

## Item 1 – Cover Page



### THE FAIRMAN GROUP

*Comprehensive Wealth Advisory  
& Individual Tax Services*

#### **Firm Brochure**

(Part 2A of Form ADV)

**THE FAIRMAN GROUP  
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Berwyn, PA 19312  
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610-889-7326**

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This brochure provides information about the qualifications and business practices of The Fairman Group. If you have any questions about the contents of this brochure, please contact us at: 610-899-7300, or by email at: [serviceteam@fairmangroup.com](mailto:serviceteam@fairmangroup.com). 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.

The Fairman Group is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with important information for determining whether to hire or retain an advisor.

Additional information about The Fairman Group is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 121492.

**This brochure was last updated on March 31, 2011**

## Item 2 – Material Changes

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On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous ADV Part II did not require.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 610-889-7300 or by email at: [serviceteam@fairmangroup.com](mailto:serviceteam@fairmangroup.com)

## Item 3 – Table of Contents

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<b>Item 1 – Cover Page .....</b>	<b>i</b>
<b>Item 2 – Material Changes .....</b>	<b>ii</b>
Annual Update .....	ii
Material Changes since the Last Update .....	ii
Full Brochure Available .....	ii
<b>Item 3 – Table of Contents.....</b>	<b>iii</b>
<b>Item 4 – Advisory Business.....</b>	<b>1</b>
Firm Description.....	1
Principal Owners.....	1
Types of Advisory Services.....	1
Tailored Relationships .....	3
Participation in Wrap Fee Programs .....	3
Assets Under Management .....	5
<b>Item 5 – Fees and Compensation.....</b>	<b>5</b>
Fees for Investment Advisory Services .....	5
Fee Payment .....	7
Fees for Tax and Financial Planning Services .....	7
Other Fees.....	8
Termination of Agreement .....	8
Product Related Compensation .....	9
<b>Item 6 – Performance-Based Fees.....</b>	<b>9</b>
Sharing of Capital Gains .....	9
<b>Item 7 – Types of Clients .....</b>	<b>9</b>
Description.....	9
Account Minimums.....	9
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>10</b>
Methods of Analysis.....	10
Investment Strategies .....	11

Risk of Loss .....	12
<b>Item 9 – Disciplinary Information .....</b>	<b>13</b>
Legal and Disciplinary.....	13
<b>Item 10 – Other Financial Industry Activities and Affiliations .....</b>	<b>13</b>
Financial Industry Activities.....	13
Affiliations .....	13
Recommendation and Selection of Other Investment Advisers .....	14
<b>Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</b>	<b>14</b>
Code of Ethics.....	14
Participation or Interest in Client Transactions.....	15
Personal Trading.....	15
<b>Item 12 – Brokerage Practices .....</b>	<b>15</b>
Brokers and Custodians That We Use.....	15
Soft Dollars .....	18
Brokerage for Client Referrals.....	19
Directed Brokerage and Order Aggregation.....	19
<b>Item 13 – Review of Accounts.....</b>	<b>19</b>
Periodic Reviews .....	19
Review Triggers.....	19
Regular Reports.....	20
<b>Item 14 – Client Referrals and Other Compensation.....</b>	<b>20</b>
Client Referrals .....	20
Other Compensation.....	20
<b>Item 15 – Custody.....</b>	<b>20</b>
Custody of Client Assets and Account Statements .....	20
<b>Item 16 – Investment Discretion .....</b>	<b>21</b>
Discretionary Authority for Trading.....	21
<b>Item 17 – Voting Client Securities.....</b>	<b>21</b>
Proxy Votes .....	21

<b>Item 18 – Financial Information.....</b>	<b>21</b>
Financial Condition .....	21
<b>Other Items .....</b>	<b>22</b>
Contingency and Disaster Recovery Plan.....	22
Privacy Notice .....	22

## Item 4 – Advisory Business

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### Firm Description

The Fairman Group, LLC, (“The Fairman Group” or “TFG”) was founded in 2002 by professionals from the Private Client Services Group of Arthur Andersen’s Philadelphia office.

This brochure is provided to potential and existing clients (“Client” or “You”) to provide an understanding of the services we provide, our potential conflicts of interest and the qualifications of certain TFG personnel. Our clients include high net worth individuals, families and their related trusts and business entities.

The Fairman Group is strictly a fee-only professional service firm. We do not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. We do not accept commissions or finder’s fees.

We provide a variety of services that we define collectively as comprehensive wealth management and tax services. These services include investment advisory services, financial planning, tax planning, tax return preparation and other accounting services.

We provide investment advisory services to you through individuals registered as investment adviser representatives. We also have professionals who render tax and consulting services but who are not involved in rendering investment advice (we refer to these individuals internally as “accountants”). You can learn more about the background and qualifications of our investment adviser representatives in the Part 2B Supplement of this brochure.

We offer a free initial consultation for prospective clients. This meeting is generally considered an exploratory interview to determine the extent to which our services may be beneficial to the client.

