



**Part 2A of Form ADV: *Firm Brochure***

**Fairway Wealth Management LLC**

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This brochure provides information about the qualifications and business practices of Fairway Wealth Management LLC. If you have any questions about the contents of this brochure, please contact us at (216) 573-7200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Fairway Wealth Management LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 120296.

**Item 2: Material Changes**

We are required to disclose any material changes to our Firm Brochure since our most recently updated brochure dated 3/20/2013. Fairway Wealth Management's business activities have not changed materially since the time of that update. While there have been edits made to this Brochure as compared to our previous update, none of them are material in nature.

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## **Item 4: Advisory Business**

Fairway Wealth Management LLC is an independent, fee only, SEC-registered investment advisory and consulting firm, with its principal place of business located in Independence, Ohio. The firm was founded in June 2002 and we continue to be owned by our three original founders, who are:

- Daniel R. Gaugler, CEO and Managing Director
- Mark S. Weiskind, COO, Managing Director and Chief Compliance Officer
- Michael D. Benson

Mr. Gaugler and Mr. Weiskind are active employees of the company, serving as two of the lead advisors. Mr. Benson is an investor and "silent partner", who works separately in his own business (see more in Item 10).

Fairway Wealth Management LLC primarily provides advisory services to high net worth individuals and families. We also provide some advisory services to corporations and company sponsored retirement plans, most often when there is a relationship to one of our individual clients.

### **Services to High Net Worth Individuals and Families**

Our primary business is providing integrated wealth management and family office services to a select group of private clients. As described in further detail in Section 7, we usually work with clients of substantial wealth. As such, our expertise and services are targeted at clients typically with liquid portfolio assets between \$2 million and \$50 million.

Our clients often think of our firm as their personal CFO or financial quarterback. We tend to take the leadership role in:

- The analysis of their big picture goals
- The evaluation and assessment of financial strategies to achieve those goals
- The implementation of those strategies, and
- The ongoing oversight and adjustment of those strategies

For us to do our job most effectively, it is important that we are able to see our clients' entire financial picture. As such, we ask clients to share their whole financial situation with us, even if we are only providing specific advice on certain parts of it.

We believe the integration of three core factors - financial planning, investment planning, and estate planning - is the key to developing wealth strategies that maximize after-tax results for our clients. We also believe the ideal way to provide these integrated wealth management services is with advisors that have technical and client service expertise across each discipline; and to align our interests with the best interests of our clients to avoid conflicts of interest. To that end, Fairway Wealth Management is an independent, fee-only advisor with no ties to any specific products.

Our services to high net worth individuals and families can be grouped into two main categories.

### **Wealth Management Services**

These services are at the core of what we do. In this capacity, we service as a family's advocate and fiduciary, providing independent and comprehensive wealth management counsel. Our primary mission is to solve financial problems and provide overall advisory leadership.

Each client relationship starts with a process of understanding and quantifying that client's goals and assessing their specific needs. We then establish priorities and tasks and develop strategies to handle those tasks. Our approach integrates three core factors that impact the actual realization of wealth over time: financial planning, investment planning, and estate planning.

**Financial Planning:** Financial Planning is about quantifying goals, exploring alternatives, running numbers, and helping clients make informed decisions and manage cash flow needs today and in the future. It is also about the ways (other than investing) that we can optimize each client's financial position.

Financial Planning also involves assisting clients with their day-to-day financial decision making and coordination. Examples of these types of items include:

- Tax planning and coordination of quarterly tax estimates
- Analyzing the advantages of debt restructuring and re-financings
- Developing strategies to deal with stock options, deferred compensation, or other company-related incentive plans
- Reviewing property and liability insurance policies
- Assisting with any other questions or needs that arise on a day-to-day basis

***The actual financial planning services delivered are unique to the individual needs of each client.***

**Investment Planning:** We believe private, high net worth investors face many unique and often radically different challenges than those facing institutional investors. With a very significant percentage of the investable assets in the world being invested on behalf of institutions (i.e. pensions plans, foundations, retirement plans, etc.), those unique challenges often don't get the attention they deserve. Private investors must pay taxes; they have a variety of goals that change over time; they face uncertainty in both their cash flows and the markets; they, and those close to them, don't always act rationally; they are susceptible to higher costs and conflicts of interest in terms of product offerings; and they usually can't afford to make a big mistake.

