

**ITEM 1. COVER PAGE FOR PART 2A OF FORM ADV:
FIRM BROCHURE**

DATED: FEBRUARY 13, 2013

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This brochure provides information about the qualifications and business practices of Fairhaven Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact us by telephone at (360) 306-3977. 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 Fairhaven Financial Advisors, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov by searching CRD#: 164267.

Please note that the use of the term "registered investment adviser" and description of Fairhaven Financial Advisors, Inc. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

ITEM 2. MATERIAL CHANGES TO OUR PART 2A OF FORM ADV: FIRM BROCHURE

Fairhaven Financial Advisors, Inc. is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

Initial Registration Date: 08/10/2012

Since our initial registration, we have made the following changes:

- 1) We have switched from SEC to State registration.
- 2) We have added more detailed description on our Bundled Fee Program.
- 3) We have added more details to additional economic benefits we receive from broker-dealer's we recommend.

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ITEM 4. ADVISORY BUSINESS

A. Description of our advisory firm, including how long we have been in business and our principal owners.

Fairhaven Financial Advisors, Inc. is dedicated to providing clients with a wide array of investment advisory services. We specialize in comprehensive portfolio management and financial planning and consulting. Our firm is a corporation formed in the State of Washington. We have been in business as an investment adviser beginning 2012 and are owned as follows:

(i) Mark Logan, Chief Executive Officer – Fifty-percent owner

Prior to forming Fairhaven Financial Advisors, Inc. Mark served in the financial industry for 17 years, 12 of which at Morgan Stanley Smith Barney as a financial advisor. Prior to joining Smith Barney, he was a Financial Advisor with Linsco Private Ledger, Interwest Financial Services, a subsidiary of Interwest Bank for five years. Before moving to Skagit County in 1995, Mark lived in Seattle working for American Express Financial Advisors practicing personal financial planning.

A graduate of the College for Financial Planning, he is a board certified CFP (Certified Financial Planner) Licensee and has earned the Financial Planning Specialist designation and the Investment Management Specialist designation while at Morgan Stanley Smith Barney. In addition he has successfully passed FINRA's Series 7 General Securities exam, Series 3 Commodities exam, Series 63, Series 65 and Series 9 & 10 Supervisor registration exams.

Mark is a graduate of the Smith Barney Leadership Development Program and managed the Bellingham Smith Barney office for 10 years.

Mark is currently the President of the Northwest Estate Planning Council, a group of Attorneys, Accountants, Certified Financial Planners and Insurance professionals dedicated to estate planning where he serves 2 hours per month. His participation with Northwest Estate Planning Council is separate from his duties at Fairhaven Financial Advisors and poses no conflict of interest to clients.

(ii) William ("Bill") Unrein, President – Fifty-percent owner

Prior to forming Fairhaven Financial Advisors, Inc. Bill was a Financial Advisor for 15 years at Morgan Stanley Smith Barney and its predecessor.

A native of Whatcom County, he grew up in Ferndale and worked for 20 years at local banks rising to the Executive Officer level. He has a Bachelor of Arts degree from Western Washington University in Business and Economics, a banking degree from the Pacific Coast Banking School at the University of Washington, and the Financial Planning Certificate from Kaplan University.

Bill has successfully passed FINRA's Series 7, 63, 65, and 31 exams and has also earned the Financial Planning Specialist designation while at Morgan Stanley Smith Barney.

In 1998, 1999, and 2000 he was selected to participant in the Smith Barney Blue Chip Council. In 2001, Bill received the Paul Harris Fellow award from the Rotary Foundation of Rotary International, and in 2003, Bill was named the *Board Member of the Year* for the Boys and Girls Clubs of Whatcom County Corporate Board of Directors. In 2004, Bill was recognized by Western Washington University as a *Builder of Bellingham*.

Bill has served on the boards of directors of several community and civic organizations including Red Cross, Junior Achievement, Ferndale Chamber of Commerce, Bellingham Bay Rotary Club, the finance committee of the Whatcom Museum of History and Art, and has served 2 terms as an Elder at Birchwood Presbyterian Church. He is the past President of the corporate board of the Boys and Girls Clubs of Whatcom County and is also a past President of the Bellingham Bay Rotary Club.

