

# Conway Capital Management, Inc.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Conway Capital Management, Inc. (“Conway”). If you have any questions about the contents of this brochure, please contact us at 213-434-1145. 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.

Conway delivers its Form ADV Part II along with each new client’s investment advisory agreement. Following signature of the investment advisory contract, client has 5 days to unconditionally rescind the contract at no charge. Client is bound however to settle any transactions Advisor may have effected for the account during the 5 days at client’s risk. Form ADV Part II is also provided annually to existing clients if there are material changes or upon request.

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

## Material Changes

Conway's most recent update to Part 2 of Form ADV was made in March, 2012.

Conway's business activities have changed since the time of that update in that the firm has transitioned from SEC registration to registration with the State of California. As well, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure reflects these changes which is materially different from brochures used by Conway in prior years.

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## Advisory Business/Daniel Conway

Conway Capital Management, Inc. provides investment management services to its clients, consisting of high net worth individuals and associated trusts, pension and profit sharing plans, and other legal entities. Clients generally work with Conway under one or more of the following arrangements:

- ☐ Under a discretionary arrangement – in which the client grants Conway the discretion and authority to supervise, invest and trade assets placed under its management consistent with established client objectives and guidelines.
- ☐ Under a non-discretionary arrangement – in which Conway provides varying services based upon mutual agreement.

In providing its services, the standard of care imposed upon Conway shall be to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the

conduct of an enterprise of a like character and with like aims. Furthermore, whether Conway may acquire, or not acquire, securities or property for itself or for any other client will not be considered in determining the advisability of acquiring or not acquiring similar securities or property for the portfolio account of any client.

Conway, in consultation with each client, structures a portfolio to meet the investment goals, risk tolerance and other guidelines as specified by the client. Client assets are generally invested in equities, fixed income instruments, ETFs (exchange traded funds) or mutual funds. Under some circumstances, investments are made in fixed income securities and closed end mutual funds. Some client assets may be invested in certain private investment funds or other separate account vehicles managed by other advisors.

Clients can place reasonable restrictions on Conway's investment discretion. For example, some clients have asked not to sell certain securities where the client has a particularly low tax basis.

Conway was founded in 2004 and is solely owned and operated by Daniel Conway. Prior to the founding of Conway Capital Management, Daniel Conway was a Vice President, Investments at Smith Barney where he began his career in the capital markets in 1993. Prior to his career in investments, Mr. Conway was a film executive at Paramount Pictures in 1990-1991. Mr. Conway attended George Washington University and graduated with a B.S. in Communications from Emerson College in 1985.

As of December 31, 2011, Conway managed approximately \$30.5 million on a discretionary basis and \$1.2 million on a non-discretionary basis.

## **Fees and Compensation**

Conway charges most of its clients an annual investment management fee based on the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$ 1,000,000	1.75% annual fee
Next \$ 1,000,000	1.00% annual fee
Next \$ 3,000,000	0.75% annual fee
Next \$ 5,000,000	0.50% annual fee
Over \$10,000,000	negotiable

The total fees for such services will vary depending on the nature and complexity of each client's financial circumstances and the services authorized and performed.

Clients may direct Conway to maintain “unsupervised assets” within the portfolio for the convenience of the client. Conway generally does not charge a management fee on unsupervised assets and is not responsible for the supervision or suitability of such assets. However, Conway may charge a fee on certain unsupervised assets such as the case when Conway is asked to provide ongoing reporting or research of unsupervised private investments.

Conway may negotiate a different investment advisory fee arrangement with the client, including a flat fee arrangement based on the nature of the client’s account

Conway has negotiated lower fees for certain clients, such as charitable organizations or employees’ family members and friends.

Conway charges fees quarterly in advance based on the total market value of the account value at the end of the prior quarter. The initial quarterly fee for a new client is pro-rated based upon the date the client assets are transferred to Conway’s management or as negotiated between Conway and the client.

Most clients authorize Conway to deduct fees automatically from their brokerage accounts, but clients may request that Conway send quarterly invoices to be paid by check.

Conway will send a copy of quarterly invoices and a disclosure on how those fees are calculated to the custodian or trustee at the same time it sends a copy to the client.

Conway’s custodian sends quarterly statements to its clients show all disbursements for the custodian account, including the amount of advisory fees.

Conway’s clients provide written authorization permitting it to be paid directly for their accounts held by the custodian or trustee.

If a client terminates the investment management agreement with Conway in the middle of a billing period, Conway will refund any unearned investment management fee to the client on a pro-rata basis based upon the time remaining in the quarter.

Due to the illiquid nature of certain investments, Conway may utilize fair valuation methodologies in an attempt to represent the amount at which an asset could be acquired or sold in a current transaction between willing parties in which the parties each acted knowledgeably, prudently, and without compulsion. The valuations of investments in private equity or other illiquid investments may be modified by Conway, in its sole discretion, if and to the extent that it shall determine that such modifications are advisable in order to reflect market or liquidity conditions or other factors affecting value.