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### Principal Owners

Roy M. Fairman is a 70% stockholder.

Marianne Inforzato is a 10% stockholder.

Shawn P. Kindt is a 10% stockholder.

Douglas E. Morisoli is a 10% stockholder.

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### Types of Advisory Services

The Fairman Group provides ongoing investment supervisory services for our clients based on their individual needs. Additionally, we furnish advice on financial planning matters such as cash flow management, tax planning, tax preparation, insurance analysis, education funding and estate planning.

**Description of Investment Supervisory Services:** We begin our process by making sure we have an understanding of your investment goals, time horizon, liquidity needs, asset class preferences and risk tolerance. We will examine how your current investments fit in relation to your goals and discuss relevant investment concepts such as historical performance of various asset classes and the fundamentals of risk, return and diversification. We will typically model your future cash flow and wealth accumulation to determine the sufficiency of assets to maintain your desired standard of living. This model can also provide insights toward identifying a required portfolio return and your financial ability to tolerate risk. A series of meetings is often needed to thoroughly review and analyze your current and projected financial situation.

**Asset Allocation Strategy:** With an understanding of your financial situation, we will help you identify an individualized, strategic asset allocation that is consistent with your investment objectives, risk tolerance, time horizon, asset class preferences and other criteria you may impose. At your direction, the allocation strategy may encompass broad coordination of multiple accounts at multiple custodians (i.e., developing a master asset allocation plan for multiple taxable accounts and tax-favored retirement accounts such as your 401(k), 403(b) and IRA plans) or a more narrow focus on asset allocation for specific accounts you select to place under our supervision. Once the investment strategy is formulated, we work with you to develop an investment policy statement, assist with implementation with your selected custodian, make investment management recommendations and provide ongoing review and reporting of the strategy. We do not engage in market timing strategies.

**Tax Specialization:** Taxes play a significant role in your portfolio's overall return and are an important consideration in implementation and rebalancing decisions. Unlike many adviser who disclaim away responsibility for tax planning, we bring extensive experience in assessing the tax implications of investment decisions and can help you maximize the after-tax return on your portfolio.

**Custodian:** We will identify and coordinate custodial/brokerage services. However, we will not take custody of or exercise discretion over your assets. We generally recommend Schwab Institutional as a custodian for client assets. We have no affiliation with Schwab Institutional and you are under no obligation to select them as your custodian.

Using a custodian such as Schwab Institutional provides third-party reporting and valuation of your assets. It allows us to help you implement a centralized investment program that incorporates multiple money managers, mutual fund families and investment styles at a competitive cost. This arrangement may also allow you to gain access to money managers and mutual funds at lower account minimums or reduced fees than generally are available to individual investors. Because we do not participate in any fee sharing agreements, any savings pass directly to you.

For clients that choose to custody assets outside of Schwab Institutional, we utilize a custodial aggregation service for valuation and reporting. This service is provided by ByAllAccounts, Inc. (see Valuation section below).

**Investment Management:** We will assist you in selecting and monitoring appropriate investment vehicles that are consistent with your chosen asset allocation and investment policy. The decision to utilize a specific vehicle (i.e., separate account manager, mutual fund or exchange traded fund) is based on the total dollar amount of the deployment, available selections within the asset class, the overall costs (custody fees, annual management fees and transaction costs) and client preferences. The primary purpose is to identify professional asset management that is reasonably suited to represent each particular asset class within the target asset allocation. We generally suggest both active and passive (i.e., index) management styles. Any manager or fund suggestions we make are subject to your selection preferences and final approval. You are under no obligation to implement any recommendations that we provide.

**Ongoing Supervision and Reporting:** We will provide ongoing review and reporting of the accounts you place under our supervision. The scope of our periodic review and reporting may include but is not limited to:

- Comparison of the portfolio allocation to stated target for rebalancing
- Monitoring the performance of selected money managers or mutual funds
- Providing advice regarding the retention or dismissal of money managers or mutual funds
- Arranging and effecting any purchase, sale or transfer related to any of our recommendations accepted and approved for implementation by clients
- Comparisons of the portfolio against selected benchmarks
- Analysis of the estimated portfolio annual income and current yield
- Analysis of realized and unrealized gains and losses

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### **Tailored Relationships**

As described above, our services are tailored to the unique needs and financial situation of each client. We do not utilize standardized asset allocation models that are generically mapped from responses to a risk questionnaire. We create investment policy statements that reflect the mutually agreed upon goals, objectives and portfolio guidelines. Clients may impose restrictions on investing in certain securities or types of securities.

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### **Participation in Wrap Fee Programs**

The Fairman Group does not sponsor or participate in any wrap fee programs.

Clients may choose to implement assets with wrap fee programs sponsored by third-parties such as Schwab, UBS, Merrill Lynch, etc. In a wrap fee program it is not uncommon for fees to be shared with advisors. As an independent advisor, we do not receive any fees from wrap fee programs.