As a result, our investment planning focuses directly on managing the unique challenges of the private investor. Our process begins with an assessment of the clients' goals, objectives and time horizon, all of which are typically identified in the Financial Planning process. We then focus on education about investment concepts, asset allocation, and asset location, and selection of investment managers and specific investment vehicles. At the culmination of that process, we agree upon an investment plan that serves as a guideline for decision-making. We then identify investment managers and select investment vehicles to implement that plan and provide ongoing reporting and monitoring to make sure that plan remains on track.

Additional detail about our investment strategies is detailed in Item 8 of this brochure.

**Estate Planning:** Estate Planning provides an opportunity for clients to not only shape their legacy, but also to protect their loved ones. Fairway Wealth Management helps determine whether financial accounts and real estate are appropriately titled, that beneficiaries have been properly recorded for insurance policies and retirement accounts, and that the right types and levels of insurance are in place. We are not attorneys, so we don't get involved in the actual drafting of estate documents. However, we help clients understand their existing estate documents, how they work, what they do, how they would be applied if needed. We provide ideas and strategies to enhance their legacies and meet their wealth transfer goals. We work alongside clients' attorneys to keep wills and trusts up to date and to create trusts and foundations that maximize benefits for individuals and charities while avoiding unintended negative consequences.

## **Family Office Services**

Certain clients are interested in having us get involved at an even deeper level than with our Wealth Management Services. While our wealth management suite of services can be compared to a personal financial quarterback, our family office services become a personal accounting department and concierge. This lets those clients who need this extra layer of service remain fully informed about the day-to-day activities related to their financial life without having to devote unnecessary time to handling administrative matters.

Our family office team typically provides the following services:

- Handling and paying bills
- Providing projections of future cash flow needs
- Representing the client's interests in day-to-day financial management
- Maintaining detailed records
- Oversight of charitable foundations, trusts and donor-advised funds
- Coordinating as needed with other advisors (accountants, attorneys, insurance agents, etc)

Handling these matters for our clients facilitates tax preparation and often enhances our ability to provide proactive advice in regard to financial, investment, and estate planning.

All our services to high net worth individuals and families are provided on a continuing and ongoing basis, based on the individual needs of each client. All wealth management services, including the management of client's investment accounts, are on a non-discretionary basis. We don't act unless our clients understand the action and give us approval to act on their behalf. As we are a non-discretionary advisor, clients may impose any restrictions they choose in terms of investing in certain securities, types of securities, or industry sectors.

Neither Fairway, nor any of its representatives, serves as an attorney, accountant, or insurance agent, and no portion of our services should be construed as such. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from us. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

In performing its services, Fairway Wealth Management shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely on that information received. It remains the client's responsibility to promptly notify us if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Fairway's previous recommendations and/or services.

As of December 31, 2013, Fairway Wealth Management provided services to affluent families with portfolio assets under management of approximately \$917 million.

## **Services to Companies and Company Sponsored Retirement Plans**

We serve as a consultant to companies and certain company sponsored retirement plans. Our primary mission with these services is to help the companies and their employees meet their fiduciary responsibilities by developing and maintaining a prudent process for the selection and oversight of the company's portfolio and/or the investment options offered in their retirement plans. We typically provide services to plan sponsors and providers in two phases:

### **Manager Review, Manager Selection and Investment Policy Development**

Clients may engage us to review their existing portfolio or retirement plan lineup and provide advice to improve or enhance their existing structure. We will review the allocation and/or managers currently in place, assess other allocations or manager options that could be available and suggest opportunities for improvement. Improvements could come through better performance, lower costs, or a broader and more diversified set of offerings for plan participants.

