

# FORM ADV PART 2A

## FIRM BROCHURE

**March 31, 2015**

**Item 1. Cover Page**

This brochure provides information about the qualifications and business practices of Fairview Capital Investment Management, LLC ("Fairview Capital"). If you have any questions about the contents of this brochure, please contact us at (415) 464-4640. 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.

Fairview Capital is a registered investment adviser. Such registration does not imply any level of skill or training. Additional information about Fairview Capital is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

Since Fairview Capital's last brochure filed on March 31, 2014, we have made no material changes.

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**Item 4. Advisory Business**

Fairview Capital is an independent firm founded in March 1995 that provides investment advice and management to individually managed accounts and an investment limited partnership. Andrew F. Mathieson is the principal owner.

Fairview Capital manages separate accounts for high-net-worth individuals, trusts, pension and profit-sharing plans, charitable organizations, endowments, foundations, corporations and other businesses. After in-depth consultations, Fairview Capital creates diversified, customized portfolios structured to meet specific financial objectives. These portfolios include the following:

Separately Managed Accounts (SMA) – portfolios intended to hold equities, fixed-income securities (including cash and equivalents), or mutual funds and exchange-traded funds (“ETFs”) in varying proportions. The targeted asset allocation ranges are determined by the portfolio manager assigned to each portfolio in consultation with the client.

Wealth Management Accounts (WMA) – seek exposure to other asset classes beyond those included in our SMA portfolios. To achieve this goal, WMA portfolios may incorporate mutual funds and/or ETFs in addition to the mutual funds, ETFs and other securities held in SMA portfolios.

Fairview Capital acts as a general partner of an investment limited partnership. On behalf of this client, Fairview Capital invests principally in public equities, but also may include corporate bonds, convertible securities and preferred stocks. The investment limited partnership also may invest in government debentures, publicly-traded and over-the-counter options on market indices and individual securities (including covered and uncovered puts and calls), restricted securities that are not traded in public markets, futures, options on futures and commodity interests, swaps and other derivatives, other fixed-income securities, non-U.S. securities and money market instruments. It also may engage in short selling, margin trading, hedging and other investment strategies.

Fairview Capital holds a limited power of attorney to act on a discretionary basis with client funds. Client funds are deposited in either a brokerage firm or bank custodian account. As of December 31, 2014, Fairview Capital had \$1,567,713,063 in assets under management.

**Item 5. Fees and Compensation**

Fairview Capital believes that its fees are competitive with fees that other investment advisers charge for comparable services. Comparable services may be available, however, from other sources for lower fees than those charged by Fairview Capital. The specific manner in which Fairview Capital charges fees is established in a client’s written agreement. Such fees generally are payable quarterly in advance. Clients may elect to be billed for fees or to authorize Fairview Capital to directly debit fees from their accounts. Accounts initiated or terminated during a calendar quarter are charged a prorated fee. Except as may be negotiated otherwise in particular cases, a client may terminate an individually managed account by giving 30 days’ written notice. On termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. In all cases, expenses through the date of termination are charged to the account. Limited partners who withdraw from the investment limited partnership on a date other than the last day of a quarter do not receive a refund of the management fee paid to the partnership’s general partner in advance for that quarter, however.

Fairview Capital's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which are paid by the client. Clients may incur certain additional charges imposed by custodians, brokers and other third parties such as:

- custodial fees;
- deferred sales charges;
- odd-lot differentials;
- transfer taxes;
- wire transfer and electronic fund fees; and
- other fees and taxes on brokerage accounts and securities transactions.

Mutual funds and ETFs also charge internal management fees, which are disclosed in a fund's prospectus. The investment limited partnership also pays fees to its administrator. Such charges, fees and commissions are exclusive of and in addition to Fairview Capital's fee, and Fairview Capital does not receive any portion of these commissions, fees and costs.

Item 12 further describes the factors that Fairview Capital considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (such as commissions and mark-ups).

#### **Fee Schedule:**

Fairview Capital's compensation is negotiable and varies, but typically, Fairview Capital charges an annual fee based on the value of assets under management in a portfolio as set forth below:

1.00% of the value of the account up to and including \$5,000,000; plus 0.75% of the value of the account above \$5,000,000 and up to and including \$10,000,000; plus 0.50% of the value of the account above \$10,000,000.

For foundations, Fairview Capital generally provides a 20% eleemosynary discount to the above-listed fee schedules.

Fairview Capital generally requires a minimum of \$2,000,000 to open an individually managed account, but reserves the right to waive this minimum. Fairview Capital also reserves the right to assess an annual minimum account fee of \$10,000 for an individually managed account below \$2,000,000 in assets.

#### **Investment Limited Partnership**

Fairview Capital's compensation is negotiable and may vary, but typically consists of the following components for its investment limited partnership client.

##### **Management Fee**

Fairview Capital charges the partnership a quarterly management fee calculated as follows:

The applicable percentage is 0.25% for each quarter on the first day of which the investment limited partnership's aggregate assets under management advised by two of the partnership's portfolio managers, Scott Clark, its principal portfolio manager, or Ramsey Jishi, using the same or a similar strategy as the partnership is less than or equal to \$600,000,000.