### Managed Account Select™ Program

We may recommend the Managed Account Select™ Program (the “Program”) sponsored by Charles Schwab & Co., Inc. (“Schwab”). The Program allows us to assist you in selecting one or more unaffiliated Separate Account Managers (“SAMs”). A SAM manages the designated part of your investment portfolio (your “Managed Account”) on a discretionary basis. We will be responsible for ongoing monitoring and review of each SAM’s performance, your asset allocation and investment objectives. The Program and its services are further described in a wrap fee disclosure brochure prepared by Schwab (“Schwab’s Disclosure Brochure”), which we will provide to you if you choose these services.

The SAMs participating in the Program offer a variety of investment styles. With our assistance, you may select one or more SAMs based on the compatibility of a SAM’s investment philosophy with your investment needs, objectives and level of risk tolerance for your account. Minimum account sizes apply to each SAM participating in the Program and generally start at \$100,000, although the minimum account size for fixed income investment styles generally is \$250,000. A SAM provides discretionary investment advisory services, which means that the SAM (and neither Schwab nor our firm) is responsible for all investment decisions and services in your Managed Account. More specific information about each SAM is contained in its Form ADV, Part 2 or other disclosure document (“SAM’s Disclosure Brochure”). For each SAM you select either Schwab or we will provide you with that SAM’s Disclosure Brochure.

It is your responsibility to promptly inform us if there are material changes to your financial circumstances or investment objectives. You should also contact us with any questions or if you wish to impose or modify restrictions on your Managed Account. We will respond to your questions and periodically discuss with you whether the management of your account continues to reflect your investment objectives and financial requirements. As appropriate, we will communicate your information to the SAM(s) responsible for your Managed Account.

Neither Schwab nor any SAMs are affiliated with our firm or our representatives. You should feel free to raise any concerns you have about Schwab or a SAM with us. While we may be able to assist you in resolving such issues, we are not responsible for Schwab’s or a SAM’s actions, omissions, statements or services.

### Managed Account Select™ Fees

You will pay a “wrap fee” for Schwab’s and the SAM’s services, either as a periodic asset-based fee or on a per transaction basis (the “Program Fee”) as specified in your Managed Account application. The Program Fee and other charges are described in Schwab’s Disclosure Brochure. The Program Fee covers services provided by Schwab, including custody, execution of transactions in most securities and Program administration, and the discretionary asset management services provided by the SAMs. The Program Fee may not cover all of the

services you use and there could be additional charges as described in Schwab's Disclosure Brochure.

The Program Fee is separate from our advisory fees. Our advisory fees for assisting you in the selection, monitoring and review of a SAM's performance are calculated and are payable in the same manner as described above for our Investment Management Services.

You may terminate a SAM or your participation in the Program, whether or not you terminate our services, at any time upon written notice to us or to Schwab without penalty, subject to the payment of any fees incurred to date. Once you or your SAM(s) terminate participation in the Program, your Managed Account will be charged by Schwab at its then-current fees. You may terminate our services in the same manner as described above for Investment Management Services. If you terminate our services, your Managed Account will become a regular Schwab retail brokerage account subject to Schwab's regular fees and commissions for retail brokerage accounts.

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#### **Assets Under Management**

As of December 31, 2010, The Fairman Group manages assets for approximately 86 clients. Approximately \$288,096,671 is managed on a non-discretionary basis. We do not manage assets on a discretionary basis.

### **Item 5 – Fees and Compensation**

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#### **Fees for Investment Advisory Services**

Our fees for investment advisory services are determined on either an asset based fee or a fixed fee arrangement.

#### **Asset Based Fees**

Asset based management fees are generally billed quarterly in arrears of one fourth of the annual rate based on a percentage of the client's assets under management at the end of the calendar quarter. Fees are calculated as follows:  $(\text{Account value} \times \text{Annual Fee } \%) \div 4 = \text{Quarterly Fee}$

Fairman Group Investment Advisory Service fee schedule for asset based fees:

<u>Assets Under Management</u>		<u>Annual Fee</u>	
Over-----	But Not Over----		Of the Amount Over----
0	\$1.0 million	0.75%	0
\$1.0	\$5.0 million	\$7,500 + 0.45%	\$1,000,000
\$5.0	\$10.0 million	\$25,500 + 0.40%	\$5,000,000
\$10.0	\$15.0 million	\$45,500 + 0.35%	\$10,000,000
\$15.0	\$20.0 million	\$63,000 + 0.25%	\$15,000,000
\$20.0	\$30.0 million	\$75,500 + 0.15%	\$20,000,000
\$30.0	\$50.0 million	\$90,500 + 0.10%	\$30,000,000
\$50.0	\$75.0 million	\$110,500 + 0.075%	\$50,000,000
\$75.0	\$100.0 million	\$129,250 + 0.05%	\$75,000,000
Over \$100 million		\$141,750 + 0.025%	\$100,000,000

**Fixed Annual Fees**

Fixed fee arrangements are generally determined using the table above as the valuation guideline for an initial annual fee that is billed quarterly. We revisit this fee amount with you on an annual basis to ensure the amount is equitable to all parties with respect to services rendered and value received.

