

## Item 1: Cover Page

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

March 14, 2024

#### **Fairhaven Wealth Management, LLC**

SEC File No. 801-80596

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This brochure provides information about the qualifications and business practices of Fairhaven Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 630-990-9000 or via email at [mhorner@fairhavenw.com](mailto:mhorner@fairhavenw.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

This firm Brochure is our disclosure document prepared according to regulatory requirements and rules. We will provide you with interim disclosures about material changes as necessary. At this time there are no material changes.

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## Item 4: Advisory Business

### A. Fairhaven Wealth Management, LLC

Fairhaven Wealth Management, LLC ("Fairhaven Wealth" and/or "the firm") is an Illinois limited liability company. The firm is owned by Marc Horner. The firm has been offering investment advisory services since January 2015.

### B. Advisory Services Offered

Fairhaven Wealth is an independent asset management and financial planning firm offering a variety of financial services to individuals, high-net-worth individuals, trusts, estates, retirement plans, and other businesses. Our services include Discretionary Investment Management Services, Non-Discretionary ERISA Plan Services, and Financial Planning Services. The services available may, depending upon your needs and circumstances, be offered according to different formats and levels of complexity. For its discretionary investment management services, Fairhaven Wealth receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure.

Fairhaven Wealth's discretionary investment management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. Fairhaven Wealth will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. Fairhaven Wealth's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances and make appropriate recommendations and implementation decisions. Fairhaven Wealth may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Fairhaven Wealth may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

Fairhaven Wealth's investment advisory services to clients take into account a client's personal financial circumstances, investment objectives and tolerance for risk (e.g., cash-flow, tax and estate). Fairhaven Wealth's engagement with a client may include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Fairhaven Wealth in response to a questionnaire and/or in discussions with the client and reviewed in meetings with Fairhaven Wealth.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.

- Implementing and/or recommending individual equity and fixed income securities, mutual funds and ETFs.
- Effecting changes in the client's investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client.
- If the client's portfolio and personal circumstances, investment objectives, and tolerance for risk make such advice appropriate, providing recommendations to hedge a client's portfolio through the use of derivative strategies, to generate additional income through the use of covered call option writing strategies involving exchange listed or OTC options, and/or to monetize or hedge concentrated stock positions.

In addition to providing Fairhaven Wealth with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are obligated to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Fairhaven Wealth will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **B.1. Investment Management Services**

Investment management services are offered on a discretionary basis. In addition, Fairhaven Wealth may act as sub-adviser to other registered investment advisers.

For discretionary accounts, you authorize us to make, order, and direct any and all transactions involving the assets managed in your name and for your account with the same authority you would have if you were managing your own assets. However, we will not have the authority to withdraw your funds with the exception of withdrawing fees as authorized by you.

We will work closely with the client to determine your investment objectives and risk tolerance. From information you provide to us, we will recommend one or more investment strategies. You may impose restrictions on the securities or types of securities we invest in for your account. You retain ownership of all securities.

### **B.2. Retirement Plan Services**

Through written agreements with Plans, we offer a package of consulting services that may include the following.

- We will assist the Plan Sponsor with investment selection and monitoring for the Plan, of which may include:
  - Meeting with the Plan committee
  - Creating model portfolios for the Plan to implement
  - Reviewing qualified default investment options ("QDIAs") from investment options selected by Plan Sponsor or a delegate thereof

- Selecting investment managers
- Monitoring the investment options against defined risk and return criteria.
- We may work with Participants by
  - Providing education about the Plan to the Participants
  - Meeting with Participants to answer questions about the Plan

Consulting services are provided on a nondiscretionary basis. A plan fiduciary, other than Fairhaven, has responsibility for determining which investment options to make available to Plan participants.

### **B.3. Financial Planning Services**

We offer financial planning services regarding the management of your financial resources based upon an analysis of your individual needs. Our advisory representatives that are qualified to provide financial planning services will advise on matters involving investments and non-investment related topics.

