

Fairway Financial, LLC

Brochure

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This Brochure provides information about the qualifications and business practices of Fairway Financial, LLC (“Fairway Financial”). If you have any questions about the contents of this Brochure, please contact us at (407) 628-0850 or Rain@myfairwayfinancial.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Fairway Financial, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Fairway Financial, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to Fairway Financial, LLC.'s disclosure statement since last year's Annual Amendment filing on March 22, 2011.

Item 3 Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business.....	3
Item 5	Fees and Compensation.....	5
Item 6	Performance-Based Fees and Side-by-Side Management.....	7
Item 7	Types of Clients.....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9	Disciplinary Information.....	10
Item 10	Other Financial Industry Activities and Affiliations.....	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12	Brokerage Practices.....	11
Item 13	Review of Accounts.....	13
Item 14	Client Referrals and Other Compensation.....	14
Item 15	Custody.....	14
Item 16	Investment Discretion.....	15
Item 17	Voting Client Securities.....	15
Item 18	Financial Information.....	15
Item 19	Requirements for State-Registered Advisers.....	16

Item 4 **Advisory Business**

- A. Fairway Financial is a limited liability company formed on February 25, 2005 in the State of Florida. Fairway Financial became registered as an Investment Adviser Firm in January 2010. Fairway Financial is owned by Rain Hughes and John Joseph DiDomenico, Fairway Financial's Managing Members.
- B. As discussed below, Fairway Financial offers to its clients (individuals, business entities, and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

The client can determine to engage Fairway Financial to provide discretionary investment advisory services on a *fee* basis. Fairway Financial's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Fairway Financial's management (between negotiable and 1.35%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Less Than - \$499,999	1.35%
\$500,000 - \$999,999	1.20%
\$1,000,000 - \$1,999,999	1.05%
\$2,000,000 – and up	0.85%

Fairway Financial's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Fairway Financial), Fairway Financial may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, Fairway Financial *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Fairway Financial's planning and consulting fees are negotiable, but generally range from \$850 to \$2,750 on a fixed fee basis, and from \$225 to \$325 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Fairway Financial to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Fairway Financial setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Fairway Financial commencing services. If requested by the client, Fairway Financial may recommend the services of other professionals for implementation purposes, including Fairway Financial's representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (***See*** disclosure at Item 10 C.1 and 10 C.8). 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 Fairway Financial. **Please Note:** 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. **Please Also Note:** It remains the client's responsibility to promptly notify Fairway Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Fairway Financial's previous recommendations and/or services.

MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent requested by the client, Fairway Financial *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Fairway Financial, nor any of its representatives, serves as an attorney, or accountant, and no portion of Fairway Financial's services should be construed as same. To the extent requested by a client, Fairway Financial may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of Fairway Financial in their separate registered/licensed capacities as discussed below. 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 Fairway Financial. **Please Note:** 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. **Please Also Note:** It remains the client's responsibility to promptly notify Fairway Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Fairway Financial's previous recommendations and/or services.

Independent Managers. Fairway Financial may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Fairway Financial shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Fairway Financial shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

Client Obligations. In performing its services, Fairway Financial 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 thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Fairway Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Fairway Financial's previous recommendations and/or services.

Disclosure Statement. A copy of Fairway Financial's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

- C. Fairway Financial shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Fairway Financial shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Fairway Financial's services.
- D. Fairway Financial does not participate in a wrap fee program.
- E. As of December 31, 2011, Fairway Financial had \$65,489,000 in assets under management on a discretionary basis and \$4,029,000 on a non-discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage Fairway Financial to provide discretionary investment advisory services on a *fee* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage Fairway Financial to provide discretionary investment advisory services on a *fee* basis, Fairway Financial's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Fairway Financial's management (between negotiable and 1.35%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Less Than - \$499,999	1.35%
\$500,000 - \$999,999	1.20%
\$1,000,000 - \$1,999,999	1.05%
\$2,000,000 – and up	0.85%