We also occasionally work with clients who are implementing new retirement plans or changing plan providers. If desired, we will assist the client in evaluating the investment-related merits of alternative providers being considered. We also assist clients in selecting the array of managers to be offered in the plan, from a list of managers available from the plan provider.

When applicable, we will work with the client to prepare an Investment Policy Statement (IPS) customized to meet the specific objectives and plan features of each client. The IPS is reviewed and signed by the client.

### **Ongoing Monitoring**

We assist corporations and retirement plan clients with the ongoing monitoring and due diligence of their assets and the managers offered in to retirement plan participants. Our firm prepares a periodic report (usually quarterly or semi-annually) which typically includes the following information:

- An analysis of the financial markets
- Review of current and historical allocations
- Summarized manager, peer group, and benchmark performance information
- Written analysis of notable manager activity (such as significant underperformance)
- Quantitative review of manager performance and style consistency
- Maintenance of watch list
- Recommendations on manager changes, if necessary

We typically meet with clients to review each periodic report. As part of the ongoing service, we also assist clients in making changes to their IPS and identifying, evaluating, and selecting new funds, as necessary.

The ongoing monitoring phase is provided on a continuing and ongoing basis, based on the individual needs of each client. Once again, all services are on a non-discretionary basis and clients may impose any restrictions they choose in terms of investing in certain securities, types of securities, or industry sectors.

## Item 5: Fees and Compensation

***As independent, fee-only advisors, the only compensation Fairway Wealth Management LLC receives is fees directly from our clients. We are not affiliated with any specific product and are not compensated in any way for the sale or placement of any product. We also receive no cash compensation from any non-client, nor do we accept any indirect compensation or material gifts that could influence our decisions.***

### Wealth Management Fees

When clients wish to engage us for Wealth Management Services, they will be required to sign an advisory agreement. This agreement describes our services, responsibilities, fees, and general business terms.

We will usually charge an asset-based fee for our services, billed quarterly in advance. While we recognize there is the potential for a slight inherent conflict of interest when fees are asset-based (for example, to pay off a mortgage using portfolio assets), our Code of Ethics and internal policies and procedures, require that the clients' interests must always come first.

Our asset-based fee schedule, charged as a percentage of assets under management, is as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$5 million	0.75% per year
Next \$5 million	0.50% per year
Amounts above \$10 million	0.25% per year

There are situations where charging fees based on a percentage of assets is not feasible. This could be due to difficulty in determining exactly which assets are under our management, or where the assets under management are not commensurate with the scope and needs of a particular client. In these cases, fees may be charged as a fixed annual retainer. The amount of any fixed annual retainer will be based on a variety of factors, including client size, complexity, and services requested, and will be reviewed on an annual basis.

There may also be limited situations when fees are charged on an hourly basis for a specific project. Any such fee arrangement will be documented in a separate service agreement to be signed by the client. Hourly fees may range from \$100 to \$400 per hour, based on the nature and complexity of the engagement and the associated professional of the firm who is providing the service. Any hourly fees will be billed periodically as services are performed.

Our minimum annual fee for ongoing wealth management services is \$15,000, which equates to the asset-based fee of a \$2 million portfolio. Although we have established the aforementioned fee schedule, we retain the sole discretion to charge a lesser fee and/or reduce or waive our stated minimum, based upon certain criteria. These criteria include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts and account composition, among other factors. The specific annual fee schedule is identified in our advisory agreement between Fairway Wealth Management LLC and each client.

We also may group certain related clients for the purposes of achieving the minimum account size requirements and determining the annualized fee.



