

Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page

Date: February 10, 2017

Wood Capital Management, Inc.  
195 West Wolf Drive  
Jackson, WY 83001  
Phone number: 410-746-7804

This brochure provides information about the qualifications and business practices of Wood Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 410-746-7804. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Wood Capital Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The terms "registered" or "registration" do not imply a certain level of skill or training.

Item 2 Material Changes

No material changes.

### Item 3 Table of Contents

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#### Item 4 Advisory Business

Wood Capital Management (WCM) is an investment advisory firm registered with the Securities and Exchange Commission. We have been in business since December, 1989 and were located in Towson, MD, from 1991 to May, 2015, when we moved to Jackson, WY.

The President and principal owner of the firm is Robert G. Wood.

WCM is an independent investment adviser registered with the Securities and Exchange Commission which was formed in 1989 for the purpose of offering experienced, personalized investment management to individual and institutional accounts. We are not owned by or part of any bank, brokerage, insurance company or financial conglomerate. Headquartered in western Wyoming, we serve a few clients in such states as Maryland, Florida, New York, and Maine.

We advise clients as to holdings in their investment portfolios. That advice includes the selection of individual securities as well as the timing of purchase and sale of those securities. In addition, we advise clients initially and then subsequently from time to time as to the allocation of their portfolio assets among equities, fixed income investments and cash reserves including money market funds. In addition to common stocks, equities in client accounts may include convertible securities as well as exchange-traded funds (ETF's) and mutual funds owning equities. Fixed income securities may include mutual funds owning debt securities.

Wood Capital Management realizes that clients often have sharply different investment objectives. Individuals may have more consistent requirements for current income, less tolerance for market volatility and greater limitations imposed by capital gains tax considerations than institutional accounts. Even among tax- exempt institutions, current income may be a more important part of the total return for endowment funds than for retirement plans. Understanding the objectives of our diverse client base as well as the investment characteristics of securities allows us to tailor programs to meet the needs of each type of investor

The commitment of Wood Capital Management to our clients begins with the joint development of an appropriate investment program. We request a meeting with the client and professional advisers to the client for purposes of clearly understanding the investment

criteria and any restrictions of the account. Having developed investment objectives, we utilize our management skills and research to best achieve those goals.

Clients may of course prohibit the use of certain securities or types of securities in their accounts.

Clients receive quarterly progress reports in the form of portfolio appraisals, transaction summaries and performance results. In addition, reports of transactions are issued directly to the client upon completion by the executing broker. Clients also receive monthly statements of asset value and activity directly from their broker/custodians.

Between reports, we stand ready at any time to meet with the client in the event of major changes in investment outlook or the investment objectives of the account.

As of December 31, 2016, WCM managed client assets in the amount of \$14,812,995. All of those were managed on a discretionary basis.

#### Item 5 Fees and Compensation

The fees charged by WCM are negotiated and are based on the assumption that a reasonable annual fee for the services described above would approximate one percent of the market value of the assets supervised. Variations from this rate depend primarily upon the nature and complexity of the work involved. Discounts may be appropriate where the assets are substantial and/or the client is a charitable organization. In no case will the fee charged by WCM be dependent upon the profit or loss realized by its clients.

Fees are computed on a quarterly basis. One quarter of the annual fee is applied to the market value of assets as of the last business day of the quarter, and this fee covers investment services for the ensuing quarter. All agreements between WCM and its clients are subject to cancellation by either party on 30 days' written notice. Upon receipt of such notice, agreements are terminated and the unearned portion of the current quarterly fee will be refunded to the client. The earned portion is calculated by determining the ratio of the number of days in the current quarter up to the effective date of cancellation divided by the number of days in the quarter multiplied by the fee for the quarter. The balance is unearned.

In most cases, clients are billed for quarterly fees. Alternatively, clients may authorize WCM to bill fees to custodians of clients.

In addition to advisory fees, clients may incur management expenses charged by the managers of mutual funds and ETF's. These fees are generally less than 1/2% of asset value of each investment and are deducted from the price of each share of the fund. Such fund holdings, furthermore, are normally minor in relation to the total value of client assets.

Clients incur brokerage and other transaction costs including commissions charged by their broker/custodians. WCM strives to minimize such costs on behalf of clients, as discussed in Item 12 below.

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

This topic is not applicable to Wood Capital Management

#### Item 7 Types of *Clients*

Wood Capital Management provides investment advice to individuals, trusts, charitable organizations, self-directed IRA's and one corporation.

Wood Capital Management realizes that clients often have sharply different investment objectives. Individuals may have more consistent requirements for current income, less tolerance for market volatility and greater limitations imposed by capital gains tax considerations than institutional accounts. Even among tax- exempt institutions, current income may be a more important part of the total return for endowment funds than for retirement plans. Understanding the objectives of our diverse client base as well as the investment characteristics of securities allows us to tailor programs to meet the needs of each type of investor

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

The twin cornerstones of our philosophy are asset allocation and security selection. Numerous studies have been conducted concerning the relative impact of these disciplines on investment results ... and they have been inconclusive as to which is more important. It is our conviction, based on experience, that both are critical to achieving investment success.