B. Description of the types of advisory services we offer.

(i) Comprehensive Portfolio Management (Non-Bundled):

Our Comprehensive Portfolio Management service encompasses asset management as well as providing basis financial planning/financial consulting to clients. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. We may utilize independent money managers, where we design an investment portfolio in conjunction with another investment advisory firm. Before selecting other advisers, we make sure that the other advisers are properly licensed or registered. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We periodically rebalance or adjust client accounts under our management, upon the client's consent or upon written discretionary authority. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

Financial planning and consultation services are included in our Comprehensive Portfolio Management service. Generally, such financial planning and consulting services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

(ii) Comprehensive Portfolio Management (Bundled Fee Program for accounts custodied under Schwab's "Enrolled Accounts"):

As part of the brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC, our firm is able to provide portfolio management with the convenience of bundling brokerage commissions with advisory fees. Our firm has conducted its due-diligence with engaging Schwab for its services. We commonly recommend Schwab to our clients, but in no way have discretion over a client's choice for brokerage services. We are independently owned and operated and not affiliated with Schwab.

Accounts under this bundled fee program will be managed in the same fashion as the non-bundled program described above (Item 4A(i)).

(iii) Financial Planning and Consulting:

We provide a variety of financial planning and consulting services to individuals, families, institutions and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Personal Tax Planning, Cost Segregation Study, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services, but having said that we follow up with said advisors and implement tax and legal strategies on behalf of our client and continue to coordinate with other advisors. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

(iv) Newsletters and Educational Seminars

We offer our clients a complimentary newsletter that includes information regarding updates on the markets, planning, retirement and other relevant topics relating to the financial industry. From time to time, our principles may also participate in educational

seminars to interact with prospective as well as current clients to discuss current market related issues.

- C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

We offer individualized investment advice to clients utilizing our firm's Comprehensive Portfolio Management services. Additionally, we offer general investment advice to clients utilizing our firm's Financial Planning and Consulting services.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Comprehensive Portfolio Management.

- D. Participation in wrap fee programs.

A "wrap fee" is a fee for a combination of brokerage and investment advisory services. Since our firm does not receive brokerage nor offer brokerage services, we do not participate in a wrap fee program. However, our Comprehensive Portfolio Management has a bundled option which allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The fee is not based directly upon transactions in your account. Transaction fees are bundled with our advisory management fees. This may result in a higher or lower advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in the Bundled Comprehensive Portfolio Management service, you may end up paying more or less than you would through a Non-Bundled Comprehensive Portfolio Management service program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

- E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

We manage \$42,640,247 on a discretionary basis and \$0 on a non discretionary basis as of October 29, 2012.

ITEM 5. FEES AND COMPENSATION

We are required to describe our brokerage, custody, fees, and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally negotiable.

A. Description of how we are compensated for our advisory services provided to you.

(i) Comprehensive Portfolio Management (Non-Bundled):

Assets Under Management	Annual Percentage of Assets Charge
\$0 to \$500,000	2.00%
\$500,000 to \$1,000,000	1.65%
\$1,000,000 to \$2,000,000	1.50%
Over \$2,000,000	1.35%

Client will pay Adviser a fee for its investment management services according to the fee schedule set forth above. The Fee will be payable monthly in advance upon deposit of any funds or securities in the account. The first payment is due upon execution of an advisory contract and will be based upon the opening value of the Account. The first payment will be prorated to cover the period from the date the Account is opened through the end of the first calendar month. Thereafter, the fee will be based on the Account value on the last business day of the preceding calendar month and will be due the following business day. The Client may make additions to the Account at any time. Additional assets received into the Account after it is opened will be included in the fee calculation for the following month. The Client may withdraw Account assets upon notice to the Adviser, subject to the usual and customary securities settlement procedures. No fee adjustments will be made for partial withdrawals or for Account appreciation or depreciation within a billing period.

Client understands that any fees or commissions charged by the Custodian are not included in the fee schedule and will be paid directly from Client Account.

