

**COVER PAGE**

**FAIRPORT ASSET MANAGEMENT**

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This brochure provides information about the qualifications and business practices of WealthTrust FAIRPORT, LLC ("FAIRPORT"). If you have any questions about the contents of this brochure, please contact Paul A. Zappala at 216-431-3845 or **Contact\_us@FairportAsset.com**. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any State Securities Authority.

Additional information about FAIRPORT also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

FAIRPORT is registered with the SEC. However, this registration, while required by law, does not indicate any established or set level or skill or training on our part.

**MATERIAL CHANGES**

This section only discusses any material changes to our Form ADV Part 2A disclosure document which we will refer to in this document as the brochure. Since the date of our last annual update to this brochure which was March 27, 2013, there has been one material changes to the information in this brochure. A new disclosure with in the section "CLIENT REFERRALS AND OTHER COMPENSATION" recognizes Heather Ettinger's participation on "Schwab Advisor Services Advisory Board".

## TABLE OF CONTENTS

Advisory Business, Fees and Compensation.....	3
Performance-Based Fees and Side-By-Side Management.....	8
Types of Clients.....	8
Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Disciplinary History.....	9
Other Financial Industry Affiliations.....	9
Code of Ethics, Participation or interest in Client Transactions and Personal Trading.....	10
Brokerage Practices.....	11
Review of Accounts.....	16
Client Referrals and Other Compensation.....	16
Custody.....	18
Investment Discretion.....	18
Voting Client Securities.....	18
Financial Information.....	19

## ADVISORY BUSINESS/FEEES AND COMPENSATION

Our current legal structure was created in 2007 but we trace our roots back to 1963 with the forming of Roulston and Company which merged with The Hickory Group founded in 1988 to create our predecessor firm. We provide the high-net worth community with a broad range of Wealth Management Services. We are focused on finding solutions to clients' unique needs. We lead the coordinated implementation of our client's investment, retirement, tax and estate plans. As such, our advice is tailored to a client's needs and objectives. FAIRPORT is paid on a fee basis – we do not receive transaction commissions and we do not receive third-party compensation. FAIRPORT's core wealth management services are: Asset Allocation, Investment Management, Net Worth, and Cash Flow.

*Asset Allocation Strategies* - We assist clients with simplifying their financial affairs with the goal of achieving a comprehensive investment strategy. We summarize and review current asset allocation and recommend an investment allocation that places a premium on asset classes, not specific securities. We use non correlated or low correlated asset classes in an effort to help minimize volatility and seek year over year returns.

*Investment Management* - FAIRPORT's Investment Team offers diversified portfolio choices that serve a broad range of risk profiles and are aligned with an individual's life goals. We seek to determine what is the most appropriate investment style or styles for client taxable and tax deferred assets.

*Net Worth Statement* - We prepare a detailed personal net worth statement. This tool is the main information source as to what a client owns, how assets are titled (husband, wife, trusts, family partnerships, etc.), and what liabilities have claims on the assets. We break down assets between cash, liquid investment accounts, retirement accounts, illiquid assets, real estate, life insurance, and liabilities.

*Cash Flow Analysis* - Clients find this analysis particularly useful in planning future flows of income, expenses, and asset growth. We build rates of return into the assets, inflation rates into the expense items, and incorporate nonrecurring events in the specific years when they are planned to occur. For example, college for children or grandchildren can be built into the expense section for a specified period.

*Wealth Management Services:* Clients of FAIRPORT generally receive the core services described above as integral to their client relationship. As part of these core services, FAIRPORT has discretionary management responsibility over defined client assets. Client assets are invested in a Managed Account. Managed Accounts are generally invested per an Investment Policy Statement which describes the general asset allocation/risk parameters of the portfolio which is constructed based upon each client's individual investment needs and objectives. The client can impose restrictions on our ability to implement particular types of investments or investment strategies during this process. The Investment Policy Statement is based upon a discussion with the client, taking into consideration such factors as the client's financial needs, time horizon, risk tolerance, and liquidity needs. Managed Accounts generally hold individual securities, in addition to generally holding other assets such as mutual funds, and exchange traded funds.

The fee schedule for clients receiving the core wealth management services is usually based on assets under management formula, as follows:

Assets Under Management	Annual Fee
First Two Million	1.20%
Next Three Million	0.80%
Above Five Million	0.50%

Client's receiving the core wealth management services will receive an Investment Advisory Agreement and may receive a client engagement letter. The expectation letter, if provided, would cover the scope of FAIRPORT's services pertaining to the client relationship. An initial account transition fee is charged for services rendered by FAIRPORT in connection with the initial establishment of a Client's account. This initial fee is computed based on the fee rate indicated above, pro-rated upon the number of days between the effective date of the Investment Advisory Agreement and the date when assets for the account are first received by the Custodian. Some fees may be negotiated generally due to their size, other client relationships, or additional services provided, such as tax planning, insurance, estate planning, and retirement sufficiency which may result in different fees being charged by us for accounts similar in composition, objectives and services provided. Ordinarily, there is a minimum quarterly fee of \$3,000. A refund may be due a client if FAIRPORT or the client gives notice, in writing, of termination of the relationship. The client will receive a refund calculated on a pro rata basis. Accounts are billed quarterly in advance.