In any quarter on the first day of which such aggregate assets exceed \$600,000,000, the percentage applicable to the amount of such aggregate assets that exceeds \$600,000,000 is 0.15%.

For example, if the investment limited partnership's assets under management managed by Scott Clark or Ramsey Jishi are \$700,000,000, the applicable management fee is (1) 0.25% of the first \$600,000,000, plus (2) 0.15% (approximately 0.60% annually) of \$100,000,000. The management fee is payable in advance based on the net market value of the investment limited partnership's assets on the first day of each quarter.

### **Special Profit Allocation**

The investment limited partnership offers two series of Interests, Series A and Series B. The series differ only in the special profit allocation that each pays as described below.

#### **Series A Limited Partners**

The special profit allocation for each Series A limited partner is 20% of the excess of (1) the profits (including unrealized appreciation and depreciation) allocable to that limited partner's Series A Interests, over (2) the sum of (a) the amount of profits that would have been generated by applying the Series A hurdle rate to those Series A Interests, plus (b) the cumulative amount that net profits related to those Series A Interests in prior periods have not exceeded the Series A hurdle rate (the loss recovery account discussed below). The Series A hurdle rate is equal to a blended index calculated as 50% of the Russell 1000 and 50% of the Russell 2000 Indices, both with dividends reinvested.

Because the Series A special profit allocation is determined based on the partnership's outperforming the Series A hurdle rate, which can be negative, a Series A special profit allocation might become due even if the partnership's assets have depreciated in value (for example, the Series A hurdle rate is down 20% but assets have only depreciated by 5%). In addition, a Series A special profit allocation might exceed capital appreciation (for example, the Series A hurdle rate is down 20% and assets have appreciated by 1%). Under such circumstances, (x) a Series A special profit allocation is only charged to the extent of net profits in the current period, and (y) for any part of a Series A special profit allocation that was not charged because of insufficient net profits, such part, as adjusted for any appreciation or depreciation that would have occurred if that amount was invested in the partnership, is charged in the next period when there is sufficient capital appreciation (a "special profit allocation carryforward"), even if no Series A special profit allocation is otherwise allocable in such subsequent period (because of failure to outperform the Series A hurdle rate).

If the partnership's net profits relating to a Series A limited partner do not exceed the Series A hurdle rate for a particular period, the partnership will establish a Series A loss recovery account for that limited partner, and will credit the Series A loss recovery account with an amount equal to the underperformance. The partnership will debit the Series A loss recovery account, but not below zero, with the aggregate amount by which the net profits allocable to such limited partner exceeds the Series A hurdle rate in each subsequent period, before any special profit allocation is charged.

For example, if on January 1, 2015, a Series A limited partner's capital account balance is \$1,000,000, that limited partner is allocated \$100,000 of losses in 2015, but pursuant to the Series A hurdle rate would have been allocated \$200,000 of losses, then the special profit allocation carryforward as of January 1, 2016, is \$20,000 (20% of the \$100,000 by which

losses exceed the hurdle rate losses). The Series A limited partner's capital account as of January 1, 2016, would be \$900,000, but the appreciation and depreciation on the special profit allocation carryforward would not be included solely for purposes of determining the Series A special profit allocation and Series A loss recovery account going forward, so for those purposes that Series A limited partner capital account would be deemed to be just \$880,000. If the partnership is up 10% in 2016 so that Series A limited partner's capital account (including the special profit allocation carryforward) is allocated \$90,000 of profits, but the Series A hurdle rate was 5% so the capital account (as reduced by the special profit allocation carryforward) would have been allocated \$44,000 (5% of \$880,000), then the special profit allocation loss carryforward as of December 31, 2016, would be \$22,000 (\$20,000 plus the 10% return on that account in 2016), which would then be charged as of December 31, 2016, and the partnership would also charge in 2016, 20% of \$44,000 (\$88,000 minus \$44,000), or \$8,800.

### **Series B Limited Partners**

The special profit allocation for each Series B limited partner is 20% of the excess of (1) the profits (including unrealized appreciation and depreciation) allocable to that limited partner's Series B Interests, over (2) the sum of (a) the amount of profits that would have been generated by applying the Series B hurdle rate to those Series B Interests, plus (b) the cumulative amount that net profits with respect to those Series B Interests in prior periods have not exceeded the Series B hurdle rate for those periods (the loss recovery account discussed below). The Series B hurdle rate is 6% per annum (approximately 0.5% per month, pro-rated for subscriptions made on any day other than January 1 and withdrawals made on or any day other than December 31).

If net profits relating to a Series B limited partner do not exceed the Series B hurdle rate for a particular period, the partnership will establish a Series B loss recovery account for that limited partner, and will credit the Series B loss recovery account with an amount equal to the underperformance. The partnership will debit the Series B loss recovery account, but not below zero, with the aggregate amount by which the net profits allocable to such limited partner exceeds the Series B hurdle rate in each subsequent period, before any special profit allocation is charged. The Series B loss recovery account will be proportionately adjusted to reflect redemptions.