**Minimum Annual Fee**

TFG assesses a minimum annual fee of \$7,500 to accounts receiving ongoing investment advisory services. As a result, accounts with a small balance may pay a higher annual fee than those normally charged by other investment advisers. Lower fees for comparable services may be available from other sources.

**Fees Negotiable**

Fees may vary from the applicable schedule above due to particular circumstances of the client or as otherwise negotiated with particular clients. Factors we consider when determining fees may include, but are not limited to, the following:

- Size of portfolio/assets under management
- Types of securities to be purchased, sold or held within the portfolio
- The custodian used to hold your assets (assets held outside of our recommended custodians typically increase our costs of doing business.)
- The extent of additional services to be provided

**Effective Date**

Investment advisory services begin with the effective date of the Agreement, which is the date the client signs the Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the quarter that the Agreement was effective.

**Valuation**

We primarily use your custodian to price the securities in your accounts. If Schwab is your custodian, we are able to interface with their system to access daily valuation and transaction data. For accounts not held at Schwab, we rely on you to provide or authorize your custodian to send us copies of your account statements for valuation and performance reporting. In the event we are not timely provided with data, we will attempt to make a reasonable estimate calculation based on your last provided statement share holdings and current market price. For us to provide accurate reporting and billing, we rely on you to provide or authorize transmission of data for accounts not held at our recommended custodian (currently Schwab Institutional).

For this purpose we accept copies of your account statements forwarded by either you or your custodian or electronic transmission of compatible data from your custodian.

Clients may also authorize the use of a third party data aggregation service to electronically gather daily valuation data for their third-party online accounts. Presently, we utilize the custodial aggregator service provided by ByAllAccounts, Inc. ("BAA") for this purpose. BAA stores client information in a secure data warehouse at SunGard, which is SAS70 (Statement on Auditing Standards (SAS) No. 70) compliant. All risks must be documented, including the safeguards and procedures for dealing with those risks. SAS70 compliance requires an audit by a third party that includes testing and monitoring. Participation in the BAA aggregation service is optional and extended to you at no additional cost. We do not receive any fees from BAA.

The total portfolio value on which fees are based may vary from the value on the custodian statement (the valuation may be higher or lower) due to such factors as the timing and posting of dividends, settlement dates for trades and accrued interest. The value of your account as of the last business day of the previous quarter (as shown on the statements from your custodian/broker-dealer) is used to determine the fees charged.

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**Fee Payment**

If authorized, we will deduct your fees directly from your account on a quarterly basis. If direct debiting is not selected, an invoice will be sent to you. We request payment in full within 30 days of receipt.

In the event we collect our fee by debiting your custodial account, you will receive an informational invoice setting forth the fee amount and the basis for the calculation. Statements provided by your custodian will detail the total amount of the fees that were deducted each quarter. You are responsible to verify the accuracy of the fee calculation as the custodian will not determine whether the fee has been properly calculated. Accordingly, you should review your account statement to compare your invoiced fee to the amount deducted. You may terminate a fee-debiting arrangement at any time and we will bill you directly.

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**Fees for Tax and Financial Planning Services**

We provide tax and financial planning services which include income tax planning, tax return preparation, retirement planning, estate planning, education funding, insurance planning, cash flow planning and bookkeeping services.

Fees for tax and financial planning services are based on an hourly fee or fixed fee arrangement. Hourly charges will vary depending upon the nature of the work, the professional level of our personnel required and their geographic location. In this regard, hourly charges for professional staff will generally range from \$100 to \$400 per hour. TFG does reserve the right to provide planning services on a fixed fee basis in lieu of an hourly fee. The fixed fee will be negotiated with the client prior to performing any service. A separate fee will not be charged for investment advice that is incidental to providing tax and financial planning services.

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## Other Fees

**Mutual Fund Fees:** Our advisory fees are separate and distinct from fees and expenses charged by mutual funds that may be recommended to you. These fees will generally include a management fee, other fund expenses and a possible distribution fee. A description of these fees and expenses are contained in each fund's prospectus. We encourage you to read each fund prospectus carefully. The custodian or fund sponsor will send a prospectus when trades are placed or upon request. Clients are obligated to notify us if they do not receive a prospectus.

**Separate Account Manager Fees:** Our fees are also separate and distinct from the advisory fee charged by any Separate Account Managers that may be recommended to you. Such managers may be contracted by you directly or as part of a third-party wrap fee program.

**Brokerage, Custodial and Miscellaneous Fees:** Your selected broker, custodian or other financial institution may charge transactional, custody or other miscellaneous fees. Please refer to the disclosure documents provided by your selected broker or custodian.

As part of our ongoing supervisory service, we strive to assist you in identifying and evaluating your overall investment fees and helping identify opportunities to reduce cost. However, there may be lower cost alternatives available in the marketplace.