It is the nature of private equity and other such illiquid investments to provide initial valuation estimates, and then refined estimates and / or actual numbers frequently months after the original estimates are distributed. As a consequence, it is Conway's policy to use the best information currently available for reporting and billing purposes for a given quarter. Also as a consequence, Conway may receive updated pricing information months after a private equity or other illiquid investment has been valued for reporting and billing purposes. It is the policy of Conway to evaluate and determine potential discrepancies, rebating any material overcharges in a quarter, defined as greater than \$50.

In addition to Conway's investment management fees, clients bear trading costs and for certain investments (i.e., private placements) the outside custodian may charge the client a nominal fee to the outside custody of such investments.

To the extent that clients' accounts are invested in mutual funds, these funds pay a separate layer of management, trading, and administrative expenses.

Conway believes its fees are competitive with those fees charged by other investment advisors for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Conway.

In implementing the Safe Guarding Procedures/Requirements for California State registered advisers Conway will send a copy of quarterly invoices and a disclosure on how those fees are calculated to the custodian or trustee at the same time it sends a copy to the client. Conway's custodian sends quarterly statements to its clients show all disbursements for the custodian account, including the amount of advisory fees. Conway's clients provide written authorization permitting it to be paid directly from their accounts held by the custodian or trustee.

## **Performance Based Fees and Side-by-Side Management**

Conway does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Conway.

## **Types of Clients**

Conway primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, charitable organizations and other legal entities. Conway's minimum account size is generally \$500,000.00, but this amount is negotiable.

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

Conway does work at conducting fundamental analysis on securities recommended for client accounts. Conway uses a variety of methods to evaluate the overall financial market, market sectors and various types of securities. Conway does its own internal research and analysis to identify trends as well as receives research and analysis from third parties. Additionally, Conway periodically reviews statements and reports provided by other investment advisors who may also be providing investment management services to Conway's clients. This analysis varies depending on the security in question.

After developing an investment policy for each client, Conway creates a unique long term investment strategy. This strategy integrates the client's needs and goals with current developments in the economic and financial markets.

Conway primarily invests for relatively long time horizons, most often for a year or more. Conway's investment philosophy is founded on the premise that investors can build a strong, secure future by following a long-term investment program, and by diversifying

their investments across multiple equity and asset classes. However, market developments could cause Conway to sell securities more quickly.

Depending on a client's investment objectives, Conway may use mutual funds as well as equities. Mutual funds are an investment vehicle and the investment strategies, objectives and types of securities utilized by mutual funds vary widely.

All mutual funds incur operating expenses in connection with the management of the fund. Mutual funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from mutual fund to mutual fund. In addition, mutual funds charge shareholders (individual investors in the funds) other types of fees such as a sales load or a transaction fee. These charges also vary widely among funds.

Conway generally invests its clients' assets in no-load mutual funds of which there are two types: no-loads and "true" no-loads. A so-called no-load mutual fund nevertheless is allowed to assess an annual charge of no more than 0.25% to cover the fund's marketing and distribution costs (an SEC "Rule 12b-1" fee). A "true" no-load mutual fund assesses no Rule 12b-1 fee. Even though Conway invests in no-load funds, clients will still pay management fees and other "indirect" fees and expenses as charged by each mutual fund in which they are invested in addition to those fees charged by Conway.

Closed end funds and other pooled investments vehicles have different expense structures. Client is advised to consult with Conway regarding the various fee structures.

All investing involves a risk of loss and the investment strategy offered by Conway could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including but not limited to:

□ Stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

## **Disciplinary Information**

Conway and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

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

Conway has no material outside affiliations and no outside financial industry activities which would pose a conflict of interest. Conway does not recommend other advisors for its clients.

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

Conway has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Conway and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and report on many types of personal securities transactions.

To avoid any potential conflicts of interest involving personal trades, Conway has adopted procedures, which include a formal code of ethics and insider trading policies and procedures. Conway's procedures require, among other things, that Employees:

- 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 interests of clients, and the interests of Conway 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 conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this 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 your professional competence and strive to maintain and improve the competence of other investment professionals;
- ☐ Comply with applicable provisions of the federal securities laws.

The policy also requires Employees to: 1) report personal securities transactions on at least a quarterly basis, and 2) provide Conway with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

Conway's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household.

Conway and its employees are permitted to buy and sell securities for their personal investments and to invest in mutual funds held by client accounts. In some cases, employees may buy or sell funds or securities that are also recommended to its clients. To govern such transactions, Conway has adopted an employee personal securities policy and procedure that outlines the timing and conditions under which employees may buy or sell funds or securities when such funds or securities are also held or traded by clients. The employee trading policy and procedure is designed to ensure that clients are not disadvantaged in any way by the personal securities transactions of its employees.

