266

September 21, 2017

The Brochure Supplement provides information about Pettyjohn, Wood & White, Inc.'s adviser representatives and supplements the information in the firm's Brochure. Unless otherwise indicated, the address for each of Pettyjohn, Wood & White, Inc.'s adviser representatives is set forth above. A copy of the Brochure is attached hereto.

Please contact Charles B. White if you have questions about the Brochure or Brochure Supplement.

The information contained herein has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any State securities authority. Additional information about Pettyjohn, Wood & White, Inc. and its adviser representatives may be found on the SEC's website at [www.adviserinfo.sec.com](http://www.adviserinfo.sec.com).



## **Item 2**

**John D. Doyle, Jr.**

(CRD# 106403)

Born 1940

(434) 845-1266

[jdoyle@pwandw.com](mailto:jdoyle@pwandw.com)

University of Notre Dame du Lac

Bachelor of Arts

1963

### **Business background:**

Chairman of the Board of Directors and Vice President, Pettyjohn, Wood & White,  
Inc.

02/2014 to present

Chairman of the Board of Directors and Vice President,  
The Pettyjohn Company

12/31/2012 to 01/2014

President, Chief Compliance Officer, Treasurer,  
The Pettyjohn Company

09/2005 to 12/31/2012

President, Chief Compliance Officer,  
The Pettyjohn Company

09/2004 to 09/2005

President, The Pettyjohn Company

11/1988 to 09/2004

Trust Department Banker

15 years

**Item 2, continued**

**James Wyatt Poats**

(CRD# 1287045)

Born 1953

(434) 845-1266

[jpoats@pwandw.com](mailto:jpoats@pwandw.com)

University of Virginia

Bachelor of Science – Commerce

1975

**Business Background:**

Vice President, Pettyjohn, Wood & White, Inc.

2/2014 to present

Vice President, The Pettyjohn Company

09/2005 to 01/2014

Account Executive, The Pettyjohn Company

09/1989 to 09/2005

Broker, Wheat, First Securities, Inc.

06/1984 to 09/1989

**Item 2, continued**

**Thomas D. Gerhardt**

(CRD# 3140220)

Born 1942

(434) 845-1266

[tgerhardt@pwandw.com](mailto:tgerhardt@pwandw.com)

Attended Lynchburg College

**Business Background:**

Vice President, Pettyjohn, Wood & White, Inc.  
2/2014 to present

Vice President, The Pettyjohn Company  
09/2005 to 01/2014

Account Executive, The Pettyjohn Company  
09/1998 to 09/2005

Vice President and Trust Officer for  
Central Fidelity Bank/Wachovia Bank  
10/1962 to 09/1998

**Item 2, continued**

**Brian K. Blankinship**  
(CRD# 3148959)  
Born 1962

(434) 845-1266  
[bblankinship@pwandw.com](mailto:bblankinship@pwandw.com)

James Madison University  
Bachelor of Business Administration  
Management Information Systems  
1984

**Business Background:**

Vice President, Pettyjohn, Wood & White, Inc.  
2/2014 to present

Vice President, The Pettyjohn Company  
12/2011 to 01/2014

Account Executive, The Pettyjohn Company  
07/2007 to 12/2011

Financial Advisor, Wachovia Securities  
06/2007 to 07/2007

Vice President, Private Banking, BB & T  
03/2005 to 01/2007

Financial Advisor, Wachovia Securities  
10/1998 to 03/2005

Central Fidelity Bank / Wachovia Bank  
10/1985 to 07/1998

**Item 2, continued**

**Charles B. White, CFA**

(CRD# 3023642)

Born 1973

(434) 845-1266

[cwhite@pwandw.com](mailto:cwhite@pwandw.com)

The College of William and Mary

Bachelor of Arts

1995

**Business background:**

Secretary/Treasurer, Pettyjohn Wood & White, Inc.

02/2014 to present

Secretary/Treasurer, The Pettyjohn Company

12/2012 to 01/2014

Manager, Wood & White Investment Advisors, L.L.C.

Lynchburg, Virginia

06/2002 to 01/2014

Vice President and Portfolio Manager

Bank of America Private Bank Charlottesville, Virginia.

06/2000 to 06/2002

Mr. White has been in the investment advisory business since 1997.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 138,000 CFA charter holders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

## High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter holders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

## Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charter holders—often making the charter a prerequisite for employment. Additionally, regulatory bodies in over 30 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

## Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

**Item 2, continued**

**Gorham B. Wood**  
(CRD# 2400379)  
Born 1966

(434) 845-1266  
[bwood@pwandw.com](mailto:bwood@pwandw.com)

University of Virginia  
Bachelor of Arts  
1989

**Business background:**

President, Pettyjohn, Wood & White, Inc.  
02/2014 to present

President, The Pettyjohn Company  
12/2012 to 01/2014

Manager, Wood & White Investment Advisors, L.L.C.  
Lynchburg, Virginia  
06/2002 to 01/2014

Financial advisor with Scott & Stringfellow  
Lynchburg, Virginia  
09/1993 to 06/2002

Mr. Wood has been employed in the financial services industry since 1989, has been a financial advisor since 1993, and has been in the investment advisory business since 2002.

**Item 2, continued**

**Charles S. Nowlin III**

(CRD# 5147775)

Born 1979

(434) 845-1266

[snowlin@pwandw.com](mailto:snowlin@pwandw.com)

University of Virginia

Bachelor of Science

2002

Business background:

Vice President, Pettyjohn, Wood & White, Inc.

2/2014 to present

Wood & White Investment Advisors, L.L.C.

Lynchburg, Virginia

Analyst (08/2005 to 12/2010) and Portfolio Manager (1/2011 to 01/2014)



### **Item 3**

#### **Disciplinary Information**

No employees of Pettyjohn, Wood & White, Inc. have been involved in any disciplinary or legal events.

We encourage you to independently view the background of our investment advisers on the Investment Advisor Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Select “Investment Adviser” search from the left navigation menu and “Individual” from the right navigation menu. You can then enter the name of the adviser or the CRD number set forth below the adviser’s name in Item 1. in the field labeled “Individual Name/CRD#”).

### **Item 4**

#### **Other Business Activities**

No employees of Pettyjohn, Wood & White, Inc. are involved in any other investment related business or any other business or occupation for compensation.

### **Item 5**

#### **Additional Compensation**

No employees of Pettyjohn, Wood & White, Inc. receive compensation from any other business.

### **Item 6**

#### **Supervision**

Pettyjohn, Wood & White, Inc. has eleven (11) employees: seven (7) investment advisers and five (4) administrative assistants. The work of the employees is reviewed and cross-checked daily by another authorized employee. Ultimately, Charles B. White, Chief Compliance Officer is responsible for supervising the activities of the firm’s representatives.