Fairway Financial's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Fairway Financial), Fairway Financial may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, Fairway Financial *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Fairway Financial's planning and consulting fees are negotiable, but generally range from \$850 to \$2,750 on a fixed fee basis, and from \$225 to \$325 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have Fairway Financial's advisory fees deducted from their custodial account. Both Fairway Financial's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Fairway Financial's investment advisory fee and to directly remit that management fee to

Fairway Financial in compliance with regulatory procedures. In the limited event that Fairway Financial bills the client directly, payment is due upon receipt of Fairway Financial's invoice. Fairway Financial shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Fairway Financial shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Fairway Financial's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Fairway Financial's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Fairway Financial does not generally require an annual minimum fee or asset level for investment advisory services. Fairway Financial, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Fairway Financial and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Fairway Financial shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Fairway Financial's representatives, in their individual capacities, as registered representatives of *Calton & Associates, Inc.* ("*Calton*"), an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *Calton*, *Calton* will charge brokerage commissions to effect securities transactions, a portion of which commissions *Calton* shall pay to Fairway Financial's representatives, as applicable. The brokerage commissions charged by *Calton* may be higher or lower than those charged by other broker-dealers. In addition, *Calton*, as well as Fairway Financial's Representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *Calton* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Fairway Financial's representatives. **Fairway Financial's Chief Compliance Officer,**

Rain Hughes, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

2. **Please Note:** Clients may purchase investment products recommended by Fairway Financial through other, non-affiliated broker dealers or agents.
3. Fairway Financial does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products Fairway Financial recommends to its clients.
4. When Fairway Financial's representatives sell an investment product on a commission basis, Fairway Financial does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Fairway Financial's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However,** a client may engage Fairway Financial to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Fairway Financial's representatives on a separate commission basis.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither Fairway Financial nor any supervised person of Fairway Financial accepts performance-based fees.

Item 7 Types of Clients

Fairway Financial's clients shall generally include individuals, business entities and charitable organizations. Fairway Financial does not generally require an annual minimum fee or asset level for investment advisory services. Fairway Financial, in its sole discretion, may charge a lesser investment management fee or require a minimum asset level based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Fairway Financial may utilize the following methods of security analysis:
 - **Charting** - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
 - **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - **Technical** – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
 - **Cyclical** – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Fairway Financial may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days) Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Fairway Financial) will be profitable or equal any specific performance level(s).

- B. Fairway Financial's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Fairway Financial must have access to current/new market information. Fairway Financial has no control over the dissemination rate of market information; therefore, unbeknownst to Fairway Financial, certain analyses may be compiled with outdated market information, severely limiting the value of Fairway Financial's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Fairway Financial's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Fairway Financial may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the

original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by Fairway Financial in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Fairway Financial may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to Fairway Financial. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Fairway Financial shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Fairway Financial is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Fairway Financial, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Fairway Financial primarily allocates client investment assets among various individual equity (stocks), and fixed income securities, on a discretionary basis in accordance with the client's designated investment objective(s).

Independent Managers. Fairway Financial may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Fairway Financial shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Fairway Financial shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

Item 9 Disciplinary Information

Fairway Financial has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. **Registered Representative of Calton.** As disclosed above in Item 5.E, certain of Fairway Financial's representatives are also registered representatives of *Calton*, an SEC Registered and FINRA member broker-dealer.
- B. Neither Fairway Financial, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
1. **Broker Dealer.** As disclosed above in Item 5.E, certain of Fairway Financial's representatives are registered representatives of *Calton*, an SEC Registered and FINRA member broker-dealer. Clients can choose to engage Fairway Financial's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.
 8. **Licensed Insurance Agents.** Certain representatives of Fairway Financial, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Fairway Financial's representatives to purchase insurance products on a commission basis.
 - **Conflict of Interest:** The recommendation by Fairway Financial's representatives that a client purchase a securities or insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment and/or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Fairway Financial's representatives. Clients are reminded that they may purchase insurance products recommended by Fairway Financial through other, non-affiliated broker-dealers or insurance agents. **Fairway Financial's Chief Compliance Officer, Rain Hughes, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
- D. Fairway Financial does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Fairway Financial maintains an investment policy relative to personal securities transactions. This investment policy is part of Fairway Financial's overall Code of Ethics, which serves to establish a standard of business conduct for all of Fairway

Financial's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

Fairway Financial also maintains and enforces policies reasonably designed to prevent the misuse of material non-public information by Fairway Financial or any person associated with Fairway Financial.