For example, if as of January 1, 2015, a limited partner's capital account balance is \$100,000, its Series B loss recovery account is zero, it is allocated \$2,000 of net losses in 2015, but would have been allocated \$6,000 of net profits pursuant to the Series B hurdle rate, as of December 31, 2015, that Series B loss recovery account is \$8,000 and that limited partner's capital account balance would be \$98,000. If in 2016, the limited partner is allocated \$9,000 of net profits, but would have been allocated \$5,880 of net profits pursuant to the Series B hurdle rate (\$98,000 beginning capital account balance x 6%), no special profit allocation would be due and the Series B loss recovery account would be reduced by \$3,120 (\$9,000 net profits - \$5,880 Series B hurdle rate) to \$4,880.

### **General**

Both Series A and Series B special profit allocations are assessed annually in arrears and on a withdrawal with respect to the amount withdrawn. Fairview Capital complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in the investment limited partnership, to use the “alternative reporting option” to report Fairview Capital’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

### **Withdrawals**

Each limited partner has a liquid sub-capital account, to which is credited that limited partner’s interest in the partnership’s investments that generally are marketable. Each limited partner also has an illiquid sub-capital account to which is credited that limited partner’s interest in the partnership’s investments that Fairview Capital determines are illiquid. A limited partner may not withdraw from the illiquid sub-capital account. Each limited partner may, however, on at least 45 days’ advance notice, as of the last day of any fiscal quarter that ends on or after the day preceding the first anniversary of that limited partner’s admission to the partnership, withdraw 1/4 of its liquid sub-capital account balance, subject to the following limitations: if the limited partner makes withdrawals in consecutive quarters and withdraws the maximum 1/4 the first quarter, the limited partner may withdraw up to 1/3 of such balance the second quarter, up to 1/2 of such balance the third quarter and may withdraw the remaining balance in the fourth quarter. Thus, if a limited partner desires to withdraw all of its liquid sub-capital account, it will take at least four consecutive quarters fully to withdraw.

### **Termination**

The relationship with Fairview Capital’s investment limited partnership client may be terminated on the partnership’s dissolution in accordance to the terms of its partnership agreement, or on Fairview Capital’s withdrawal as general partner.

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

As noted in Items 4 and 5 above, Fairview Capital is general partner of an investment limited partnership that pays Fairview Capital performance-based compensation. Separately Managed Accounts and Wealth Management Accounts typically do not pay performance-based compensation. This structure creates a potential conflict of interest because the performance-based compensation payable by the investment limited partnership typically would result in higher fees to Fairview Capital than the fees of the Separately Managed and Wealth Management Accounts, giving Fairview Capital an incentive to favor the account that pays the higher fees. To address this potential conflict, Fairview Capital discloses it. In addition, except for investment ideas generated by the investment limited partnership’s investment team as disclosed in Items 8 and 11, Fairview Capital typically allocates investment opportunities that are appropriate for each strategy that it manages pro rata among the accounts that are managed using that strategy, based on each account’s assets. In addition, Fairview Capital has policies and procedures that require it to review client account investment allocations on a regular basis.

## **Item 7. Types of Clients**

Fairview Capital provides investment management services to high-net-worth individuals, trusts, pension and profit-sharing plans, charitable organizations, foundations, endowments, corporations or other businesses, and an investment limited partnership.

Fairview Capital generally requires a minimum of \$2,000,000 to open an individually managed account, but reserves the right to waive this minimum. Fairview Capital also reserves the right to assess an annual minimum account fee of \$10,000 for an individually managed account below \$2,000,000 in assets.

Limited partners in Fairview Capital's investment limited partnership client are required to invest a minimum of \$5,000,000, but the general partner reserves the right to waive this minimum.

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

Fairview Capital believes that active management, driven by unbiased research and analysis, will yield superior investment results over the long term. Fairview Capital's investment process consists of the following stages:

- \* **Independent due diligence.** Fairview Capital seeks to uncover fundamentally sound businesses at attractive values through a comprehensive evaluation of their industry growth prospects, competitive position, management experience and incentives, and financial standing. Only those companies meeting Fairview Capital's designated criteria pass to the next level of its process.

- \* **Thorough financial and valuation analysis.** Synthesizing the qualitative and quantitative factors from Fairview Capital's research into standard formats allows it to objectively measure a company's fundamentals. From there, Fairview Capital employs proprietary techniques to determine a security's fair value.

- \* **Deploying capital.** In line with Fairview Capital's long-term investment strategy to deliver superior risk-adjusted returns, it exercises strict discipline when deploying capital to initiate positions. After an investment clears the research and analysis hurdles, Fairview Capital tries to find compelling entry points. This often requires patience, which in the context of a multi-year time horizon—such as Fairview Capital's—generally proves rewarding.

- \* **Monitoring the position.** Once a position fully enters the portfolio, Fairview Capital actively tracks the progress toward its expected outcome. When disruptions occur, Fairview Capital's regimented process assists it in weighing potential actions. Ultimately, Fairview Capital replaces positions if its objective has been met, the investment thesis no longer applies, or a more compelling opportunity materializes.

In addition, the investment limited partnership seeks to generate attractive risk-adjusted returns over the long term and preserve capital by avoiding permanent impairments. The investment limited partnership aims to achieve these goals primarily by owning a concentrated portfolio of investments in high-quality businesses purchased at discounted valuations that provide a significant margin of safety. A small portion of the investment limited partnership's assets may be invested in a more opportunistic fashion to take advantage of shorter-term opportunities and asymmetric risk-reward opportunities. The investment limited partnership generally employs a 3-5 year investment horizon.