## Companies and Company Sponsored Retirement Plan Fees

As with our Wealth Management Services, all services provided to companies and company-sponsored retirement plans require a signed advisory agreement describing our services, responsibilities, fees, and general business terms. We will charge either a fixed retainer or an asset-based fee for services to company or retirement plan clients. Given the varying nature of these relationships, we do not have an asset-based fee schedule that applies to our retirement plan clients. Fees are negotiated on a case-by-case basis.

Fairway Wealth Management LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Fairway Wealth Management LLC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. As it is our practice to never accept any commissions or any other form of product-related compensation, we consistently abide by these prohibited transaction rules.

## General Information Relating to All Fees

**Timing of Fees:** Fees are invoiced quarterly, in advance. When asset-based, fees are based on the market value of a client's assets under management as of the last day of the prior quarter. Fees for the first quarter of an engagement are payable in arrears and are prorated for the number of days that services were provided. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

**Payment of Fees:** Fees may either be deducted from clients' assets or billed directly to the client. It is at each client's discretion as to how they would like their fees to be paid.

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, upon written notice. Upon termination of an agreement, a pro-rata refund (by day) of any prepaid fees will be made to the client. Clients who terminate an agreement within five days of signing the agreement will be provided a full refund.

**Other Investment Fees Paid by Clients:** In addition to our fees described above, our clients have other expenses that are paid as part of the overall management of their assets.

- **Custodial and Brokerage Fees:** Clients are responsible for the fees and expenses charged by their custodians, including, but not limited to, any transaction charges imposed by the custodian at which we are effecting transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this brochure for additional information.
- **Mutual Fund/Money Manager/ETF Fees:** All fees paid to Fairway Wealth Management LLC for wealth management services are separate and distinct from the fees and expenses charged by the mutual funds, money managers and/or ETFs utilized by the client in the implementation of their portfolios. These fees and expenses are described in each manager/fund's separate agreement or prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Certain mutual funds may also impose a sales charge, though we will only utilize such a fund if the sales charge has been waived.

We put a significant premium on controlling client costs. We are often able to access for our clients money management products and institutional share classes of certain funds that a client wouldn't be able to access on their own. As a result, we generally believe that our clients' net money management costs are lower than they would be without our services. However, clients can invest in many of these investment vehicles directly. Accordingly, the client should review both the fees charged by the funds

and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

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

Performance based fees are fees that are computed based on a share of capital gains on or capital appreciation of the assets of a client. Fairway Wealth Management LLC **does not** charge any performance-based fees.

## Item 7: Types of Clients

Fairway Wealth Management LLC provides advisory services to the following types of clients, as defined by the SEC:

- High net worth individuals (defined as clients where we manage at least \$1 million of assets, or with a net worth of at least \$2 million)
- Individuals (other than high net worth individuals)
- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses

As of December 31, 2013, approximately 86% of our clients are high net worth individuals, 7% are other individuals, 1% are pension and profit sharing plans and 6% are corporations.

As previously disclosed in Item 5, our firm has established certain initial minimum fee requirements for our clients. For a more detailed understanding of those requirements, please review the disclosures provided in Item 5.

The general makeup of the portfolio values of our high net worth clients is currently as follows:

<b><u>Portfolio Value</u></b>	<b><u>% of Clients</u></b>
Under \$2 million	27%
\$2-10 million	54%
\$10 million+	19%

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

We do not analyze individual security issues (i.e. individual stocks and bonds) and, except as described below, do not recommend the purchase or sale of individual security issues. We do recommend separate account money managers, mutual funds and/or ETFs to implement the investment plans we formulate with our clients. We primarily utilize third party software vendor Morningstar, Inc. when researching managers and funds.

Our investment advice is based on a number of factors, including each client's investment objectives and financial goals, risk tolerance, investment time horizon, asset class preferences, liquidity needs, tax considerations, return expectations, and general economic conditions. As a result, there is no specific investment strategy that applies to all our clients, each client ends up with a unique strategy specific to their situation and needs.