- B. Neither Fairway Financial nor any related person of Fairway Financial recommends, buys, or sells for client accounts, securities in which Fairway Financial or any related person of Fairway Financial has a material financial interest.
- C. Fairway Financial and/or representatives of Fairway Financial *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Fairway Financial and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Fairway Financial did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Fairway Financial's clients) and other potentially abusive practices.

Fairway Financial has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Fairway Financial's "Access Persons". Fairway Financial's securities transaction policy requires that an Access Person of Fairway Financial must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Fairway Financial selects; provided, however that at any time that Fairway Financial has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Fairway Financial and/or representatives of Fairway Financial *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Fairway Financial and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Fairway Financial has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Fairway Financial's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that Fairway Financial recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Fairway Financial to use a specific broker-dealer/custodian), Fairway Financial generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Fairway Financial to provide investment management

services, the client will be required to enter into a formal *Investment Advisory Agreement* with Fairway Financial setting forth the terms and conditions under which Fairway Financial shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Fairway Financial considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Fairway Financial, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Fairway Financial's clients shall comply with Fairway Financial's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Fairway Financial determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Fairway Financial will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Fairway Financial's investment management fee. Fairway Financial's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Fairway Financial may receive from *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Fairway Financial to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Fairway Financial may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Fairway Financial in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Fairway Financial in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Fairway Financial to manage and further develop its business enterprise.

Fairway Financial's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Fairway Financial to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Fairway Financial's Chief Compliance Officer, Rain Hughes, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. Fairway Financial does not receive referrals from broker-dealers.
3. Fairway Financial does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Fairway Financial will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Fairway Financial. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Fairway Financial to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Fairway Financial.

Fairway Financial's Chief Compliance Officer, Rain Hughes, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that Fairway Financial provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Fairway Financial decides to purchase or sell the same securities for several clients at approximately the same time. Fairway Financial may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Fairway Financial's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Fairway Financial shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Fairway Financial provides investment supervisory services, account reviews are conducted on an ongoing basis by Fairway Financial's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Fairway Financial of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Fairway Financial on an annual basis.

- B. Fairway Financial *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Fairway Financial may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, Fairway Financial may receive an indirect economic benefit from *Schwab*. Fairway Financial, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

Fairway Financial's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Fairway Financial to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Fairway Financial's Chief Compliance Officer, Rain Hughes, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. Fairway Financial does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

Item 15 Custody

Fairway Financial shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Fairway Financial may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that Fairway Financial provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Fairway Financial with the account statements received from the account custodian.
Please Also Note: The account custodian does not verify the accuracy of Fairway Financial's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage Fairway Financial to provide investment advisory services on a discretionary basis. Prior to Fairway Financial assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Fairway Financial as the client's attorney and agent in fact, granting Fairway Financial full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Fairway Financial on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Fairway Financial's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Fairway Financial's use of margin, etc.).

Item 17 Voting Client Securities

- A. Fairway Financial does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities 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.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Fairway Financial to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. Fairway Financial does not solicit fees of more than \$500 per client, six months or more in advance.
- B. Fairway Financial is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Fairway Financial has not been the subject of a bankruptcy petition.

Item 19 Requirements for State-Registered Advisers

- A. Rain Hughes and John Joseph DiDomenico are Fairway Financial's Principals. For more information about the above individuals, please see the Brochure Supplements to Fairway Financial, LLC.
- B. Fairway Financial, LLC is not engaged in any other business than as set forth in this Brochure.
- C. Neither Fairway Financial, LLC, nor its representatives, accepts performance-based fees.
- D. Neither Fairway Financial, LLC nor its representatives, has been the subject of any disciplinary actions.
- E. Neither Fairway Financial, LLC, nor its representatives, has any relationship or arrangement with any issuer of securities.

ANY QUESTIONS: Fairway Financial, LLC's Chief Compliance Officer, Rain Hughes, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.