(ii) Comprehensive Portfolio Management (Bundled Fee Program for accounts custodied under Schwab's "Enrolled Accounts"):

Assets Under Management	Annual Percentage of Assets Charge
\$0 to \$500,000	2.15%
\$500,000 to \$1,000,000	1.80%
\$1,000,000 to \$2,000,000	1.65%
Over \$2,000,000	1.50%

Our firm's fees are billed on a pro-rata annualized basis monthly in advance based on the value of your account on the last day of the previous month.

Because our bundled fees are not tied to an account's frequency of trading and apply generally to all assets in the account, this fee arrangement is not appropriate for all accounts. For example, a bundled fee arrangement would not be appropriate for an

account that holds primarily cash and cash equivalents, fixed income securities or no-transaction-fee mutual funds for a substantial period of time.

In addition to transaction costs, the fee schedule above also includes certain services Schwab offers to our firm and our clients that Schwab would otherwise charge you. These fees include (a) flat dollar per trade fees for Schwab's prime brokerage and trade away services (through which we can have trades for your account at Schwab executed by broker-dealers other than Schwab), (b) custody and setup fees for alternative investments (such as non-standard assets, non-publicly traded limited partnership interests, foreign securities, non-marketable securities, etc.), and (c) short-term redemption fees on mutual funds available through Schwab's Mutual Fund OneSource®.

Our bundled fee does not cover the fees and costs listed below:

- Commissions and other fees for services provided by broker-dealers other than Schwab for transactions executed or effected by or through them that settle into or from your account at Schwab such as through our use of Schwab's Prime Brokerage or Trade Away Services. You will be responsible for paying any commissions and other fees or compensation charged by broker-dealers other than Schwab. Because you will pay our wrap fee in addition to any commissions and/or other charges paid to broker-dealers other than Schwab who execute transactions for your account, we may have an incentive to execute transactions for your accounts through Schwab, and this incentive could, in some circumstances, conflict with our duty to seek best execution.
- Fees charged by mutual fund companies, unit investment trusts (UITs), closed-end funds and other collective investment vehicles, including, but not limited to, sales loads (a portion of which are paid to Schwab) and/or charges and short-term redemption fees.
- Short-term redemption fees charged by Schwab for funds other than those available through the Schwab Mutual Fund OneSource® service.
- Markups and markdowns, bid-ask spreads, selling concessions and the like received by Schwab in connection with transactions it executes as principal by selling or buying securities to or from you for its own account. Principal transactions contrast with those in which Schwab acts as your agent in effecting trades between you and a third party. Schwab may make a profit or incur a loss on trades in which it acts as principal. Markups and markdowns and bid-ask spreads are not separate fees, but rather are reflected in the net price at which a trade order is executed.
- Transaction-based fees imposed on Schwab by regulatory organizations and exchanges (until October 11, 2012 at which time you will no longer incur those fees), as well as fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options, or other covered security sell transactions.
- Transfer taxes, odd-lot differentials, certificate delivery fees, reorganization fees, fees required by law, and any other fees or charges similar to those described above.

As noted above, our firm pays Schwab fees that would otherwise be passed along to our clients. The fees we pay Schwab consist primarily of asset-based fees assessed on the total assets (including stocks, bonds, mutual funds, and cash) in all of our clients' accounts maintained at Schwab. Subject to a specified minimum fee, the asset-based fee is not greater than 16 basis points (0.16%) of the value of the assets in your account(s) at Schwab (along with the accounts of our other clients participating in this bundled fee program). The fees we pay Schwab may decrease as the amount of assets our clients' collectively hold in accounts at Schwab increases. This fee structure may give us an incentive to recommend that you participate in our bundled fee program and open your account with Schwab so that the amount of fees we pay Schwab is less. That incentive could conflict with your interest in receiving the most appropriate fee arrangement and best value for investment advisory and brokerage services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

A complete list of Schwab's charges and fees is contained in the *Charles Schwab Institutional Pricing Guide*, which you will receive promptly following the opening of your account with Schwab.