The investment strategies summarized above represent Fairview Capital's current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which Fairview Capital may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. Fairview Capital may use any trading or investment techniques, whether or not contemplated by the investment strategies described above. In addition, there are limitations in describing



any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, Fairview Capital may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

## **Risk Factors**

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that clients and investors should consider before investing in any account that Fairview Capital manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause clients and investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or investor may encounter. A potential investor in the investment limited partnership should review its offering circular carefully and in its entirety, and consult with the investor's professional advisers before deciding whether to invest. A potential client should discuss with Fairview Capital's representatives any questions that such person may have before opening an account.

\* Both the prices of and the income generated by investment securities held by Fairview Capital may decline due to general market conditions. This relates directly to the issuers of the securities held by Fairview Capital and also more to the market in general.

\* Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.

\* Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.

\* An account may hold stocks that disappoint earnings expectations and decline, and the investment limited partnership may short stocks that beat earnings expectations and rise.

\* Fairview Capital may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.

\* Changes in economic conditions can affect Fairview Capital's investments and prospects materially and adversely. These changes may include, for example:

- interest rates;
- credit availability;
- inflation rates;
- industry conditions;
- government regulation;
- competition;
- technological developments;
- political and diplomatic events and trends;
- tax and other laws; and
- innumerable other factors;

None of these conditions is within Fairview Capital's control and may not anticipate these developments. These factors may affect the volatility of securities prices and the liquidity of Fairview Capital's investments. Unexpected volatility or illiquidity could impair a client portfolio's profitability or result in losses.

\* An increase in interest rates usually causes the values of bonds and other types of debt securities to decline. Conversely, lower interest rate levels may drive an issuer to redeem or refinance a debt security before the stated maturity date. In that circumstance, Fairview Capital would face reinvestment of the proceeds into securities with lower yields than the original.

\* Fairview Capital actively manages all client portfolios. As a result, client portfolios face the risk that Fairview Capital's investment processes may not deliver the expected results. Consequently, the value of client portfolios may decline or even fall short of the results reported for benchmarks or comparable portfolios. At the same time, client portfolios depend on the skill and acumen of Fairview Capital's research and investment team. If the research and investment team should cease to participate in these activities, Fairview Capital's ability to select attractive investments and manage client portfolios could be severely impaired.

\* Fairview Capital selects portfolio investments based in part on information and data that the issuers of such securities file with various government agencies or make directly available to Fairview Capital, or that it obtains from other sources. Fairview Capital is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available. This could adversely affect the outcome of our investment process. Fairview Capital also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.

\* Fairview Capital may incorporate ETFs in client portfolios. ETFs are investment companies traded on an exchange and registered with the SEC that purchase and sell securities, such as stocks and bonds, under the direction of an investment adviser. Shareholders of an ETF generally bear all expenses of that fund, including fees of its investment adviser and custodian, brokerage commissions and legal and accounting fees. As a result, if Fairview Capital invests in ETFs, client portfolios will pay two levels of advisory compensation -- management fees to Fairview Capital, plus advisory fees charged by investment advisers of the ETFs. Such fees may result in higher costs than would be the case if a client were to invest directly in the ETFs purchased by Fairview Capital. As a result, clients' returns are less than the returns they would realize from engaging in the same activities directly.

\* Client portfolios are exposed to the credit risk of the counterparties with which, or the brokers, dealers, and exchanges through which, Fairview Capital manages their accounts. Client accounts may be subject to risk of loss of assets on deposit with a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of Fairview Capital, or the bankruptcy of an exchange clearing house.

\* Fairview Capital may invest in securities of non-U.S. private and government issuers. The risks of these investments include political risks, economic conditions of the country in which the issuer is located, limitations on foreign investment in any such country, currency exchange risks, withholding taxes, limited information about the issuer, limited liquidity, and limited regulatory oversight.

\* Fairview Capital may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if Fairview Capital holds a large position in an issuer's securities, it could depress the market for those securities.

\* Some of an account's positions may be or become illiquid, in which case Fairview Capital may not be able to sell such positions.

\* An account may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.

\* An account's investments may not be diversified. Therefore, a loss in any one position, industry, or sector in which the account has invested may cause significant losses.

\* Fairview Capital determines the pricing service used to value the securities held in client accounts (and commodities held by the investment limited partnership), whether or not a public market exists for such instruments. If Fairview Capital's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in the investment limited partnership might receive an interest that is worth less than the investor paid, and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.

\* An account may have higher portfolio turnover and transaction costs than a similar account managed by another professional adviser. These costs reduce investments and potential profit or increase loss.

\* Fairview Capital and its agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached Fairview Capital's fiduciary duty to the client or investor.

\* As discussed further in Item 11, if Fairview Capital invests for all appropriate clients in an investment idea that its investment limited partnership's research team originates, Fairview Capital may only purchase any such investment for other clients with the investment limited partnership's consent and after the investment limited partnership has completed buying its initial position in that investment. At any point, Fairview Capital may purchase or dispose of a material amount of such investment only with the investment limited partnership's consent. For this purpose, a material amount of an investment is 3% of the investment limited partnership's position in such investment.