We believe the dominant determinant of long-term, real-life investment returns is often the behavior of the investor himself in dealing with largely-controllable variables such as asset allocation, manager selection, costs, and taxes. That runs counter to most of the retail advisory world and the media which mainly sell market timing and security selection. We do not want our client's success to depend on anyone's near-term predictions about geopolitics, the economy, the stock market, or interest rates. A strategy reliant on constant guessing and changing imposes transaction costs, taxes, and a substantial added risk to any portfolio, the risk of being wrong repeatedly.

While we don't have a specific investment strategy that each client invests in, we do have a philosophy that guides our guidance and counsel. Some of our beliefs include:

- History teaches that optimism is actually realism. We maintain an optimistic view about the long-term future.
- Maintain a long-term time horizon, which breeds patience and discipline
- Be equity-oriented
- Be diversified, but not over-diversified; don't become an investment collector
- Allocate among 10-12 distinct asset classes and segments
- Smartly locate positions among taxable, tax-advantaged, and special purpose accounts
- Use low cost, tax-efficient products, except where costlier active management is compelling
- Stay full invested at all times
- Control costs, which are arguably the most reliable predictor of future performance
- Be active in managing taxes, investors can only spend after-tax dollars

In addition to our philosophy, we do have a general process that we follow with each client's portfolio, as follows:

- First, we run the financial planning numbers to define the portfolio's objectives
- We determine an appropriate and comfortable amount to keep in cash reserves
- We then focus on the assets eligible for a diversified, long-term investment plan
- We take a multi-dimensional approach to determining the right risk level for each client
- We define an asset allocation strategy consistent with the objectives and risk level identified

- Managers are selected for each prescribed asset class and segment exposure
- A custodian is selected and that role is intentionally segregated from the other roles
- The client approves trades in advance; then trades are made by Fairway
- Tactical adjustments, rebalancing, and tax-loss harvesting occur as opportunities arise
- Strategy is reviewed periodically and upon major changes in objectives or analytical inputs

As mentioned above, we do not analyze or recommend individual security issues such as stocks and bonds. However, we may make recommendations with respect to the purchase or sale of specific securities in the course of providing advice on tax and estate planning matters. For example, we may compare the consequences of gifting an individual security to charity and make recommendations for tax and financial planning reasons. Alternatively, we may analyze the purchase or sale of employer securities as part of an employee stock-option exercise program or a concentrated stock diversification program. These recommendations are determined primarily from risk, tax, cash flow and estate planning considerations rather than the intrinsic merits of the specific security as an investment.

We may also provide investment advice regarding unaffiliated private investment funds. Fairway, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Our role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of calculating our investment advisory fee. Our clients are under absolutely no obligation to consider or make an investment in a private investment fund(s). Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Fairway Wealth Management LLC does not represent, warrant or imply that the services or methods of analysis we use can or will predict future results, or insulate clients from losses due to market corrections or crashes. Investing in securities involves risk of loss and clients may experience periods when they lose money on their investments. We can not provide any guarantees that the client's goals or objectives will be achieved. And while as fiduciaries, we do promise that all advice will be given in the best interest of our clients, we can make no promises that the investment strategies we offer will provide a better return than other available investment strategies.

**Item 9: Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

One of Fairway Wealth Management's non-managing members, Michael D. Benson, is also the Chairman and CEO of Insurance Management Consultants Inc. (IMC), which is a member firm in M Financial Group. M Financial Group is a nationwide organization of approximately 100 life insurance firms that operates exclusively in the upper end of the wealth transfer and executive benefits market. Our firm operates separately and autonomously from IMC and Mr. Benson is not an active participant in the operations of Fairway Wealth Management or in the delivery of services to our clients. On the occasion where one of our clients may express an insurance need, we may suggest a consultation with IMC. However, our clients are under no obligation to meet with or purchase insurance products through IMC. If a client does purchase insurance products through IMC, our firm, including all of our employees, receive no form of compensation or benefit from IMC or any of its employees.