If the client elects to have FAIRPORT's management fee deducted directly from their Managed Account, the management fee expense will appear on the custodian report. The custodian does not verify the accuracy of either the initial account transaction fee or the advisory fee calculation. Management of accounts usually includes the use of mutual funds, exchange traded funds, hedge funds, structured notes and managed futures funds. These types of holdings are used to diversify portfolios into specific asset categories and/or to supplement individual holdings. These types of holdings generally have fees/expenses associated with them which are borne indirectly by their shareholders/investors. These fees are charged by the fund and are paid to the fund, their investment adviser or other third party and are in addition to the fees paid to us. These fees are not paid to FAIRPORT, and FAIRPORT receives no compensation for their use in a client portfolio. The fees charged by these types of funds are set forth in the respective Funds' Prospectus, Subscription Agreement or like documents.

Investment Management Services: In some instances, FAIRPORT's relationship with a client will only encompass investment management. In these cases, the client account(s) are generally invested per an Investment Policy Statement which describes the general asset allocation/risk parameters of the portfolio. The Investment Policy Statement is based upon a discussion with the client, taking into consideration such factors as the client's individual financial needs, time horizon, risk tolerance, and liquidity needs. A client can impose restrictions on our ability to implement particular types of investment or investment strategies during this process.

The fee schedule for investment management services is:

Assets Under Management	Annual Fee
First Two Million	1.00%
Next Three Million	0.75%
Above Five Million	0.50%

Investment management only clients execute an Investment Advisory Agreement, which covers the scope of FAIRPORT's investment services pertaining to each account. An initial account transition fee is charged for services rendered by FAIRPORT in connection with the initial establishment of a Client's account. This initial fee is computed based on the fee rate indicated above, pro-rated upon the number of days between the effective date of the Investment Advisory Agreement and the date when assets for the account are first received by the Custodian. Some fees may be negotiated due to their size and other client relationships which may result in different fees being charged by us for accounts similar in composition and objectives. Generally, there is a minimum quarterly fee of \$2,500. A refund may be due a client if FAIRPORT or the client gives notice, in writing, of termination of the investment advisory agreement. The client will receive a refund calculated on a pro rata basis. Accounts are billed quarterly in advance.

If the client elects to have FAIRPORT's management fee deducted directly from their Managed Account, the management fee expense will appear on the custodian report. The custodian does not verify the accuracy of either the initial account transaction fee or the advisory fee calculation. Management of accounts usually includes the use of mutual funds, exchange traded funds, hedge funds, structured notes and managed futures funds. These types of holdings are used to diversify portfolios into specific asset categories and/or to supplement individual holdings. These types of holdings generally have fees/expenses associated with them which are borne indirectly by their shareholders/investors. These fees are charged by the fund and are paid to the fund, their investment adviser or other third party and are in addition to the fees paid to us. These fees are not paid to FAIRPORT, and FAIRPORT receives no compensation for their use in a client portfolio. The fees charged by these types of funds are set forth in the respective Funds' Prospectus, Subscription Agreement or like documents.

FAIRPORT may be retained as a sub-adviser to provide individual portfolio management. In such cases FAIRPORT may be paid on behalf of the client or the client may pay another firm for its services and may pay a separate fee to FAIRPORT. Generally, our fees under this type of arrangement are lower and range from .50% to .95% of the client's assets being managed by us, recognizing that these clients usually pay a fee to the third party. The fees we receive for management of these accounts may sometimes be less than fees we charge other accounts of a similar size and with a similar investment objective because FAIRPORT typically provides fewer services to these accounts than to its other accounts. For example, we generally have less contact with the clients of these firms and will not typically service these accounts in the same manner.

In some cases, FAIRPORT may choose to manage smaller pools of client assets, either as a standalone relationship, or as part of a larger client relationship. FAIRPORT has developed a specific investment platform for these types of accounts/relationships called Fairport Select. This investment platform includes multiple “lifestyle” choices to match a client’s financial needs, risk tolerance and investment objectives. Each of the Fairport Select portfolios has an asset allocation, which is customized by FAIRPORT’s Investment Team. Each Select lifestyle utilizes mutual funds, and/or exchange traded funds that are matched to the asset allocation objective. FAIRPORT’s Investment Team monitors the allocation model for adjustments to the lifestyle investment allocation and accounts are generally rebalanced on a quarterly basis.