\* If the assets that Fairview Capital manages grow too large, it may adversely affect performance, because it is more difficult for Fairview Capital to find attractive investments as the amount of assets that it must invest increases.

\* Federal, state and international governments may increase regulation of investment advisers, private investment funds, and derivative securities, which may increase the time and resources that Fairview Capital must devote to regulatory compliance, to the detriment of investment activities.

In addition to the foregoing risks, investors in Fairview Capital's investment limited partnership client face the following risks:

\* The investment limited partnership may engage in hedging, which may reduce profits, increase expenses, and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in potential losses on both the hedged security and the hedging instrument. Fairview Capital is not obligated to hedge the investment limited partnership's portfolio positions, and it frequently may not do so.

- \* The investment limited partnership sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase. Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. Fairview Capital could be subject to such actions, even if they are baseless, and investors in the investment limited partnership could incur substantial costs defending them.
- \* The investment limited partnership may use leverage by borrowing on margin, selling securities short, and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- \* The investment limited partnership may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- \* The investment limited partnership may enter into repurchase agreements or reverse repurchase agreements, which can have effects similar to margin trading and leveraging strategies.
- \* The investment limited partnership may lend securities to brokers and other institutions to earn additional income. If the other party becomes insolvent or bankrupt, the partnership could experience losses.
- \* The investment limited partnership and not Fairview Capital is responsible for any trade errors that Fairview Capital makes in the investment limited partnership's account, even when the error hurts the investment limited partnership.
- \* There is not and will not be an active market for investment limited partnership interests. It may be impossible to transfer any such interests, even in an emergency.
- \* The investment limited partnership may not be able to generate cash necessary to satisfy investor withdrawals. Substantial withdrawals in a short period could force Fairview Capital to liquidate investments too rapidly, and may so reduce the investment limited partnership's size that it cannot generate returns or reduce losses.
- \* The investment limited partnership may limit or suspend withdrawals of an investor's assets.
- \* The investment limited partnership may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- \* No investment limited partnership investor has been represented by separate counsel. The attorneys who represent Fairview Capital or its manager do not represent investors. Investors must hire their own counsel for legal advice and representation.
- \* Fairview Capital, an administrator, or any government agency may freeze assets that any of them believes an investor in the investment limited partnership holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of Fairview Capital, the investment limited partnership or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- \* The investment limited partnership does not intend to make distributions, but intends instead to reinvest substantially all income and gain. Therefore, an investor may have taxable

income from the investment limited partnership without a cash distribution to pay the related taxes.

\* If the investment limited partnership becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.

\* Fairview Capital may spend time on activities that compete with the investment limited partnership without accountability to investors, including investing for other clients and their own accounts. If Fairview Capital receives better compensation and other benefits from managing other assets or client accounts compared to managing the investment limited partnership, it has incentive to allocate more time to those other activities. These factors could influence Fairview Capital not to make investments on the investment limited partnership's behalf even if such investments would benefit the investment limited partnership.

\* The investment limited partnership may provide certain investors more frequent or detailed reports, special compensation arrangements, and withdrawal rights that it does not provide to other investors.

\* Fairview Capital is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator. Investment limited partnership interests are not registered under the Securities Act of 1933, and the investment limited partnership is not a registered investment company under the Investment Company Act of 1940. Fairview Capital believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, Fairview Capital and the investment limited partnership could be subject to expensive legal action and potential termination. In addition, investors in the investment limited partnership do not have certain regulatory protection that they would have if these registrations were in place.

\* The investment limited partnership's activities could cause adverse tax consequences to investors, including liability for interest and penalties.

\* The investment limited partnership's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.

**Item 9. Disciplinary Information**

Not applicable.

**Item 10. Other Financial Industry Activities and Affiliation**

Not applicable.

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

Fairview Capital has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which establishes standards of conduct for Fairview Capital's supervised persons. The Code of Ethics includes general requirements that Fairview Capital's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal

trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings annually to Fairview Capital's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to Fairview Capital's Compliance Officer. Each supervised person of Fairview Capital receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Current and prospective clients and investors may obtain a copy of Fairview Capital's Code of Ethics by contacting Fairview Capital.

Under the Code of Ethics, Fairview Capital and its members, managers, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of issuers whose securities subsequently are purchased for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To generally address this conflict, Fairview Capital and its members, managers, officers and employees are prohibited from trading for their own accounts any security that Fairview Capital buys or sells for client accounts on the same day that Fairview Capital purchases or sells that security for client accounts. In addition, such persons may not trade most securities for their own accounts without the prior written approval of Fairview Capital's Compliance Officer. Fairview Capital and its members, managers, officers and employees may, however, buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals that Fairview Capital does not deem appropriate to buy or sell for clients.