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

Fairway Wealth Management has developed a Code of Ethics that establishes rules of conduct for all employees of the firm and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that Fairway Wealth Management and its employees owe a fiduciary duty to our clients to conduct our affairs, including their personal securities transactions, in such a manner as to avoid:

- Serving their own personal interests ahead of clients,
- Taking inappropriate advantage of their position with the firm, and
- Any actual or potential conflicts of interest or any abuse of their position of trust and responsibility

The Code is designed to ensure that the high ethical standards long maintained by us continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of the firm continues to be a direct reflection of the conduct of each employee. Both Fairway Wealth Management and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that the firm has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

According to our Code of Ethics, our employees are subject to the following specific fiduciary obligations when dealing with clients:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to obtain best execution for a client's transactions where the Firm is in position to do so;
- The duty to ensure that investment advice is suitable to meeting the client's specific individual objectives, needs and circumstances; and
- A duty to be loyal to clients

In meeting our fiduciary responsibilities to our clients, we expect every employee to demonstrate the highest standards of ethical conduct for continued employment with our firm. Strict compliance with the provisions of the Code shall be considered a basic condition of employment. Employees are informed upon employment that a material breach of the provisions of the Code may constitute grounds for disciplinary action, including termination of employment.

Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

We do allow our members and employees to utilize the same money managers/funds/ETFs that are used for our clients. We put no restrictions on the timing of any such purchases. We do not believe the fact that employees and clients may utilize some of the same funds and/or managers results in any conflict of interest. These are diversified funds, where the individual security decisions are managed by third parties, so there are no potential insider trading issues. We do not do any bulk trading, so we do not expect any of our trades to have any material impact on the price of any

particular investment product. We do not receive any fees or other economic benefit from the investment products that are recommended for our clients. Accordingly, we do not prohibit our personnel from utilizing these products.

In addition, as part of our internal control procedures, we require certain employees to report on a quarterly basis certain transactions executed by the employee or any immediate family member during the previous quarter. These reports are reviewed each quarter by our Chief Compliance Officer.

A copy of our Code of Ethics is available upon request to any of our clients and prospective clients.

## Item 12: Brokerage Practices

We do not require clients to establish brokerage accounts with any specific broker-dealer. We do recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab for reasons stated below, it is completely at the client's discretion to decide where they want to custody assets. Fairway Wealth Management LLC is independently owned and operated and not affiliated with Schwab.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab'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 our client accounts maintained in its custody, Schwab does not charge separately for custody services. It is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Advisor Services also makes available to our firm other products and services that benefit us but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

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

- compliance, legal and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Advisor Services 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 our firm. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that clients custody their assets at Schwab, we 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 we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

As a fiduciary, we endeavor to act in our clients' best interests, and we believe that our relationship with Schwab Advisor Services does not present any conflicts of interest that could have a negative impact on a client. Rather, we believe clients are advantaged by utilizing Schwab's services. Schwab's suite of available investment products is as broad as any broker-dealer we are aware of. The commission structure our clients have access to with Schwab Advisor Services is "institutional" in nature, providing certain discounts from the retail commission schedule of Charles Schwab & Co. Our clients also have access to certain product offerings that typically have front or deferred loads, where those loads are waived, along with access to certain institutional product offerings typically only available to investors that can commit very large dollars (often \$1 million or more).

Despite the advantages of using Schwab, as stated above, we do not require clients to use Schwab and welcome clients to direct brokerage to other custodians that may better meet their needs or preferences. However, in those situations, there may be disadvantages and certain limitations. The client may pay higher brokerage commissions or not have access to certain investment products. Depending on the custodian, we may not be able to execute transactions on their behalf, or if we can, we may not receive as favorable of an execution. When possible, we will attempt to provide a comparison of the cost structure of the client's recommended portfolio if it was held at Schwab, as compared to the client's chosen custodian.

As a matter of policy and practice and because of the unique nature of each client portfolio, we do not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Our Chief Compliance Officer, Mark S. Weiskind, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any perceived conflict of interest such arrangement may create.