The fees you pay FAIRPORT do not include brokerage commissions or other fees or charges associated with securities transactions implemented with or through a brokerage firm, mark-ups or mark-downs in principal transactions, deferred sales charges, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation all of which will be charged to you in addition to our fee. We do not receive any portion of any of the foregoing expenses or fees. You should go to the section on Brokerage Practices in our brochure for more information on how we select or recommend brokerage firms for your securities transactions and information related to that process.

In some instances, FAIRPORT’s relationship with a client will only encompass certain financial planning services such as net worth, asset allocation, cash flow planning, income tax compliance/strategies, education or retirement planning. In relationships such as these (when FAIRPORT does not provide discretionary investment management of client assets) fees are generally based on the estimated complexity and time required for the engagement. Fees are paid on a quarterly retainer basis, and are payable quarterly in advance. A client may choose to terminate financial planning services at any time. The retainer for the current quarter may be refundable on a pro-rated basis. A client receiving financial planning services will generally execute an Engagement Letter, which covers the scope of FAIRPORT’s services pertaining to that relationship.

The financial planning services we provide may include but not be limited to advice and/or recommendations regarding client investments, financial holdings, preference for capital appreciation and/or income production and related matters such as living expenses, personal risk, estate and retirement considerations, education needs and tax issues. A written financial plan may be prepared based on the client’s individual financial needs and goals, risk tolerance and the foregoing factors, as deemed applicable, and, if deemed appropriate, following consultations with the client's attorney, accountant, and other professional advisors. A client has no obligation to open an account, to transact business, or to implement any recommendations or suggestions made by us pursuant to our services through FAIRPORT or through any other provider of investment or insurance products which may be recommended by us.

By its nature, financial planning is long-term oriented but short term influences that may impact a client's financial situation on a more immediate basis such as need for short-term cash flow and liquidity are also considered and a level of short-term reserve funds through appropriate investment vehicles may be recommended with a second level of recommendations focused more toward long-term

considerations, as needed. Please remember that projections or other information regarding the likelihood of various investment outcomes set forth by us in any such financial plan are hypothetical in nature, do not reflect actual investment results and are not a guarantee of future results. These projections may be made based upon assumptions with respect to interest and inflation rates as well as past trends and performances of the markets and economy. However, past performance is in no way an indication of future performance and FAIRPORT cannot offer any guarantees or promises that a client's financial goals and objectives will be met.

Any assumptions used in the preparation of the plan, or which are shown in the plan, are based, in part, upon information provided by the client. Any inaccurate or incomplete representation by a client of data or information can invalidate any projections shown in the plan. In addition, actual results can, and do, vary to a material degree due to external factors beyond the scope and control of any projections and assumptions shown in the plan.

Clients should understand that they remain responsible for notifying us of changes in their financial circumstances, investment objectives or investment restrictions. In addition, we will not verify independently any information we receive from our clients or our clients' other professional advisors but will instead rely upon the accuracy and completeness of the information provided in performing our services for our clients.

We do not provide legal advice or services and you should not assume that we are providing you such services at any time. Also, you should understand that, generally speaking, securities or other investments for which we provide advice to you are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other governmental agency and that neither FAIRPORT nor any of its affiliated companies is a trust or banking institution.

Clients should be aware that similar or comparable services may be available from other firms including other investment management firms at a cost higher or lower than that available through us.

The principal owner of FAIRPORT is WealthTrust, LLC. Falcon Mezzanine Partners II LP holds a majority interest in WealthTrust, LLC through intermediaries. The amount of client assets we manage on a discretionary basis as of December 31, 2013 is \$941,673,667 and on a non-discretionary basis as of December 31, 2013 is \$324,918,253.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This section does not apply to FAIRPORT.

## **TYPES OF CLIENTS**

Our clients include mostly high net worth families. The firm has clients that are individual persons, pension and profit sharing plans, trusts, estates, charitable organizations, corporations or similar business entities and governmental entities. Generally, our minimum account size is \$1,000,000 although these minimums may be waived based on considerations such as the account's relationship to established clients and other factors.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

We use several methods of investment analysis and investment strategies to provide services to our clients. Our methods of investment analysis include charting which is the use of financial charts and graphs; fundamental analysis which is the analysis of a company's financial statements, its management, competitive advantages, markets, etc.; technical analysis which is the analysis of a company by studying past market data such as price and volume; and cyclical analysis which involves the buying and selling of investments when certain financial ratios are low or high.

Our investment strategies include long term purchases (securities generally held for at least a year) and short term purchases (securities generally held for less than a year).