(iii) Financial Planning and Consulting:

Clients choose to either be charged on an hourly or flat fee basis for financial planning and consulting services. The ultimate fees that we charge you are based on the scope and complexity of our engagement with you, further determined in Schedule A on the Financial Planning and Consulting Agreement. Our hourly fee is \$250.

Flat fees generally range from \$1,000 to \$10,000. Financial planning that takes 2-10 hours will generally range from \$500 - \$2,500. Whereas financial plans that take 11-15 hours will range from \$2,750-\$3,750. Your estimated fees based on estimated hours will be written in your contract. Unearned fees will be returned.

(iv) Newsletters and Educational Seminars

Newsletters and Educational Seminars are at no charge.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Comprehensive Portfolio Management (Non-Bundled):

Client authorizes the Custodian to deduct from Client's Account and pay directly to Adviser the management fee for each calendar year month. The Custodian will send Client a monthly statement showing all amounts paid from the Account, including all management fees paid by Custodian to Adviser.

(ii) Comprehensive Portfolio Management (Bundled Fee Program for accounts custodied under Schwab's "Enrolled Accounts"):

Client authorizes the Custodian to deduct from Client's Account and pay directly to Adviser the management fee for each calendar year month. The Custodian will send Client a monthly statement showing all amounts paid from the Account, including all management fees paid by Custodian to Adviser.

(iii) Financial Planning and Consulting:

We require a pre-payment of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. This pre-payment amount is determined by the estimated number of hours predicted to complete an individualized financial plan. In all cases, we will not require a pre-payment exceeding \$500 when services cannot be rendered within 6 (six) months.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Non-Bundled fee Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

Bundled fee clients will not incur transaction costs for trades. More information about this is disclosed in Item 4D of this Brochure.

D. We must disclose if client's advisory fees are due quarterly in advance. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

We charge our advisory fees monthly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

E. Commissionable securities sales.

We may sell securities for a commission. Commission based arrangements are not our primary scope of work. In order to sell securities for a commission, our supervised persons are registered representatives of Purshe Kaplan Sterling Investments ("PKS"), member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

- 1) Presents a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise:
 - a) when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our supervised persons may earn and may not necessarily be in the best interests of the client;
 - b) when recommending commissionable mutual funds, explaining that “no-load” funds are available through our firm if the client wishes to become an investment advisory client.
- 2) In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.
- 3) Does not exceed more than 50% of our revenue.
- 4) Does not reduce your advisory fees to offset the commissions our supervised persons receive.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge performance fees to our clients.

ITEM 7. TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

We have the following types of clients:

- Individuals;
- High Net Worth Individuals;
- Corporations, limited liability companies and/or other business types.

We do not impose any requirements for opening and maintaining accounts or otherwise engaging us.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

Long-term purchases. When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

Risks. Investing in securities involves risk of loss that clients should be prepared to bear. While the Capital (stocks and bonds) market may increase and your account(s) could enjoy a gain, it is also possible that the capital market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the capital market, are appropriately diversified in your investments, and ask us any questions you may have.

B. Our practices regarding cash balances in client accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments held in mutual funds. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to comprehensive portfolio management, as applicable.

ITEM 9. DISCIPLINARY INFORMATION

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

Our firm and management have nothing to disclose under the aforementioned standard.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. If our firm or our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The details are as follows:

Although not our primary scope of work, related persons of our firm are also registered representatives with Purshe Kaplan Sterling Investments, a member FINRA/SIPC. Our firm is not affiliated with Purshe Kaplan Sterling Investments, Inc. Our related persons may offer securities and receive normal and customary commissions as a result of securities transactions. A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation our related persons may earn and may not necessarily be in the best interests of the client.

- B. If our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, we must disclose this fact.

Neither our firm nor any of its management persons is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities or has an application for registration pending.

- C. Description of any relationship or arrangement that is material to our advisory business or to our clients, that we or any of our management persons have with any related person listed below. We are required to identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how we address it.