The investment strategy of Fairview Capital's investment limited partnership generally is more aggressive than that of other client accounts. Accordingly, Fairview Capital often makes investment decisions for the investment limited partnership that are riskier than those that would be appropriate for other client accounts and the investment limited partnership's portfolio tends to be different from those of other client accounts. From time to time, however, Fairview Capital invests for all appropriate client accounts in an investment idea that the investment limited partnership's research team originates. Because such ideas are developed for the investment limited partnership, Fairview Capital may only purchase any such investment for other client accounts with the investment limited partnership's consent and after the investment limited partnership has completed buying its initial position in that investment. At any point, Fairview Capital may purchase or dispose of a material amount of such investment only with the investment limited partnership's consent. For this purpose, a material amount of an investment is 3% of the investment limited partnership's position in such investment.

These investments may be illiquid, in which case, because the investment limited partnership purchases first, it is likely to make a proportionately larger investment in such investment than other client accounts, and to purchase such investments at a more favorable price. Because Fairview Capital must obtain the investment limited partnership's consent to sell a material amount of such an investment, other client accounts will likely sell such investment after the investment limited partnership, at a perhaps significantly lower price, and may not be able to sell such investment at all. If any such investment is profitable, the investment limited partnership is likely to enjoy proportionately greater profits than other client accounts. Likewise, if any such investment results in losses, the investment limited partnership is likely to incur proportionately smaller losses than other client accounts. The investment limited

partnership also may make a profit from such an investment while other client accounts suffer losses from the same investment.

Fairview Capital's principals have a significant portion of their net worth invested in the investment limited partnership. Further, the investment limited partnership pays Fairview Capital a special profit allocation based on its investment performance. Therefore, this arrangement presents a conflict of interest in that Fairview Capital's principals will receive greater benefits if the investment limited partnership has the opportunity to purchase and sell such investments at better prices than other client accounts and has less risk than those client accounts of being unable to sell such investments.

Fairview Capital solicits investors who may or may not be existing clients to invest in its investment limited partnership. Fairview Capital has an incentive to cause a client to invest in the investment limited partnership instead of an individually managed account because of the reduced expenses and administrative burdens of managing a fund compared to an individually managed account, Fairview Capital's performance compensation from the investment limited partnership receives more favorable tax treatment than that from an individually managed account, and limited partners have less transparency and liquidity than individual account clients. In addition, if an investment limited partnership investor also has an individually managed account with Fairview Capital that uses an investment strategy similar to that of the investment limited partnership, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional investment or withdraw assets from the investment limited partnership at times when other investment limited partnership investors would have made similar decisions had they had similar transparency. Fairview Capital discloses these conflicts of interest to clients and investors.

In addition to the conflicts of interest described above and in Item 8, Fairview Capital has other conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. Fairview Capital selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and tolerance for risk. They might also have different tax circumstances. Fairview Capital may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. Fairview Capital may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client. Fairview Capital is not obligated to acquire for any account any security that Fairview Capital or its managers, members or employees may acquire for its or their own accounts or for any other client, if in Fairview Capital's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

## **Item 12. Brokerage Practices**

Fairview Capital has complete discretion over the selection and amount of securities to be bought or sold for client accounts without obtaining specific client consent. Unless a client requests a specific broker, Fairview Capital also has complete discretion over selecting the broker that it uses for any client securities transaction and the commission rates that such broker is paid. In selecting a broker for any transaction or series of transactions, Fairview Capital may consider a number of factors, including, for example:

- net price, special execution capabilities, clearance, settlement, reputation;
- financial strength and stability;
- efficiency of execution and error resolution;

- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- order of call;
- offering to Fairview Capital on-line access to computerized data regarding clients' accounts;
- computer trading systems; and
- the availability of stocks to borrow for short trades.

Fairview Capital also may purchase from a broker or allow a broker to pay for the following (each, a "soft dollar" relationship):

- custody, recordkeeping and similar services;
- research reports, services and conferences, including third-party research fees;
- technical data;
- consultations;
- performance measurement data;
- on-line pricing;
- news wire charges;
- quotation services; and
- industry conference fees.

Fairview Capital may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms or direct a brokerage firm that executes transactions to share some of its commissions with a brokerage firm that provides soft dollar benefits to Fairview Capital. Soft dollar benefits are not limited to those clients who may have generated soft dollar credits.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to traditional standards of fiduciary duty under state and federal law. If Fairview Capital uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself, such payments may not fall within the section 28(e) safe harbor.

Fairview Capital may select a broker (which may be the prime broker for a client account) to act as a trading broker for that account. In such case, Fairview Capital or the trading broker may select the executing broker, and the trading broker would then place or manage the order. The client compensates trading brokers (through commissions or otherwise) for this trading service, in addition to the commissions the client pays to the executing brokers. As with all soft dollar arrangements, using a trading broker in this manner may cause clients to pay brokerage commissions, mark-ups and other transaction costs that are higher than might otherwise be available if brokers were selected based solely on lowest execution cost. In addition, using a trading broker (rather than an employee of Fairview Capital) to provide those services may result in lowering Fairview Capital's personnel expenses.