Employees may not "trade on" any knowledge he or she may have regarding the potential market impact of transactions entered on behalf of clients.

Conway holds client information in the strictest confidence and is mindful of the trust placed in it by clients. It is Conway's policy that no client information obtained by Conway is sold or made available to third parties for any reason except that:

- ☐ Third parties may be used by Conway to assist in the management or maintenance of client accounts (such as a custodian); and
- ☐ Client information may be released in accordance with applicable laws and regulations.

A copy of Conway's code of ethics is available upon request.



## Brokerage Practices

Brokers and dealers are selected based upon a number of factors, including: providing services of direct benefit to clients such as acting as custodian for the account, providing services that facilitate trading, performance evaluation and other information on securities, their inventory of securities and proven ability to execute, clear and settle transactions, their ability to commit capital, ability to report promptly and accurately, provide prompt and efficient delivery of securities, supply information on securities, including, but not limited to, written and oral research reports, economic and financial data and financial publications.

Conway has negotiated a favorable commission schedule for clients with the Fidelity Institutional Wealth Services division of Fidelity Investments (“Fidelity” or “Fidelity Institutional”), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Conway generally recommends that clients establish brokerage accounts with Fidelity. Conway does not share in commissions generated by client trades executed at Fidelity. Conway has managed client assets held at Fidelity for many years and has found Fidelity to offer good services at competitive prices. Although Conway may recommend that clients establish accounts at Fidelity, it is the client’s decision to custody assets with Fidelity or another custodian of the client’s choice. Conway is independently owned and operated and not affiliated with Fidelity.

Conway regularly invests directly in publicly traded equity securities and fixed income instruments. Relating to best execution and services rendered, Conway will periodically evaluate its primary broker-dealer / custodian to ensure that the overall relationship is satisfying certain key criteria, including:

- ☐ Reasonableness of transaction fees and charges
- ☐ Ability to maintain the confidentiality of trading intentions
- ☐ Timeliness of execution and settlement
- ☐ Timeliness and accuracy of trade confirmations
- ☐ Client reporting capability
- ☐ Custody services provided
- ☐ Financial condition
- ☐ Business reputation

Conway client accounts are managed separately. Conway may buy one security for certain clients and not others. Conway may continue to hold a security in one client account while selling it for another client account. This occurs when client guidelines, risk tolerances, or tax considerations mandate a buy or sale for a particular client. In some cases, consistent with client objectives and risk, Conway may purchase a security for one client while selling it for another.

Client trades may be executed at different times at different prices due to the timing of recommendations, certain security liquidity constraints, and specific client objectives, risk tolerances, or tax considerations.

While executing transactions for equities and closed end funds, Conway generally uses both market and limit orders. For fixed income transactions, Conway may or may not obtain multiple bids or offers.

Mutual funds purchased or recommended to clients may impose a redemption charge or similar fee, and the overall cost structure of each fund is evaluated through Conway's research process and prior to recommending it as an investment option for clients.

Conway receives certain products and services from Fidelity free of charge or at discounted rates.

- Fidelity provides Conway with access to its institutional trading and custody services, which are typically not available to Fidelity retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Fidelity Institutional. These services are not contingent upon Conway committing to Fidelity any specific amount of business (assets in custody or trading commissions). Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For Conway client accounts maintained in its custody, Fidelity generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts.

- Fidelity Institutional also makes available to Conway other products and services that benefit Conway but may not benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Conway's accounts, including accounts not maintained at Fidelity. Fidelity's products and services that assist Conway in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Conway's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

- Fidelity Institutional also offers other services intended to help Conway manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers.
- Fidelity may make available, arrange and/or pay third-party vendors for the types of services rendered to Conway. Fidelity Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Conway.
- Fidelity Institutional may also provide other benefits such as educational events or occasional business entertainment of Conway personnel. Conway does not believe that clients whose accounts are held by Fidelity bear any additional costs in connection with Conway's receipt of the products and services. However, Conway would not receive these products and services if client accounts were not held in custody and traded by Fidelity. In evaluating whether to recommend that clients custody their assets at Fidelity, Conway may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Fidelity, which may create a potential conflict of interest.

#### The Selection of Trading Counterparties

Conway can typically trade accounts held at Fidelity using other broker/dealers. However, Fidelity charges clients trade-away fees that Conway believes outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade Conway may solicit bids from several dealers and then executes the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Fidelity, Conway's approach is generally to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing or to transfer the bond to a fixed income Separate Account Manager who has access to dealers that offer sufficient liquidity and favorable pricing. Certain clients have requested Conway to execute all of its securities transactions through one registered representative at a particular broker-dealer. Such clients are cautioned on the following:

When possible, Conway will attempt to negotiate a more favorable fee schedule, but Conway cannot guarantee that client-directed broker commissions, transaction fees and other charges will be as beneficial as those charged other clients not requesting directed brokerage arrangements.