The securities we use in our investment strategies and investment advice include equity securities such as exchange listed securities, securities traded over the counter and foreign issues; warrants; debts securities of corporations and similar entities; commercial paper; certificates of deposit; municipal and government securities; investment company securities including variable life insurance, variable annuities and mutual fund shares including exchange traded funds; options on securities and commodities; futures contracts; and interests in real estate and oil and gas partnerships.

We may also offer advice, on a limited basis upon request by our clients, on private alternative investments such as "hedge funds" (generally refers to a wide range of private restricted investments that can vary substantially in terms of size, strategy, business model, and organizational structure) as well as registered funds, structured notes, and other alternative or limited partnership investments. These investments may include unique risks such as lack of liquidity and access to principal, and may be subject to counterparty or credit risk of the offering or underwriting entity.

Structured notes or other similar structured products are securities or investments whose return is derived from or based upon a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. They are a hybrid between two asset classes typically issued in the form of a corporate bond or a certificate of deposit but instead of having a predetermined rate of interest, the return is linked to the performance of an underlying asset class. There are multiple types of structured products. The variations generally used by us include products offering limited or even no protection of the principal amount invested. Structured products provide investors with highly targeted



investments that are tied to a specific risk profile, return requirements, and market expectations. Similar to a zero coupon bond, often no interest payments are made during the life of the security. In most cases, the investor bypasses traditional interest payments in exchange for participation in the underlying asset class of that particular issue. Any payments earned by the investor, such as through market performance or the return of principal, are determined by the specific terms of the individual issue and are made on the set maturity date. This type of investment is complex and can be subject to significant risk of loss including but not limited to credit risk, liquidity risk, pricing risk, income risk, as well as volatility of the underlying asset class. There may also be internal fees which the client will incur in addition to the fee for our services.

Investing in securities such as the types of securities used by FAIRPORT in managing your assets or providing you investment advice involves the potential risk of loss in the value of the securities both in the amount invested in the securities as well as any profits which have not been realized by selling the securities. You should be prepared to bear the risk of such losses. The degree of risk depends upon the type of security or strategy involved.

#### **DISCIPLINARY HISTORY**

This section does not apply to FAIRPORT or any of its employees.

#### **OTHER FINANCIAL INDUSTRY AFFILIATIONS**

The following investment management firms are affiliated with FAIRPORT based on common ownership interest through one of our owners, WealthTrust, LLC:

Kanawha Capital Management, LLC  
Duncker Streett & Co., LLC  
Harvey Investment Company, LLC  
Wilbanks, Smith & Thomas Asset Management, LLC  
Delta Asset Management, LLC  
WealthTrust Axiom, LLC  
WealthTrust Arizona, LLC

However, FAIRPORT does not have a relationship or arrangement with any of these affiliated investment management firms which is material to our business or to our clients.

Also, FAIRPORT is affiliated with Roulston & Company, Inc. which serves as the general partner directly, or is affiliated through other entities with the general partner, for three investment partnerships, Roulston Capital Partners VI, L.P., Roulston Capital Partners V and Roulston Capital Partners V (A), L.P. However, these investment partnerships are no longer available to new investors and therefore are not offered to clients of FAIRPORT who might otherwise qualify to invest in the investment partnerships. The general partner of the investment partnerships has retained investment management firms to manage the investment partnerships which are independent of both FAIRPORT and Roulston &

Company, Inc. FAIRPORT does provide administrative services relating to the investment partnerships but neither these services nor the time and resources dedicated by our employees in providing such services conflict with the investment advisory services FAIRPORT provides to its clients as described above in the section on Advisory Services.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

FAIRPORT has policies to avoid conflicts of interest when employees own, buy or sell securities, including non-publicly traded securities, also owned by, or bought or sold for, clients. Fairport permits its employees to engage in personal securities transactions. Personal securities transactions by employees may raise potential conflicts of interests when such persons trade in a security that is owned or considered for purchase or sale for a client. FAIRPORT has adopted a Code of Ethics ("Code") designed to detect and prevent such conflicts of interest. In addition to various trading restrictions, Fairport's employees and their families personal securities transactions, except for certain excluded securities, are required to be pre-cleared and monitored by the company's compliance personnel.

Pre-approval must also be obtained by our employees before investing in initial public offerings of securities and before investing in a private placement of securities. Our employees are required to submit quarterly reports attesting to their personal transactions and an annual report of their personal securities holdings. Our Code also contains policies and procedures which are intended to prevent the misuse of material non-public information. A copy of our Code is available to you upon request by contacting us through the contact information provided on the Cover Page of this brochure.