Fairview Capital may pay a broker a commission in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships provided by that broker if Fairview Capital determines in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships viewed in terms of either the specific transaction or Fairview Capital's overall responsibilities to the portfolios



that it manages. A client may pay higher brokerage commissions than are otherwise available, however, or may pay more brokerage commissions based on account trading activity. In addition, the research and other benefits resulting from a brokerage relationship benefit all accounts that Fairview Capital manages or Fairview Capital's operations as a whole, including clients who direct Fairview Capital to use a broker that does not provide soft dollar benefits. Fairview Capital does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

Fairview Capital's relationships with brokerage firms that provide soft dollar services influence Fairview Capital's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. Fairview Capital has an incentive to select or recommend a broker based on Fairview Capital's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that Fairview Capital uses soft dollars to pay expenses it would otherwise be required to pay itself.

Fairview Capital addresses these conflicts of interest by annually evaluating the trade execution services that it receives from the brokers that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers. Fairview Capital considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding brokers to or removing brokers from the list of brokers that it uses, increasing or decreasing targets for each broker and the appropriate level of commission rates.

Fairview Capital may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts that Fairview Capital manages. In such event, a client may be charged or credited the average price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if similar transactions were not being executed concurrently for other accounts. Fairview Capital also may cause a client to buy or sell securities directly from or to another client, if such a cross transaction is in the interests of both such clients.

If a client directs Fairview Capital to use a specific broker:

- Fairview Capital has not negotiated the terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker;
- Fairview Capital is not responsible for obtaining for the client from any such broker the best prices or commission rates;
- the client may not obtain rates as low as it might obtain if Fairview Capital had discretion to select brokers other than those chosen by the client;
- the client may not be able to participate in aggregate securities transactions; and
- the client may trade after such aggregate transactions and may receive less favorable execution.

Fairview Capital may direct a certain amount of brokerage to a broker in return for the broker's referral of prospective clients or investors. Directing brokerage to a broker in exchange for client or investor referrals creates a conflict of interest in that Fairview Capital has an incentive to refer its clients' brokerage business to brokers to which it might not otherwise direct brokerage transactions.

Fairview Capital formerly received client referrals from Charles Schwab & Co., Inc. (“Schwab”) through Fairview Capital’s former participation in the Schwab Adviser Network®. Although Fairview Capital no longer participates in this program, it is required to pay Schwab fees for each account referred by Schwab for so long as that account remains in custody at Schwab and is managed by Fairview Capital. Such fees are billed to Fairview Capital quarterly and may be increased, decreased, or waived by Schwab from time to time. Such fees are paid by Fairview Capital and not by the client. Fairview Capital does not charge such clients fees or costs greater than those that it charges clients with similar portfolios who were not referred by Schwab.

Most of Fairview Capital’s client accounts are held at Schwab. Because Schwab’s commissions are lower than other custodians, those clients generally pay lower commissions than client accounts held at other custodians. Further, Schwab’s trade-away fees are lower than other custodians so Fairview Capital can trade Schwab accounts at other brokers even if those accounts have to pay a trade-away fee. However, some clients have directed Fairview Capital to use a particular custodian other than Schwab because of the client’s relationship with that custodian or services that the client receives from that custodian. Clients whose accounts held at a custodian other than Schwab might trade through different brokers, at different times and at different (and possibly higher) prices than accounts held at Schwab. To mitigate this effect, when Fairview Capital makes aggregated trades on behalf of its separately managed accounts, it typically places one half of the order that is for clients whose accounts are held at Schwab, then trades for accounts that have directed it to use a particular broker, and then places the second half of the order for Schwab accounts.

In addition to the foregoing, Fairview Capital has retained Wells Fargo Prime Services, LLC (“Wells Fargo Prime”) and J.P. Morgan Clearing Co. (“JP Morgan”), to serve as the investment limited partnership’s prime services provider and prime broker/custodian pursuant to agreements between the investment limited partnership and those firms. Those agreements have provisions that limit those firms’ liability to the investment limited partnership and under which the investment limited partnership must indemnify them. Fairview Capital may replace these firms or appoint an additional prime broker or custodian at any time. The services that these firms currently provide may include:

- custody;
- margin financing;
- clearing;
- settlement; and
- stock borrowing in accordance with the terms of the agreements entered into between the investment limited partnership and these firms.

JP Morgan has custody of most of the investment limited partnership’s assets and Wells Fargo Prime and JP Morgan provide Fairview Capital with other services. These services may include:

- technology (such as internet access, IT support, Bloomberg connections, wireless networking, e-mail archiving and disaster recovery systems);
- capital introduction;
- portfolio reporting; and
- access to electronic communications networks.

Fairview Capital expects to use a substantial portion of these services for research and trading on behalf of the investment limited partnership and other accounts, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e).

Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if Fairview Capital did not receive these services from the investment limited partnership's prime broker and custodian, Fairview Capital would be required to pay for all or some of them. Fairview Capital is not required to direct a particular number of trades to Wells Fargo Prime or JP Morgan or to continue to use these firms as the investment limited partnership's prime broker and custodian, but it has an incentive to do so based on their prior and continued services.

The investment limited partnership's obligations to Wells Fargo Prime and JP Morgan and any other custodian are secured by a first priority perfected security interest in all of the investment limited partnership's assets held in custody by that custodian. A custodian may transfer to itself or any of its affiliates all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for its own purposes. If any such transfer occurs, the investment limited partnership will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the partnership may not be able to recover the investment limited partnership's securities in full. In addition, the investment limited partnership's cash held by a custodian may not be segregated from such custodian's own cash and the custodian or its affiliate may use such cash in the course of its business. If this were to happen, the investment limited partnership would rank as an unsecured creditor in relation to its own cash.