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## Termination of Agreement

All advisory agreements can be terminated by either party at any time. Notice of termination may be given to the other party either verbally or in writing. However, verbal communication of such termination must be confirmed by delivery of written notice of such termination to the other party within five days.

The client is responsible to pay for services rendered until the termination of the agreement. The client can cancel the Agreement without penalty within the first five days after the signing of the Agreement.

Upon termination, you will receive a refund of any prepaid and unearned advisory fees prorated for the balance of the quarter. If services have been provided, fees are therefore due and payable and you will receive an invoice with the amount due. Any transactional or custodial charges levied by your custodian after the termination of the advisory agreement are your responsibility. We have no obligation to refund fees charged by your custodian to you.

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**Product Related Compensation**

We do not sell products, earn commissions or participate in any type of revenue sharing. The only fees we earn are the direct fees paid by our clients.

We generally recommend only no-load or load-waived mutual funds. Some mutual funds may impose an initial or deferred sales charge. You may own some of these funds when you transition your account to us. In addition, our fees do not include any applicable transaction fees, commissions or other management fees charged by money managers recommended to you.

You are under no obligation to purchase any investment product or service that we recommend to you.

**Item 6 – Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

The Fairman Group does not offer a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk than suitable for the client.

**Item 7 – Types of Clients**

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**Description**

The Fairman Group primarily provides investment advice to individuals. We may also provide advice to entities related to our individual clients such as trusts, estates, charitable funds or business entities

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**Account Minimums**

We generally require a minimum account size of \$1,000,000 of investable assets to be placed under our supervision. We have discretion to waive the account minimum. Accounts that do not meet the account minimum may be set up when the client is anticipating to add additional funds to the accounts to meet the \$1,000,000 within a reasonable time. As noted under Fees above, our minimum advisory fee is \$7,500. Other exceptions will apply to our employees, their relatives and relatives of existing clients.

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

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### **Methods of Analysis**

Our process is designed to help you articulate and quantify goals, organize financial data, identify needs and opportunities and evaluate alternative courses of action. It includes an analysis of current net worth, income taxes, cash flow, investments, employee benefits, insurance and estate planning needs. Analysis is primarily based on Modern Portfolio Theory, academic and industry research that focuses on structuring portfolio assets to achieve your financial objectives in consideration of your risk tolerance.

We design custom asset allocation plans using EnCorr software from Ibbotson Associates (a division of Morningstar, Inc.). This tool allows us to research, create and analyze optimal asset allocation strategies tailored to your unique return requirement, asset class preferences and risk tolerance. We utilize Ibbotson's forward-looking 20-year strategic input data that is constructed with their building-blocks methodology.

To help you implement your asset allocation plan we consider a wide universe of investment vehicles including mutual funds, exchange traded funds ("ETF"s) and separate account money managers. Research indicates that the primary determinant of your portfolio return is the result of your asset class composition. Accordingly, a major focus of our analysis is to identify vehicles reasonably suited to represent a desired asset class within the portfolio.

With respect to mutual funds and ETFs, we will identify categories of funds that are compatible with your investment objectives, risk tolerances and other client criteria. We utilize internal processes and procedures to identify a search list of selected mutual funds and ETFs. We utilize information obtained from rating and research providers (e.g., *Morningstar*), business publications, fund prospectuses and other sources. As a general matter, the funds included in the search lists will be based upon the following factors: performance relative to peers and indices, risk, cost efficiency, style consistency, manager tenure, fund size and tax efficiency. We may from time to time use outside consultants to assist us in preparing the mutual fund search lists. In the event that we use the services an outside consultant, we will make the final determination regarding which mutual fund names to include in the mutual fund search lists.

For separate account money managers, we will select and recommend managers that are best suited for your needs. Selection of sub-advisers is based on factors that may include, but are not limited to, analysis of management, investment philosophy, investment style, historical performance, historical risk relationships, modern portfolio approaches and other factors with the client's investment objectives, risk tolerance and other client criteria.

For money manager research and due diligence we primarily rely on the list of managers within Schwab's "Managed Account Select" program. This program is Schwab's wrap fee program that enables you to choose institutional quality money managers that have been prescreened and researched by the Charles Schwab Investment Advisory, Inc., (prior to 2008, these services were provided by Callan Associates, Inc.).

Charles Schwab Investment Advisory, Inc. ("CSIA") provides the analysis and insight behind the core investment research at Charles Schwab & Co., Inc. Its research is responsible for many Schwab research products, such as Schwab Equity Ratings®, Schwab Industry Ratings and the Schwab Mutual Fund OneSource® Select List.

Money managers are evaluated and monitored no less than quarterly for the Managed Account Select program by a team of approximately eighteen investment professionals within CSIA who specialize in investment manager research. This team also chooses mutual funds for Schwab's Mutual Fund OneSource Select List®. For more detailed information, refer to Schwab's disclosure brochure entitled *Schwab Managed Account Services for Clients of Investment Advisors*.