**Asset Allocation** can be defined as the determination of the correct class of investment from among equities, fixed income securities and cash equivalents at any point.

It has been that demonstrated ability of equities to deliver the highest returns relative to fixed income, reserves, and inflation in about 60% of the periods observed that is the basis for our general disposition towards common stocks and convertible securities. As a result, equities will normally represent significant positions in balanced portfolios managed by Wood Capital Management. We are, however, convinced of the constant need to re-examine asset allocation strategy in light of changing economic and monetary developments, adjustments in interest rates and inflation, and relative valuation shifts.

### **Equity Management**

Our approach to equity selection and management is to concentrate on those companies which have exhibited the ability to increase earnings and dividends over long periods through various economic cycles as well as those offering prospects for dramatic improvement in profits. We believe that the two most powerful determinants of stock prices are potential corporate profits and the discount rate investors apply to those future earnings. Except in periods of significantly rising interest rates, the companies which provide positive earnings "surprises" (results better than consensus estimates) tend to produce the best investment returns. Our equity research is dedicated toward discerning those industry groups and individual companies which are likely to achieve superior profit performance. Close attention is paid to periodic changes not only in reported earnings, but also to trends in pricing, revenues, market share, margins and returns on equity. In addition, we subject balance sheets to scrutiny and are interested in shifts in debt/equity ratios.

Identification of companies as candidates for inclusion in our investment universe is only part of the equity selection. In addition, securities must meet our valuation guidelines. The stocks of even rapidly growing companies will be bought and held only as long as their prices in relation to underlying revenues, earnings, dividends and book value are consistent with those multiples as applied to comparable companies, the equities markets in general, and other classes of assets.

A final linchpin of our equity philosophy is diversification. Studies indicate that the inclusion of a minimum number (approximately twenty) companies in a stock portfolio greatly reduces investment risk but that the use of more than thirty seldom achieves additional protection. Accordingly, our accounts normally own about 20 to 25 stocks, and these securities are spread among the leading companies in diverse industries.

## **Fixed Income Selection**

In our opinion, the role of the fixed income component of a balanced portfolio is to provide stability of principal as well as all or most of the current income requirement of individual or endowment accounts. Selection of fixed income instruments generally concentrates on the higher quality ratings, such as bonds issued by the U.S. Government and its agencies, the most creditable corporations and top ranked states and municipalities. Rather than utilizing lower or unrated bonds, our management philosophy places greater emphasis on selecting maturity ranges as means of achieving superior fixed income performance.

## **Risks**

Investment in securities, and investment in general for that matter, involves risk of loss which clients should be prepared to bear. Ownership of equities normally brings higher risk of loss than ownership of fixed income or money market instruments. The experience of the 2000's, however, showed that even a few money market funds could struggle to redeem principal.

Fixed income securities bear at least two types of risk: interest rate and credit. Those fixed income bonds which were secured by real estate assets or obligations fared poorly. Corporate bonds are no more secure than the issuing company. Even municipal bonds issued by states or municipalities facing financial difficulties could face problems making interest payments and/or repaying principal. Interest rate risk is present in most fixed income securities. When interest rates rise, which can happen for a variety of reasons, the price of bonds normally declines.

Equities normally bear the greatest risk among these three asset types. Stock prices are affected by a great number of factors, not all of which are related to the strength of the underlying company. Wars, political and economic developments in foreign countries course of the economy of the United States and domestic policies on taxation and interest rates all have an impact on stock prices. Even having identified the strongest companies as described above, investors can be vulnerable to negative shocks resulting from corporate dishonesty in reporting profit and loss.

## **Item 9     Disciplinary Information**

This topic is not applicable to Wood Capital Management

Item 10      Other Financial Industry Activities and Affiliations

This topic is not applicable to Wood Capital Management

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

The principal or related person may from time to time buy or sell securities which the WCM also recommends to clients. WCM may also recommend to clients the purchase or sale of securities which the principal or related person owns. WCM has in place a policy statement on insider trading and procedures for implementing this policy, the purpose of which is to prohibit transactions which might constitute conflicts of interest between WCM and its clients. In general, all purchases and sales of securities must be approved before hand and all securities holdings by WCM or related persons reported quarterly to the Board of Directors. All transactions will be disapproved except those which appear upon reasonable inquiry and investigation to present no reasonable likelihood of harm to clients and which are otherwise in accordance with this policy and Section 206 of the Adviser's Act.

For example, such permitted transactions would normally include purchases or sales of up to 1,000 shares of a security which is being considered for purchase or sale by a client portfolio if the issuer has a market capitalization of over \$1 billion, or if the proposed acquisition or disposition by WCM is less than one percent of the class outstanding as shown by the most recent report or statement published by the issuer, or less than one percent of the average weekly reported volume of trading in such securities on all national securities exchanges and/or reported through the automated quotation system of a registered securities association, during the four calendar weeks prior to the individual's personal securities transaction.