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

### **Review of Accounts Process**

For those clients where we provide ongoing investment advisory services (which is most clients), reviews of client accounts will be conducted at least quarterly. Reviews are performed by each client's lead advisor, currently Daniel Gaugler, Mark Weiskind, Terry Waye or CJ Avarello. Beyond the normal quarterly review, account reviews may be triggered by any or more of the following events, including a specific client request, changes in a client's individual circumstances, an issue with any of a client's money managers, or a material economic or political event that could affect a client.

For high net worth individuals and families, typical elements of a quarterly review include:

- An overview of the market environment for that quarter
- An assessment of a client's actual asset allocation as compared to the strategic allocation targets
- A review and reconciliation of overall portfolio performance, both current and historical
- An assessment of the performance of each manager/fund/ETF the client is utilizing
- Proposed trades, as necessary, to rebalance the portfolio, manage cash flows, or update underlying managers

For retirement plan clients, quarterly reviews typically include:

- A review of the plan's allocation
- A review of each of the funds offered in the plan
- A performance review of each fund in the plan

Quarterly reviews are typically conducted in a face-to-face meeting with clients or over the phone, depending on the client's preference.

### **Reporting Provided to Clients**

Investment advisory services clients will receive a consolidated report from us, either quarterly or semi-annually, which includes all accounts under our advisement. For high net worth individuals and families, these reports will generally include:

- A review of the capital markets for the period
- A portfolio performance summary, which includes an account reconciliation and net rate of return for both the quarter and various periods of time since a client's inception with us
- A quarterly performance history review
- A summary of performance by position (i.e. by manager/fund/ETF)
- A summary of holdings, including position names, units, value and costs basis
- A review of actual allocation as compared to target allocation

Additional reporting is available upon client request, or as deemed valuable by us for a specific client situation. In addition to the quarterly or semi-annual reports that we provide, clients will also receive monthly or quarterly statements directly from their custodian or retirement plan sponsor.

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

It is Fairway Wealth Management LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Fairway Wealth Management LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## Item 15: Custody

### Fee Deductions

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

### Custody

Fairway Wealth Management does not typically take custody of any assets. We urge all our clients to use a qualified custodian to custody each of their portfolio assets. However, there are certain situations where we as a firm are deemed to have custody. They include:

- When we have check-writing authority over an account (which we sometimes do as part of our family office services)
- When a member or employee of the firm serves as trustee for a client account
- When we have a client's direct login credentials to a custodian's website **and** the site allows the user to distribute assets from the account without any additional authorization

As a result of being deemed to have custody of certain accounts, we are required to undergo an annual surprise audit of our clients' accounts by a certified public accounting firm.

Whether we are deemed to have custody or not, in addition to the quarterly or semi-annual reports that we provide (as described in Item 13), clients also receive statements on a monthly or quarterly basis directly from their custodians. Clients should rely on the actual statements received directly from account custodians to confirm actual holdings and we urge clients to compare the information in our reports to those account statements received directly from the custodian.

**Item 16: Investment Discretion**

As previously disclosed in Item 4 of this brochure, our firm does not take discretion over client accounts. We will provide recommendations about specific managers and funds and suggest which investment products we believe the client should use. We will also suggest which dollar increment we propose buying or selling a certain product. However, we have no discretionary authority to determine which managers or funds clients utilize or in what increment. All transactions must first be approved by the client, either verbally or in writing. Clients typically do execute a Limited Power of Attorney (LPOA) with their chosen custodian, which allows us to execute transactions for them, upon their approval.



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

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each account custodian to forward copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18: Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that in limited situations is deemed to have custody, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Fairway Wealth Management LLC has no additional financial circumstances to report.

Fairway Wealth Management LLC has not been the subject of a bankruptcy petition at any time during the past ten years.

**ANY QUESTIONS:** Our Chief Compliance Officer, Mark S. Weiskind, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.