All of the transactions described above involve the potential for conflict of interest between FAIRPORT or related persons of the company and its clients. Some permitted transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. We have instituted policies and procedures designed to manage conflicts of interest from arising or, when they do arise, to seek to effect transactions for clients in a manner that is consistent with our fiduciary duty to our clients and in accordance with applicable law. Fairport seeks to ensure that potential or actual conflicts of interest are appropriately resolved taking into consideration the overriding best interest of the client. Certain employees of Fairport and related persons have been designated to review transactions where conflicts of interest may exist, including those described above, to ensure that the applicable policies and legal or regulatory requirements are duly followed. FAIRPORT may also engage third party vendors to assist in the process.

FAIRPORT recommends transactions to clients based on investment considerations, including whether the investments are suitable for the client and meet the client's investment objectives and guidelines. Officers or employees of FAIRPORT may buy or sell securities or other instruments that the company has recommended to clients. These transactions are subject to FAIRPORT's policies and procedures regarding personal securities trading.

FAIRPORT may from time to time sell a fixed income security in a client account and buy that fixed income security in another client account without the use of a market intermediary, such as Broker-Dealer, thereby avoiding transaction costs on behalf of both the selling account and the buying account.

FAIRPORT will make such a client-to-client transaction only in instances where FAIRPORT believes that the transaction is in the best interests of both the buying and selling client account and the transaction is consistent with the investment objectives of both accounts. FAIRPORT does not receive any compensation or other consideration in connection with such client-to-client transactions and will monitor the execution of such transactions. FAIRPORT understands a conflict of interest may exist because FAIRPORT serves both the buyer and the seller in such a transaction. The potential benefits of client-to-client transactions are generally tighter credit spread and lower cost which is passed on directly to the client. Fairport does not serve as Broker, thus Fairport does not act as Principal.

## **BROKERAGE PRACTICES**

Where FAIRPORT has the authority to select the Broker-Dealer, FAIRPORT considers the scope and quality of a broker's services including execution capability, commission rate, financial responsibility, responsiveness to the adviser, and the value of any research provided and evaluates these Broker-Dealer's quarterly based on this criteria. This review is carried out by our Best Execution Committee.

FAIRPORT may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. FAIRPORT is independently owned and operated and not affiliated with Schwab. Schwab provides FAIRPORT 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 advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional, and are not otherwise contingent upon FAIRPORT committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, 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 FAIRPORT's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to FAIRPORT other products and services that benefit FAIRPORT but may not benefit its clients' accounts. Some of these other products and services assist FAIRPORT in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of FAIRPORT's fees from the clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to FAIRPORT other services intended to help FAIRPORT manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice

management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to FAIRPORT by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to FAIRPORT. While as a fiduciary, FAIRPORT endeavors to act in its clients' best interests, FAIRPORT's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to FAIRPORT of the availability of some of the foregoing products and services and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### Directed Accounts

In some instances, clients may instruct FAIRPORT to utilize a particular Broker-Dealer and/or a Registered Representative associated with that Broker-Dealer for all of the clients' transactions. The client's selection of a Broker-Dealer may result in FAIRPORT's inability to negotiate commissions and otherwise obtain the best price and/or execution. Clients sometimes use Broker-Dealers as custodian of their portfolio in order to avoid bank trust department custodian fees and/or to receive other services such as portfolio monitoring services. If a client chooses a Broker-Dealer as custodian, there may also be instances wherein a purchase or sale of an Over-The-Counter (OTC) security may not be done with the market maker but rather with the Broker-Dealer (custodian) of record. Clients should be aware that there might be a higher cost to placing this type of trade with other than the market maker. On occasion, other clients have directed us to use a Broker-Dealer of their choosing. Clients who have directed trades through Charles Schwab & Co. may be charged commissions on a pro-rated basis, and thus clients may pay varying commissions on the same trade based on the number of shares transacted. In such instances, clients may forego some of the benefits afforded to other clients as a result of FAIRPORT aggregating trades. On an annual basis, clients that have directed FAIRPORT to utilize a particular Broker-Dealer and/or a registered representative will receive a "best execution notice" from FAIRPORT substantially as follows:

#### Notice Regarding Best Execution

"Clients may instruct FAIRPORT to utilize a particular Broker-Dealer and/or a registered representative associated with that Broker-Dealer for handling account transactions. The client's selection of a Broker-Dealer may result in FAIRPORT's inability to negotiate commissions and otherwise obtain best price and/or best execution. Clients sometimes use Broker-Dealers as custodian of their portfolio in order to avoid bank trust department custodian fees and/or to receive other services.