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### **Investment Strategies**

Our primary investment strategy is founded on building a strategic asset allocation that is tailored to the unique needs, risk tolerance and financial situation of each client. Asset allocation is the process of dividing a portfolio among broad investment market categories called asset classes. This emphasis on asset allocation is based on research that indicates asset allocation policy is the primary determinant of your aggregate portfolio return.

We work individually with each client to model various asset allocation possibilities to help them identify the allocation mix that best balances their expected return needs with their willingness and ability to tolerate risk.

The allocation is generally implemented with passively-managed core investments and actively-managed investment that meet our screening policies described above. Portfolios are also diversified within each major asset classes to reduce risk.

Individuals typically face long-term yet multi-staged time horizons (accumulation, distribution and transfer to future generations). Accordingly, we assist clients over this dynamic horizon with the process of monitoring and rebalancing their portfolio to stated allocation targets for the purpose of controlling risk.

The risks associated with our asset allocation strategy include the following:

- Future market results may differ from those expected in the allocation model
- The relationship of underlying economic assumptions may change over time
- Asset allocation may not result in a profit or prevent loss
- Behavioral dynamics can lead investors to abandon an allocation strategy when the strategy may be most beneficial



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**Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Investors generally face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9 – Disciplinary Information

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### **Legal and Disciplinary**

We are required to disclose any legal or disciplinary event that is material to a client's (or prospective client's) evaluation of the integrity of the adviser or its management personnel.

- Our firm and our management personnel have not been the subject of any legal or disciplinary action.

## Item 10 – Other Financial Industry Activities and Affiliations

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### **Financial Industry Activities**

Due to the potential conflicts of interest that may arise in certain financial industry activities, we are required to disclose if our firm or any of our management personnel are registered or have an application pending to register as any of the following:

- broker-dealer or registered representative of a broker-dealer
- futures commission merchant
- commodity pool operator
- commodity trading advisor
- or an associated person with the foregoing entities

The Fairman Group and its management personnel are not registered (and do not have any applications pending) as any of the above activities. We have no intention to register in the future.

### **Affiliations**

Due to the potential conflicts of interest which may impair the objectivity of investment advice rendered, we are required to disclose if we have any arrangements that are material to our advisory business or its clients with a related person who is a:

- broker-dealer, municipal securities dealer or government securities dealer or broker
- investment company or other pooled investment vehicle
- other investment advisor
- financial planning firm
- commodity pool operator, commodity trading advisor or futures commission merchant
- banking or thrift institution
- accounting firm, law firm, insurance company or agency
- pension consultant, real estate broker or dealer
- or an entity that creates or packages limited partnerships.

The Fairman Group is an independent organization. The firm and its management personnel are not affiliated with and do not have financial arrangements related to the above listed entities and activities.

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**Recommendation and Selection of Other Investment Advisers**

We may recommend or select other investment advisers for our clients. However, we do not receive compensation from those advisers. We do not have any relationships with other advisers that would create a material conflict of interest.

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

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**Code of Ethics**

The Fairman Group has adopted a written Code of Ethics as required under Rule 204A-1 of the Investment Advisers Act of 1940. This code was developed to provide formal ethical guidelines regarding our duties to our clients. It also establishes standards of professional conduct and personal trading policies. A copy of our Code of Ethics may be requested by contacting us at 610-889-7300.

Our Code of Ethics and Compliance Manual requires our principals and employees to:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interest of clients, and the interests of TFG above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflicts of interest;
- Conduct all personal securities transactions consistent with our Personal Trading Policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;

- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the Federal securities laws.

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**Participation or Interest in Client Transactions**

The Fairman Group or its employees do not possess a financial interest in the securities that are recommended to clients. We do not receive commissions, distribution fees, mark-ups or other compensation for transactions in the securities that we may recommend.

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**Personal Trading**

Our employees may own, buy and sell for their personal accounts the same securities that may be recommended to clients. These transactions are unlikely to result in a conflict of interest as the transactions typically involve mutual funds or ETFs that are widely held and publicly traded. Additionally, such transactions are not of a size to impact the securities markets. If the possibility of a conflict of interest occurs, the client's interest will prevail. It is our policy that priority will always be given to the client's orders over the orders of our employees.

Employees comply with the provisions of The Fairman Group Compliance Manual. These provisions require pre-clearance authorization by the Managing Partner and/or the Compliance Officer for certain individual securities trading. TFG requires all personnel to report, at least quarterly, all security transactions made during the quarter and an annual statement of current beneficial investment holdings to the Compliance Officer.

## **Item 12 – Brokerage Practices**

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**Brokers and Custodians That We Use**

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

account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

### **Selection of Brokers/Custodians and Best Trade Execution**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. Best trade execution practices include gathering relevant information, monitoring trading activities and periodically reviewing and evaluating the services provided by broker/dealers, research, commission rates, and overall relationships as well as the best overall qualitative execution. Costs are important in trading, we also 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 your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Schwab*”)

### **Brokerage and Custody Costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission rates applicable to our client accounts were negotiated between The Fairman Group and Schwab. This benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that is executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, it may be beneficial to have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on

all relevant factors, including those listed above (see “*How We Select Brokers/Custodians*”).