As licensed insurance agents, our advisory representatives may recommend to advisory clients a variety of insurance products, and may offer commissionable insurance products to our firm's clients for which they may receive compensation. This may create a conflict of interest to the extent that advisory representatives may earn additional compensation for recommendations of insurance products purchased through them. Advisory clients are never under any obligation to purchase insurance products. Collectively, our advisory representatives spend 3 hours per month on this outside business.

- D. If we recommend or select other investment advisers for our clients and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

Neither our firm nor adviser representatives receive compensation from other investment advisers we may recommend.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts¹. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

¹ For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

ITEM 12. BROKERAGE PRACTICES

- A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

We seek to recommend a custodian/broker-dealer that will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. 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 we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

We consider a wide range of factors in selecting or recommending broker-dealers, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions

- quality of services
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients.

1. Research and Other Benefits.

We do not receive soft dollars generated by the securities transactions of our clients. The term "soft dollars" refers to funds which are generated by client trades "commission rebates or credits" being used by our firm to purchase products or services (such as research and enhanced brokerage services) from or through the broker-dealers whom our firm engages to execute securities transactions. In addition, neither our firm nor our related person(s) have authority to determine, without specific client consent, the broker-dealer to be used in any securities transaction or the commission rate to be paid.

Our firm, however, does receive some "eligible" products and services under safe harbor as determined under the Securities and Exchange Act, Section 28(e). These products and services include: educational events; professional compliance; legal and business consulting; publications and conferences on practice management; information technology; business succession; employee benefits providers; human capital consultants; insurance; and marketing. In addition, broker-dealers may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. Broker-dealers may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. While, as a fiduciary, our firm endeavors to act in its clients' best interests, our firm's recommendation of certain broker-dealers may be based in part on the benefit we receive as described above and not solely on the nature, cost, or quality of custody and brokerage services provided by broker-dealers, which may create a potential conflict of interest.

As a result of receiving such "eligible" products and services for no cost, we may have an incentive to continue to place client trades through broker-dealers that offer those products and services. This interest conflicts with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers. Our firm examined this potential conflict of interest when we chose to enter into the relationship with broker-dealers and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

2. Brokerage for Client Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage).

Our firm does not receive brokerage for client referrals.

3. Directed Brokerage.

- a. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy.

We or any of our firm's related persons do not have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

- b. Permissibility of client-directed brokerage.

We allow clients to direct brokerage. However, we may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

ITEM 13. REVIEW OF ACCOUNTS OR FINANCIAL PLANS

- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

We review accounts on at least a quarterly basis for our clients subscribing to Comprehensive Portfolio Management. Third Party Money Management clients receive at least quarterly reviews. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we contact clients who subscribe to Comprehensive Portfolio Management.

As also mentioned in Item 13A of this Brochure, financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

Our firm may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab"), to maintain custody of Clients' assets and to effect trades for their accounts. Our firm is independently owned and operated and not affiliated with Schwab. Our firm may also recommend that Clients establish accounts with firms other than Schwab.

Schwab has also provided our firm with various products and services in addition to brokerage services. Many of these products and services are described in Item 12 of this Brochure. In addition to those products and services described in Item 12, Schwab makes available the following:

Schwab provided a loan to assist our business operations. The terms of the loan require that management fees to our firm be paid to an account at Schwab for deduction of interest and principal payments on the loan before our firm may access such management fees. The loan agreement contains various representations and covenants by our firm, including, among others, that our firm will maintain at least \$75,000,000 in end client net assets held at Schwab ("Assets Under Management at Schwab"), and that Advisor will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the

occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on our firm's ability to perform services for you.

Schwab has also provided a software system and related support services called "Integrated Office," which help us manage our client relationships and client investment portfolios for those clients participating in the bundled fee program. The Integrated Office benefits us and may indirectly benefit clients by enhancing our services provided to clients. If we did not have this arrangement with Schwab, Integrated Office would be available to us only through paying fees for it directly to Schwab's affiliate. Consequently, we may have an incentive to recommend Schwab as a custodian.

Some of the products, services and other benefits provided by Schwab, including the loan and software noted above, benefit our firm and may not benefit client accounts. Our firm's recommendation that a client place assets in Schwab's custody may be based in part on benefits Schwab provides, or our firm's agreement to maintain certain Assets under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's or third parties' services that benefit only us or may only indirectly benefit clients.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm.