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

Each client account portfolio is regularly monitored and reviewed by the primary portfolio manager assigned to that portfolio. Fairview Capital provides a quarterly report and letter to each client or the client's designated representative stating performance and investment outlook. Investors in the investment limited partnership receive an audited financial statement each year and a quarterly letter reviewing the investment limited partnership.

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

Fairview Capital engages solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors.

#### **Item 15. Custody**

Clients who hold individually managed accounts with Fairview Capital should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Fairview Capital urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to clients. Our statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. As noted in Item 13, investors in the investment limited partnership receive audited financial statements each year.

Fairview Capital has custody of client assets in the following cases:

- Fairview Capital is authorized to debit quarterly fees for a client account;
- An employee serves as a trustee of a client account at the request of the client;
- Fairview Capital acts as a general partner of an investment limited partnership;
- and

- Fairview Capital has a standing letter of authorization from a client to transfer funds out of that client's account to fund capital calls for a private investment held by that client.

#### **Item 16. Investment Discretion**

Fairview Capital has discretionary authority to manage investment accounts on behalf of clients pursuant to a limited power of attorney in each client's account agreement or grant of authority in the partnership's limited partnership agreement. Except for the partnership, such discretion is limited by the requirement that clients advise Fairview Capital of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify Fairview Capital in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct Fairview Capital to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify Fairview Capital at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

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

Fairview Capital votes all proxies on behalf of each account over which it has proxy voting authority based on its determination of the best interests of that account. In determining whether a proxy proposal is in an account's best interest, Fairview Capital considers a number of factors, including the economic effect the proposal would have on shareholder value, the threat posed by the proposal to existing rights of shareholders, the dilution of existing shares that would result from the proposal, the effect the proposal would have on management or director accountability to shareholders, and, if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual. Fairview Capital may engage a proxy voting service to assist it in determining how and whether to vote some proxies for client accounts. Fairview Capital abstains from voting proxies when Fairview Capital believes that it is appropriate.

If a material conflict of interest over proxy voting arises between Fairview Capital and a client, Fairview Capital will vote all proxies in accordance with the policy described above. If Fairview Capital determines that this policy does not adequately address the conflict of interest, Fairview Capital will notify the client of the conflict and request that the client consent to Fairview Capital's intended response to the proxy solicitation. If the client consents to Fairview Capital's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, Fairview Capital will vote the proxy as described in the notice. If the client objects to Fairview Capital's intended response, Fairview Capital will vote the proxy as directed by the client.

A client or investor can obtain a copy of Fairview Capital's proxy voting policy and a record of votes cast by Fairview Capital on behalf of that client or the investment limited partnership by contacting Fairview Capital.

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

Not applicable.

## Privacy Policy

Fairview Capital and the investment limited partnership for which it serves as general partner:

(a) Collect non-public personal information about clients and investors from the following sources:

- Information received from clients or investors on applications or other forms; and
- Information about clients' or investors' transactions with Fairview Capital, its affiliates, or others.

(b) Do not disclose any non-public personal information about their clients or investors, or former clients or investors to anyone, except to service providers that perform services or functions for Fairview Capital and as required or permitted by law;

(c) Restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and

(d) Maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.

## Fairview Capital Guide to Services and Compensation Prepared for ERISA Plans

### Required Information Location(s)

REQUIRED DISCLOSURE	SOURCE
<ul style="list-style-type: none"><li>• Description of the services that Fairview Capital will provide to the Plan.</li></ul>	<ul style="list-style-type: none"><li>• Located in the Investment Management Agreement, section 1.</li></ul>
<ul style="list-style-type: none"><li>• Statements that Fairview Capital will be an ERISA fiduciary and is a registered investment adviser under the Investment Advisers Act of 1940.</li></ul>	<ul style="list-style-type: none"><li>• Located in the Investment Management Agreement, section 4(b).</li></ul>
<ul style="list-style-type: none"><li>• Direct compensation that Fairview Capital will receive from the Plan.</li></ul>	<ul style="list-style-type: none"><li>• Located in the Fee Schedule of the Investment Management Agreement.</li></ul>
<ul style="list-style-type: none"><li>• Indirect compensation that Fairview Capital will receive from other parties that are not related to us.</li></ul>	<ul style="list-style-type: none"><li>• Located in Fairview Capital's Form ADV 2A, Item 12.</li></ul>
<ul style="list-style-type: none"><li>• Compensation that will be paid among Fairview Capital and related parties.</li></ul>	<ul style="list-style-type: none"><li>• Not Applicable.</li></ul>
<ul style="list-style-type: none"><li>• Compensation Fairview Capital will receive if you terminate the Investment Management Agreement.</li></ul>	<ul style="list-style-type: none"><li>• Located in the Investment Management Agreement, section 6(c).</li></ul>
<ul style="list-style-type: none"><li>• Method of compensation that Fairview Capital will receive.</li></ul>	<ul style="list-style-type: none"><li>• Located in the Investment Management Agreement, section 9.</li></ul>