### **Products and Services Available to Us From Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

### **Services That Benefit You**

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

### **Services That May Not Directly Benefit You**

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

### **Services That Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our business 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
- Access to employee benefits providers, human capital consultants, and insurance providers

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

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We have over \$200 million in client assets custodied at Schwab. Accordingly, since we greatly surpass the requirement to maintain at least \$10 million of assets at Schwab in order to avoid paying Schwab quarterly service fees, we do not believe such requirement presents a material conflict of interest.

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### **Soft Dollars**

The term 'soft dollar arrangement' describes a brokerage practice in which investment advisers use client brokerage commissions to pay for goods or services. This practice can create a conflict of interest when an incentive exists to select a broker-dealer based on an adviser's interest in receiving the research or product, rather than on best trade execution for the client. The Fairman Group has no agreement with any broker to participate in a soft-dollar arrangement. However, we do receive an economic benefit from the services that we obtain from Charles Schwab, and other brokers from time to time. Specifically, we receive research (broker-created or developed by a third party) to aid us in investment decision-making, access to Internet-based platforms to execute trades, access to Schwab's electronic interface to reconcile account transactions, and access to the advisor area of Schwab's web site to access client account information. These services may benefit accounts other than the one(s) for which trades are executed at any given time.

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**Brokerage for Client Referrals**

We do not pay for client referrals, and we do not participate in any sponsored referral program. Schwab offers such a program where advisors can pay them for referrals. To avoid potential conflict of interest, we have opted not to participate in Schwab's advisor referral program and have no intentions to participate in the future.

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**Directed Brokerage and Order Aggregation**

The Fairman Group does not engage in trading activity for client accounts and does not have discretion in the selection of broker-dealers. For operational and other efficiencies, we recommend that clients use Schwab for brokerage and custody services. Brokerage discretion over trading of individual securities is typically held by Separate Account Managers who direct the trades and would be responsible for aggregation, allocation of trades and block trading. The Fairman Group may assist clients with execution of mutual fund and ETF trades. Trade aggregation would not garner any material client benefit for such transactions.

Clients may direct us to assist them with execution of trades at their selected broker-dealers. In this event, clients may pay higher transaction costs and may not receive certain benefits afforded to transactions executed at Schwab.

## **Item 13 – Review of Accounts**

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**Periodic Reviews**

All client accounts are reviewed regularly and at least quarterly by a Principal of the firm. General conditions in the economy and financial markets are continuously monitored. Changes may be recommended for a client's asset allocation or the decision to retain or dismiss a money manager, mutual fund or ETF.

Account reviews are performed by:

Douglas Morisoli, Principal

Marianne Inforzato, Principal

Shawn Kindt, Principal

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**Review Triggers**

Factors triggering reviews or recommendations include changes in the client's situation, changes in market conditions, deposits or withdrawals of funds and changes in status of a manager, mutual fund or ETF held in an account.

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.



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**Regular Reports**

Clients are provided account statements directly from each respective custodian/broker-dealer on a monthly or quarterly basis. TFG prepares reports as agreed upon with each client. Generally, we prepare a quarterly report detailing and comparing:

- Current allocation against the stated target allocation
- Actual performance of the portfolio against benchmarks
- Actual performance of money managers and mutual funds against indices and peers

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

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**Client Referrals**

The Fairman Group does not engage solicitors or pay for referring potential clients to our firm. Pursuant to our Code of Ethics, we do not accept or allow our employees and associates to accept any form of compensation, including cash, awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

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**Other Compensation**

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 whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *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.

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**Item 15 – Custody**

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**Custody of Client Assets and Account Statements**

The Fairman Group does not take custody of client assets.

As disclosed in the 'Fees and Compensation' section (Item 5), you have the option to authorize your custodian to debit our advisory fees directly from your accounts. If you elect this fee payment method, under government regulations, we are deemed to have custody of your assets. However, your custodian maintains actual custody of your assets.

As part of our billing process, we advise the custodian of the amount of the fee to be deducted from each client account. You will receive an account statement directly from your custodian at least quarterly. These statements will be sent to the address you provided to your custodian (or to your email address if you opted for electronic delivery). You should carefully review your custodial statements promptly to verify their accuracy including any fee withdrawals.

We also urge you to compare the account statements you receive from your custodian with any performance reports, net worth statements or other reports that you receive from us.

You should contact us directly if you believe that there may be an error in any statements or reports.

## **Item 16 – Investment Discretion**

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### **Discretionary Authority for Trading**

The Fairman Group does not have discretionary authority over client accounts. As part of our supervisory responsibility, we will help you arrange or effect purchases, sales or transfers with your custodian/broker or other financial institution. All such transactions must be authorized by you with a signed Letter of Authorization (LOA). We may assist you in the preparation of such LOAs and deliver them for execution with your custodian/broker or other financial institution.