In determining the reasonableness of the commission rates paid, FAIRPORT considers a number of factors including the entire range and quality of the Broker-Dealer's services and not simply the lowest possible commission rates. Such factors include; the research received, execution capability, availability of securities, purchasers or sellers of securities, financial stability, responsiveness, clearance, settlement, and size of transactions. Clients may pay commissions higher or lower than those charged by other Broker-Dealers. Pursuant to client's specific instructions, FAIRPORT utilizes the Broker-Dealer and/or the

registered representative so specified by the client. In this regard, most clients are charged a reasonably discounted rate in effect at the Broker-Dealer. Brokerage commissions are however, not fixed and are subject to negotiation. Larger size clients, clients who have a long relationship with the Broker-Dealer, clients who conduct substantial other business with the Broker-Dealer, and/or clients who receive the full range of brokerage or financial services may receive a discount on their commissions from the Broker-Dealer.

You should be aware that you have brokerage options which you should consider other than instructing us to direct your transactions to a particular brokerage firm including the use by FAIRPORT of other brokerage firms we determine to use for execution of client transactions possibly at a lower commission cost and that this option may be available through FAIRPORT.

From time to time, FAIRPORT will trade the same security for multiple client accounts and “aggregate orders”. In doing so, FAIRPORT trades Schwab and Fidelity accounts, followed by non-directed accounts, and then all directed accounts.

For accounts maintained in custody at Charles Schwab & Co., Schwab will not charge the client separately for custody but will receive compensation in the form of commissions or other transaction-related compensation on securities traded through Schwab. Schwab will also receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through Broker-Dealers other than Schwab. Schwab’s fees for trades executed at other Broker-Dealers are in addition to the other Broker-Dealer’s fees. Thus, it may be advantageous to cause these trades to be executed through Schwab rather than another Broker-Dealer. Trades for client accounts held in custody at Schwab may be executed through different Broker-Dealers than trades for FAIRPORT’s other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices.”

#### Brokerage Commissions and Research

In determining the reasonableness of the commission rates paid, FAIRPORT considers a number of factors including the entire range and quality of the Broker-Dealer’s services and not simply the lowest possible commission rates. Such factors include: the research received, commission, order handling, order size, access to market(s), trade execution, settlement and problem resolution. Clients may pay commissions higher or lower than those charged by other Broker-Dealers. Pursuant to client’s specific instructions, FAIRPORT utilizes the Broker-Dealer and/or the Registered Representative so specified by the client. In this regard, most clients are charged a reasonably discounted rate in effect at the Broker-Dealer. Brokerage commissions are not fixed and are subject to negotiation. Larger size clients, clients who have a long relationship with the Broker-Dealer, clients who conduct substantial other business with the Broker-Dealer, and/or clients who receive the full range of brokerage and financial services may receive a discount on their commissions from the Broker-Dealer.

Research products and services provided to FAIRPORT by the various broker-dealers are also of primary importance. These services may include:

1. Written or oral company reports (proprietary research), industry reports, economic and political commentary and developments, and market strategy;
2. Technical research services; and
3. Other research services within the meaning of Section 28(e) of the Securities Exchange Act of 1934.

The following services provided by Charles Schwab are utilized under the Section 28(e) of the Securities Exchange Act of 1934: -Economic, analytical and quantitative research (ISI, Ned Davis, and Baseline)

As permitted in Section 28(e), FAIRPORT may pay a commission in excess of the commission another broker might have charged if FAIRPORT determines that the commission is reasonable in relation to brokerage and research services provided and FAIRPORT regards the research services provided by the broker-dealer as a significant benefit for its clients.

Some of the brokerage and research services or products received by us may have other uses such as client presentations, marketing, or other administrative uses. If that is the case, we will make a good faith allocation as to the percentage of the service or product used for brokerage and research services and the percentage used for such other purposes. The percentage attributed to such other purposes will be paid for directly by us in "hard dollars" as a cash expense of FAIRPORT ASSET MANAGEMENT. Since "hard dollar" costs are a direct expense of ours, there is a conflict of interest in our determination of the appropriate allocations between soft dollar and "hard dollar" use of the brokerage and research services or products. We address this conflict of interest through use of our Best Execution Committee as described above.

FAIRPORT utilizes multiple sources for pricing client holdings. These sources are Schwab Institutional, PNC, Key Bank, Fidelity, IDC and Bloomberg. FAIRPORT may from time-to-time use alternate pricing sources to include Baseline for equities, Bloomberg for bonds, or other custodial pricing as needed. Generally, securities which do not price through these sources or an alternate source are considered unique holdings. Prices for unique holdings are entered manually into the FAIRPORT portfolio reporting system, and access to update unique pricing is limited to certain FAIRPORT staff. Unique pricing records are maintained to support the source/data used.