## Item 12 Brokerage Practices

12 A. Factors considered in selecting or recommending broker-dealers for client transactions:

1. Research and Other Soft Dollar Benefits. WCM does not receive research or other products or services other than execution from brokers for client accounts. All research received by WCM is paid for in hard dollars by WCM.
2. Brokerage for Client Referrals. WCM receives no referrals from broker dealers.
3. Directed Brokerage. Clients may authorize WCM to select brokers for their accounts or they may direct Wood Capital Management, Inc. to place transactions for their accounts with specific brokers. In the latter case, clients may be charged higher commission rates than those clients who authorize WCM to select the broker, and WCM notifies clients of this fact.

If so authorized, WCM will select brokers on the basis of their ability to deliver execution, custodial and reporting services as well as the accessibility of the various departments of the brokerage. The financial strength of the brokerage, including its insurance coverage of accounts, is of paramount importance.

Commission rates may be negotiated based on the perceived value of all these brokerage services to the client.

12 B. WCM does not aggregate orders for execution. Most orders are placed quickly and sequentially, primarily through online entry at deeply discounted commission rates per transaction.

## Item 13 Review of Accounts

The commitment of WCM to our clients begins with the joint development of an appropriate investment program. We request a meeting with the client and professional advisers to the client for purposes of clearly understanding the investment criteria and any restrictions of the account. Having developed investment objectives, we utilize our management skills and research to best achieve those goals.

Clients receive quarterly progress reports in the form of portfolio appraisals, transaction summaries and performance results. Taxable clients receive records of capital gains and losses realized year-to-date as part of the report. In addition, reports of transactions are issued directly to the client upon completion by the executing broker. Between reports, we stand ready at any time to meet with the client in the event of major changes in investment outlook or the investment objectives of the account. The principal of the company is responsible for all such reviews.

Client accounts are monitored between quarterly reports. Economic, political and market factors may require a shift in investment policy, such as reducing holdings of stocks or bonds and increasing money market reserves or, conversely, using reserves to increase equity or fixed income investments. Other, more focused, events such as deteriorating or escalating industry or company fortunes can require a decision to sell or buy individual company stocks. In such cases, WCM can quickly produce a list of all client accounts holding a specific security and take action by entering buy or sell transactions for client accounts.

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

This topic is not applicable to WCM.

#### Item 15 *Custody*

In only a few instances WCM has asked for and received authority from clients to remit invoices for management fees directly to clients' broker/custodians. In such cases, as in all others, these custodians send monthly account statements to clients. Clients are advised to review carefully those statements with regard to fees paid by the custodian. Clients also receive quarterly account statements from WCM and are advised to compare those to statements received from custodians.

#### Item 16 Investment Discretion

WCM's clients assign investment discretion to WCM. At the outset, all clients execute an Advisory Agreement with the firm which gives WCM limited power of attorney (trading authorization). Part of that agreement reads as follows:

Adviser, in its full discretion and without obligation on its part to give prior notification to Client, may sell, exchange, convert and otherwise trade in any stocks, bonds, options and other securities in cash or margin accounts. Adviser shall also have the authority to place orders for the execution of such securities transactions with or through such brokers, dealers or issuers as Client directs Adviser to use."

This limited power of attorney does not include the right to withdraw or expend funds from client accounts.

#### Item 17 Voting *Client* Securities

WCM does not vote client securities. Clients may request custodians to send them directly proxies and other solicitations, and clients may contact WCM with questions about a particular solicitation or proxy.

#### Item 18 Financial Information

This topic is not applicable to WCM.

#### Item 19 Requirements for State-Registered Advisers

This topic is not applicable to WCM.

#### Information required by ADV Part 2B. *Brochure Supplement*

##### Item 1 Supervised Person

Robert G. Wood  
President  
Wood Capital Management, Inc.  
195 West Wolf Drive

Jackson, WY 83001  
410-746-7804

February 15, 2017

This brochure supplement provides information about Robert G. Wood that supplements the Wood Capital Management brochure information above.

Item 2 Educational Background and Business Experience

Robert G. Wood was born in 1941. He is a graduate of Williams College in Williamstown, MA, where he earned a degree in History. He received his Master's Degree in Business Administration from Loyola College in Baltimore, MD, in the field of Finance. He is a Chartered Financial Analyst and a founding principal of Wood Capital Management, Inc. He was a General Partner and Director of Research for Baker, Watts & Co. from 1975 to 1978 and again from 1984 to 1989. From 1978 to 1984 he was Senior Vice President and Chief Investment Officer for First National Bank of Maryland. He has been President of Wood Capital Management, Inc. since 1989.

The Chartered Financial Analyst designation is awarded to candidates involved in security analysis after three years of study and passing three examinations.

Item 3 Disciplinary Information.

Robert G. Wood has been involved in no disciplinary or legal action in his lifetime.

Item 4 Other Business Activities.

Robert G. Wood is engaged in no investment-related business or occupation other than that of WCM.

Item 5 Additional Compensation

Robert G. Wood receives no economic benefit from anyone who is not a client for providing services.

Item 6 Supervision

The advisor and the supervised person are the same. There are no other supervised persons employed by the advisor. The advisor/supervised person reviews periodically the

advisor's supervisory guidelines which are designed to ensure compliance with the Investment Advisors Act.