ITEM 15. CUSTODY

- A. If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) and do not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

State Securities Bureaus, or their equivalents, generally take the position that any arrangement under which a registered investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the adviser's instruction to the custodian is deemed to have custody of client funds and securities. As such, we have adopted the following safeguarding procedures:

- 1) Our clients must provide us with written authorization permitting direct payment to us of our advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- 2) We must send a statement to our clients showing the amount of our fee, the value of your assets upon which our fee was based, and the specific manner in which our fee was calculated;

- 3) We must disclose to you that it is your responsibility to verify the accuracy of our fee calculation, and that the custodian will not determine whether the fee is properly calculated; and
 - 4) Your account custodian must agree to send you a statement, at least quarterly, showing all disbursements from your account, including advisory fees.
- B. If we have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our clients, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

ITEM 16. INVESTMENT DISCRETION

If we accept discretionary authority to manage securities accounts on behalf of clients, we are required to disclose this fact and describe any limitations our clients may place on our authority.

We manage client accounts on a discretionary and non-discretionary basis. Clients need to sign an investment advisory agreement with our firm for the management of their account. Discretionary accounts allows our firm, without prior consultation with clients, to buy, sell, and trade in stocks, bonds, mutual funds, and other securities and/or contracts relating to the same. Our firm is not authorized, without prior consultation with clients, to buy, sell, and trade in stocks, bonds, mutual funds, and other securities and/or contracts under non-discretionary accounts. Besides the power of authority, accounts are managed in the same fashion.

ITEM 17. VOTING CLIENT SECURITIES

If we have, or will accept, proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

However, third party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

ITEM 18. FINANCIAL INFORMATION

We are not required to provide financial information to our clients because:

- We do not require the prepayment of more than \$500 in fees when services cannot be rendered within 6 (six) months.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs its ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

A. Identification of each of our principal executive officers and management persons, and description of their formal educations and business backgrounds.

(i) Mark C. Logan

Formal Education: No formal education after high school to disclose

Business Background:

- 08/2012 – Present: Fairhaven Financial Advisors Inc.; C.E.O, Chief Compliance Officer
- 08/2012 – Present: Purshe Kaplan Sterling Investments: Registered Representative
- 03/2004 – Present: Logan Family Apartments, LLC; Member
- 06/2009 – 08/2012: Morgan Stanley Smith Barney, Financial Advisor
- 10/1999 – 06/2009: Citigroup Global Markets Inc., Producing Branch Manager

(ii) William (“Bill”) Unrein

Formal Education: B.A. from Western Washington University

Business Background:

- 08/2012 – Present: Fairhaven Financial Advisors Inc.; President
- 08/2012 – Present: Purshe Kaplan Sterling Investments: Registered Representative
- 06/2009 – 08/2012: Morgan Stanley Smith Barney, Financial Advisor
- 05/1996 – 06/2009: Citigroup Global Markets Inc., Financial Advisor

B. Description of any business in which we are actively engaged (other than giving investment advice) and the approximate amount of time spent on that business.

Please see Item 10 of this Firm Brochure. In addition, Mark Logan and Bill Unrein are licensed insurance agents. They may offer insurance products and receive normal and customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation they earn. Clients are under no obligation to purchase insurance products from Mark Logan or Bill Unrein.

- C. In addition to the description of our fees in response to Item 5 of Part 2A, if our firm or a supervised person is compensated for advisory services with performance-based fees, we must explain how these fees will be calculated. Further, we must disclose specifically that performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

We do not charge performance-based fees.

- D. If our firm or a management person has been involved in one of the disciplinary events required to be disclosed by State regulators, we must disclose all material facts regarding the event.

Neither our firm nor our management has any disciplinary events to disclose.

- E. In addition to any relationship or arrangement described in response to Item 10.C. of Part 2A, we must describe any relationship or arrangement that our firm or any of our management persons have with any issuer of securities that is not listed in Item 10.C. of Part 2A.

We have nothing to disclose in this regard.