#### Aggregating of Trade Orders

FAIRPORT may from time to time purchase or sell the same security for multiple client accounts and "aggregate" the orders. In such instances, FAIRPORT may group or block orders when consistent with obtaining the best price and/or execution. No client will be favored over any other client when blocking orders. Each client that participates will receive the average executed share price and the pro-rata transaction cost. Participation is dependent on cash availability. Other possible limitations to participation include, but are not limited to, target allocation and account restrictions. While aggregating client portfolio transactions may be advantageous to clients, it is not always the case. All aggregated orders will follow the blocked trade order allocation procedure.

## Block Trade Order Allocation Procedure

For blocked trades:

- (1.) Schwab Platform trades will be executed first,
- (2.) Fidelity Platform trades will be executed second,
- (3.) Non-Directed trades will be executed third,
- (4.) Directed trades will be executed fourth.

Partial Fills:

Trades are allocated by cash levels with complete positions filled first. Partial fills are handled as follows: If the trade is a purchase, partial fills are to be allocated by cash levels (cash as a percentage of account market value) sorted highest to lowest. If the trade is a sell, partial fills are to be allocated by cash levels (cash as a percentage of account market value) sorted lowest to highest.

## Individual Trade Orders

Individual trade orders may be received throughout the day and will be executed as soon as practical.

It is not the practice of FAIRPORT to exercise discretionary authority in purchasing and holding equity Initial Public Offerings ("IPOs") directly in their managed accounts. The exception would be if an instance were to occur where a client requests such an investment; with a specific request from and directed by that client to purchase a specific IPO where FAIRPORT is not exercising discretionary authority but merely executing the specific order.

FAIRPORT has in place a trading error correction policy and procedure regarding the handling of trading errors within client accounts. FAIRPORT will resolve trading errors in a manner that ensures that any and all affected clients are in the same position they would have been had the error not occurred. Generally, direct and indirect costs associated with correcting the error are borne by FAIRPORT or other involved third party other than the client. If an error is identified and corrected prior to settlement and the correction results in a gain, FAIRPORT or other involved third party may keep the resulting gain. If an error is identified and corrected after settlement of the trade and the correction results in a gain that is allocable to a client, an amount equal to such gain (net of any transactions costs) shall be credited to the client. If an error is identified and the correction results in a loss, the client shall be made whole. Although client trades are almost always executed in a manner that permits FAIRPORT to identify the clients to which such trades were allocated, in the event that a trading error results in a gain that FAIRPORT cannot properly allocate to a particular client FAIRPORT may retain any such gain. In addition, FAIRPORT may retain such gains if a client refuses the gain to avoid undesired tax consequences or to avoid profits from securities that the client could not have legally purchased.

## **REVIEW OF ACCOUNTS**

Each managed account for in which FAIRPORT has discretionary investment management responsibility has an investment professional and/or a portfolio administrator responsible for the ongoing portfolio review of the account. Accounts are monitored for cash balances, and asset allocation versus target allocation. Also, on a quarterly basis, each account is reconciled with the custodial account statement, if applicable. In addition to periodic reviews, factors such as a significant cash contribution or withdrawal, new purchase or sale recommendation, change in client objectives, or change in a client's investment policy will precipitate a portfolio review. The client, or the custodian, receives a confirmation of each transaction from the Broker. Clients are also provided with a brokerage statement from the Broker or a bank custody statement and a quarterly portfolio valuation statement from FAIRPORT containing the cash balance, type, name and amount of each security as a percent of total current market value of the portfolio.

Quarterly, clients receiving Wealth Management Service and clients receiving Investment Management Services, will receive: a portfolio appraisal listing their holdings and market value, a transaction report – a listing of buys and sells and, a change in market value report which summarizes a portfolio's market value at the beginning and end of the most recent quarter and shows withdrawals, and deposits during the period reported. At least annually, clients receive a portfolio performance report in addition to the standard quarterly report materials.

Select accounts are managed by an investment professional and/or a portfolio administrator on an on-going basis. Quarterly, each account is reconciled with the custodial statement, and each account is reviewed and, if appropriate, rebalanced so that the account continues to reflect the investment allocation of the FAIRPORT Select product chosen to meet the client's investment objective.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

We may from time to time enter into written agreements with other persons or companies who refer potential clients to us in exchange for a referral or solicitor fee which typically is a percentage of the fee we receive from the referred client for our services. This means that the persons or companies who refer potential clients to us as described will have a financial interest in your selecting FAIRPORT to provide you services. If you are referred to us through an arrangement like this, you will receive a written document which will disclose that we have an arrangement with the solicitor, any affiliation between FAIRPORT and the solicitor, and a description of the compensation the solicitor will receive from FAIRPORT if you establish an account with us. The fee we charge you for our services will not be increased as a result of our use of these referral arrangements.