The execution price, commissions paid and the timing of trade execution may be negatively affected by directed brokerage arrangements.

#### Best Execution Reviews

On a periodic basis Conway evaluates the pricing and services offered by Fidelity and other trading counterparties with those offered by other reputable firms. Conway has sought to make a good-faith determination that Fidelity and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by Conway's receipt of products and services from Fidelity. Historically Conway has concluded that Fidelity is as good as, or better than, the other firms that have been considered. Conway would notify its clients if it were to determine that another firm offered better pricing and services than Fidelity.

#### Aggregated Trades

Conway does not aggregate most client trades. There are no model portfolios. Most Conway executions orders are placed individually. In an effort to treat all clients fairly, Conway alternates executions alphabetically on a rotating randomized basis. However, if an equity, ETF or closed-end fund is an investment in a majority of Conway client accounts, Conway typically will aggregate client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. If an order is partially filled, clients will have their orders fully filled on a randomized basis; Conway will seek to complete any unfilled client orders on the next trading day. Employees are excluded from bunched trades until all client orders are filled.

#### Client Referrals

Conway does not compensate Fidelity or any other custodian or broker/dealer for referring client accounts.

#### Trade Error Policy

Conway requires that its personnel carefully implement investment management decisions. Nevertheless, if a trade error occurs, it is Conway's policy that the error be corrected as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. Conway's policy prohibits its staff from requesting a broker-dealer to accept financial responsibility for a trade error caused by Conway's personnel in exchange for the promise of future compensation through commissions.

## **Review of Accounts**

Accounts under Conway's management are monitored on an ongoing basis by the Daniel Conway who acts as Investment Manager and the Chief Compliance Officer. Accounts are reviewed in detail on at least a quarterly basis, as well as in connection with each client meeting or more often as market conditions dictate. Conway recommends a yearly review with the client, either in person or by telephone. Clients may request quarterly or semi-annual reviews. Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Conway may supplement these custodial statements with reports provided quarterly during client meetings or as requested.

## **Client Referrals and Other Compensation**

Conway does not pay any compensation to another investment adviser in connection with that adviser's referral of a client to Conway.

Other than the previously described products and services that Conway receives from Fidelity, Conway does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Conway can access many clients' accounts through its ability to debit advisory fees. But because Conway has implemented safeguarding procedures, Conway is not deemed to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Conway.

## **Investment Discretion**

Conway has investment discretion over the majority clients' accounts. Clients grant Conway trading discretion through their signed Asset Management Agreement, which delegate discretionary authority that permits Conway to choose the:

1. Types of investments
2. The timing of any buys or sells
3. The broker-dealer to be used in the transaction
4. The commission rate to be paid to the broker-dealer that executes the transaction

Clients can place reasonable restrictions on Conway's investment discretion. For example, some clients have asked not to sell certain securities where the client has a particularly low tax basis.

## **Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, to avoid any potential conflicts of interest, Conway has adopted and implemented written policies and procedures governing the voting of client securities.

All Conway clients receive all proxies as well as any corporate documents such as annual reports. Clients vote with their own discretion without any input from Conway. All “Class Action” documents are received by the client.

The decision of whether to participate in the recovery or opt-out may be a legal one that Conway is not qualified to make for the client and is the client’s responsibility. As a courtesy to the client, Conway may assist the client in completing the “Class Action” documents; however, Conway will not file “Class Actions” on behalf of any client.

## **Financial Information**

Conway has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

## **Safe Guarding Procedures**

Conway will send a copy of quarterly invoices and a disclosure on how those fees are calculated to the custodian or trustee at the same time it sends a copy to the client.

Conway’s custodian sends quarterly statements to its clients show all disbursements for the custodian account, including the amount of advisory fees.

Conway’s clients provide written authorization permitting it to be paid directly for their accounts held by the custodian or trustee.

## **ITEM 19**

Daniel Conway attended George Washington University and graduated with a B.S. in Communications from Emerson College in 1985.

Daniel Conway founded Conway Capital Management in 2004. It is solely owned and operated by Daniel Conway. Prior to the founding of Conway Capital Management, Daniel Conway was a Vice President, Investments at Smith Barney where he began his career in the capital markets in 1993. Prior to his career in investments, Mr. Conway was a film executive at Paramount Pictures in 1990-1991. From 1987-1990, Mr. Conway was at J. Michael Bloom and Associates where he became a junior talent agent.

Mr. Conway and/or his firm Conway Capital has never had any disciplinary actions against them.

Mr. Conway has not engaged in any other business activities.

Mr. Conway serves as his own compliance officer at Conway Capital and oversees himself.

Mr. Conway nor his firm has ever been subject of a bankruptcy petition.