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

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### **Proxy Votes**

The Fairman Group does not vote proxies on behalf of our clients. Therefore, although we may provide investment advisory services relative to your investment assets, you maintain exclusive responsibility for directing the manner in which proxies are voted and responding to all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to your investment assets. You should instruct each of your custodians to forward to you copies of all proxies and shareholder communications relating to your investment assets.

If any separate account money managers are engaged for your portfolio, they will have their own proxy voting policy which will be discussed in their Form ADV disclosure.

## **Item 18 – Financial Information**

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### **Financial Condition**

The Fairman Group does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because The Fairman Group does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Other Items

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### **Contingency and Disaster Recovery Plan**

The Fairman Group has a Contingency and Disaster Recovery Plan that provides detailed steps to mitigate and recover from the loss of office space, power, communications and services.

Alternate work sites are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients promptly in the event of a circumstance that dictates moving our office to an alternate location.

With respect to data recovery, all electronic files are backed up daily to secure offsite location.

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### **Privacy Notice**

At The Fairman Group we respect our clients' privacy and treat their privacy concerns seriously. As a trusted adviser to our clients, respecting privacy and confidentiality is vital to our business

This notice describes the current privacy policy and practices of The Fairman Group LLC (TFG) with respect to information we acquire about individuals who obtain or seek to obtain TFG's assistance for personal, family or business purposes.

### ***Information We Collect About You***

We collect nonpublic personal information about you from:

- Information we receive from you, including financial, investment and tax-related information;
- Information we receive from you about business holdings, real estate and other entities or enterprises in which you may hold an interest;
- Information we receive with your authorization from third parties, such as your other advisers and financial institutions where you have accounts; and
- Information relating to your transactions with us, our affiliates and others.

This information may include personal information such as your address, social security number and bank and other financial account numbers.

### ***How We Handle Your Personal Information***

We use your nonpublic personal information solely for the purpose of providing tax consulting, compliance and other professional advisory services to you. We take reasonable steps to keep confidential the information acquired. Our right to disclose the information is limited by our Code of Ethics, Regulation S-P (or other applicable regulations) and the Certified Financial Planner Board of Standards, Inc. (CFP Board). TFG does not disclose any nonpublic personal information about you, as our client or as a former client, to anyone without your permission, except as permitted or required by law. Where appropriate, information provided by us to nonaffiliated third parties who perform services for us, is subject to contractual

agreements which prohibit these parties from disclosing or using the information other than for the purposes for which the information was disclosed.

***General Restrictions on Disclosure of Nonpublic Personal Information to Nonaffiliated Third Parties***

As tax preparers, we are prohibited by Internal Revenue Code Section 7216 from disclosing your income tax return information without your consent, other than for the specific purpose of preparing, assisting in preparing or obtaining and providing services in connection with the preparation of an income tax return for you.

Furthermore, as a firm complying with Regulation S-P and engaged in income tax preparation or financial planning and investment advice, we are generally prohibited from disclosing confidential client information about you to nonaffiliated third parties without your specific consent, other than for the purposes for which the information was disclosed to us.

***Some of the reasons we may disclose information to third parties include:***

- Complying with a validly issued and enforceable summons or subpoena.
- In the course of a review of our firm's practices under the peer review rules of the AICPA or a similar professional board.
- Initiating a complaint or responding to an inquiry made by the professional ethics division or trial board of the AICPA or duly constituted investigative or disciplinary body of another State CPA Society or Board of Accountancy.
- A review of a professional practice of our firm in conjunction with a prospective purchase, sale, or merger of all or part of our practice, provided that we take appropriate precautions (for example, through a written confidentiality agreement) so the prospective purchaser does not disclose information obtained in the course of the review.
- Participating in actual or threatened legal proceedings or alternative dispute resolution proceedings either initiated by or against us, provided we disclose only the information necessary to file, pursue, or defend against the lawsuit, and take reasonable precautions to ensure that the information disclosed does not become a matter of public record.
- Providing information to third parties who perform services or functions for us pursuant to a contractual agreement which prohibits the third party from disclosing or using the information other than for the purposes for which the information was disclosed.

***Safeguarding Your Personal Information***

We restrict access to nonpublic personal information about you to those persons who need to know that information in order for TFG to provide high-quality services to you, including employees within TFG and third parties with whom we contract to assist us in providing services to you.

We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

***Keeping You Informed***

As required by federal law, we will notify our clients of our privacy policy annually. We reserve the right to modify this privacy policy at any time, but we will provide you a revised notice incorporating any material changes before we implement such changes.

You may receive more than one of these notices from TFG depending on the services TFG provides for you. If you have any questions about this notice or TFG's information practices, please contact your TFG provider.

***We Value Your Trust In Our Firm***

We cannot emphasize enough how much we value the trust you place in our firm and in our employees. We understand that protecting your privacy is essential to maintaining your trust and we commit that TFG will adhere to the above policies and practices.