We may also compensate our employees, including our portfolio managers, who refer potential clients to us for our services. Thus, the employee will have a financial interest in the selection of FAIRPORT by the client for investment management services.

FAIRPORT receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through FAIRPORT's participation in Schwab Advisor Network ("the Service"). The Service is designed to help investors find



an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with FAIRPORT. Schwab does not supervise FAIRPORT and has no responsibility for FAIRPORT's management of clients' portfolios or FAIRPORT's other advice or services. FAIRPORT pays Schwab fees to receive client referrals through the Service. FAIRPORT's participation in the Service may raise potential conflicts of interest described below.

FAIRPORT pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. Participation Fees are a percentage of the assets or the management fee established for the clients' account. FAIRPORT pays Schwab Participation Fees for so long as the referred client's account remains in custody at Schwab. Participation Fees are billed to FAIRPORT quarterly and may be increased, decreased or waived by Schwab from time to time. Participation Fees are paid by FAIRPORT and not by the client. FAIRPORT does not charge clients referred through the Service fees or costs greater than the fees or costs FAIRPORT charges clients with similar portfolios who were not referred through the Service.

FAIRPORT generally pays Schwab a Non-Schwab Custody fee if custody of a referred clients' account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees FAIRPORT generally would pay in a single year. Thus, FAIRPORT will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of FAIRPORT's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, FAIRPORT will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts at Schwab.

For accounts of FAIRPORT clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from the client in the form of commissions or other transaction-related compensation on securities trades Schwab executes for the client's account. Clients also pay Schwab a fee for clearance and settlement of trades executed through Broker-Dealers other than Schwab. Schwab's fees for trades executed at other Broker-Dealers are in addition to the other Broker-Dealer fees. Thus, FAIRPORT may have an incentive to cause trades to be executed through Schwab rather than another Broker-Dealer. FAIRPORT nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different Broker-Dealer than trades for FAIRPORT's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other Broker-Dealers.

Heather R. Ettinger, Managing Partner of WealthTrust Fairport, LLC ("Fairport Asset Management") serves on the Schwab Advisor Services Advisory Board (the "Board"). As described under BROKERAGE

PRACTICES of this Form ADV 2A, Fairport Asset Management may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab") to maintain custody of the clients' assets and effect trades for their accounts. The Board consists of approximately 21 representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Board members serve for two-year terms. Ms. Ettinger's term ends February 24, 2016. Board members enter nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange and the NASDAQ stock market (symbol SCHW). The Board meets in person approximately twice per year and has periodic conference calls scheduled as needed. Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Board members' travel, lodging, meals and other incidental expenses incurred in attending Board meetings.

Please refer to the section on Brokerage Practices in our brochure for information on other economic benefits we may receive for providing services to you.

#### **CUSTODY**

In addition to any account statements you may receive from FAIRPORT, you will receive account statements directly from your custodian on at least a quarterly basis although you may receive them on a monthly basis. You should carefully review these statements and compare these statements to statements you receive from FAIRPORT for any discrepancies. You should also remember that the statements you receive from your custodian are your official record of your accounts and assets for tax purposes.

#### **INVESTMENT DISCRETION**

FAIRPORT will accept discretionary investment authority over your assets if you agree to such an arrangement. This is typically accomplished through execution of a limited trading authority contained in your FAIRPORT client agreement or through similar authority contained in a wrap fee arrangement you may execute with the brokerage firm which established the wrap fee arrangement. When executing your client agreement with us, you can further limit the extent of discretionary investment authority to be granted to us although this may impact the level of services we can provide you. You may also place restrictions on our authority such as instructions not to make investments in certain industries or to not sell certain investments you may have due to possible adverse tax consequences to you.

#### **VOTING CLIENT SECURITIES**

FAIRPORT has policies and procedures in place for voting proxies relating to certain investments in your account(s) with FAIRPORT designed to result in the voting of proxies in our clients' best interests. We generally adhere to predetermined voting guidelines and will typically vote with recommendations from the management of the particular investment in your account. We do not vary from our guidelines due

to any potential conflict of interest we may have including business or personal relationships with management or other business interests or considerations. Furthermore, in order to minimize potential conflicts of interest, FAIRPORT has retained an independent service provider to administer the research and voting of our clients' proxies. Generally, we do not allow clients to instruct us how to vote specific proxies although we will consider such instructions upon request. You may obtain a complete copy of our policies and procedures for voting proxies and a record of how we have voted the proxies for your investments by contacting us through the contact information we included on the Cover Page of this brochure

#### **FINANCIAL INFORMATION**

This section does not apply to FAIRPORT as we have never filed for bankruptcy nor are we subject to any financial conditions which could impair our ability to meet our obligations to you.