Areas addressed may include the following aspects of financial planning:

- Financial Planning and Analysis: A review of all aspects of your investment and financial situation, including but not limited to income sources and amounts, investments and savings, life insurance, and retirement plans.
- Retirement Planning: Retirement Planning involves advice with a cash flow analysis, as well as an analysis of pension options, tax situation, current investments, asset allocation, risk management, and insurance needs.
- Asset Allocation: This involves advice with respect to Asset Allocation and investment accumulation techniques. Evaluations are made of existing investments in terms of their economic and tax characteristics as well as their suitability for meeting your objectives. We identify tax consequences and their implications.
- Tax Planning Analysis: This includes alternatives and strategies with respect to how tax laws may affect various financial decisions, e.g. acquisitions, pension strategy, investment purchases, or consolidations among others. Clients should consult their accountant or tax practitioner about any tax advice.

Once all pertinent information has been collected, reviewed, and analyzed, a written financial plan – designed to achieve your stated financial goals and objectives may be produced and presented to you. The primary objective of this process is to allow us to assist in developing a strategy for the management of income, assets and liabilities in meeting your financial goals and objectives.

Financial plans are based on your financial situation at the time the plan is presented and are based on financial information disclosed by you to us. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past or projected trends and performance of the market and economy. Past performance is in no way an indication of future performance. We cannot offer any guarantees or promises that your financial goals and

objectives will be met. As your financial situation, goals, objectives, or needs change, you must notify us promptly.

#### **B.6. Referral to Outside Managers**

We may refer you to unaffiliated money managers when it deems that it is suitable for you in light of your risk tolerance and objectives.

#### **B.7. Additional Information Related to Our Services**

We may engage the investment advisory services of various third-party investment managers and may pay a fee to such managers for the investment management and review of client portfolios. Additionally, we may recommend various third-party asset managers to you and work with the third-party manager to coordinate the management activities of client accounts. Additionally, you may pay fees to a third-party manager or broker/dealer and these fees may be in addition to the fees charged by us. These fees are detailed in the disclosure brochure of the third-party manager. We do not share in any portion of the additional fees or other charges assessed by the third-party manager or broker/dealer. Any third-party investment managers must be licensed or notice filed in your state.

We may also enter agreements with other registered investment advisors wherein we would be engaged to act as a sub-advisor with respect to clients of the other Investment advisor who engages us. We will receive a fee for providing sub-advisory services which may be paid to us either directly by the client or by the other investment advisor.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

Fairhaven Wealth does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2023, Fairhaven Wealth had \$699,758,693 of discretionary assets under management (AUM). Additionally, Fairhaven Wealth has \$936,705,282 of assets under advisement (AUA) primarily consisting of company retirement plans for which Fairhaven acts as advisor.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Fees for Investment Management Services

For our investment management services, you pay us based on a percentage of your assets under our management. The maximum annual fee for this service is 1.5%. All fees are based on the gross market value of the portfolio. For clarification, if you borrowed \$100,000 from an account valued at \$200,000, our advisory fee is based upon the \$200,000 gross market value. The firm does not recommend the use of leverage for its investment services. Margin may be recommended as a source of liquidity to bridge a mismatch in cash flow needs. Margin being available only to taxable accounts, the use of margin versus realizing taxable gains may be an attractive strategy within the context of an overall financial plan. The firm attempts to negotiate attractive margin lending rates. Regardless, billing on the gross market value of the portfolio creates an incentive for the firm to recommend the use of leverage.

This fee is negotiable at the discretion of the investment advisor representative introducing the account.

Initial fees for investment management services will be based upon the value of the securities to be managed or monitored by us at the time the agreement is executed and will be prorated for the number of days remaining in the current calendar quarter. Thereafter, the annual fee will be billed quarterly in advance of the calendar quarter and calculated based upon the value of the account on the last business day of the previous calendar quarter. The fee is negotiable and is not based on a share of capital gains or upon capital appreciation of the funds or any portion of the funds.

Additional assets deposited into the account after it is opened will be charged a pro-rata fee based upon the number of days remaining in the then current calendar quarter. No fee adjustments will be made for partial withdrawals or for account appreciation or depreciation.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Fairhaven Wealth may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

Note: Effective January 2015, Fairhaven Wealth acquired RH Financial Group, LLC. RH Financial Group has certain legacy accounts with fee structures in which equities are charged at a higher rate than fixed income securities. This creates a conflict of interest, as Fairhaven Wealth would be economically incented to recommend equities over fixed income securities. Although Fairhaven Wealth strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of Fairhaven Wealth rather than in the client's best interest.



### **A.2. Fees for Retirement Plan Services**

For our Retirement Plan Services, you pay us based on a percentage of your assets under our management. The maximum annual fee for this service is an annual fee of 1.0%. The annual fee will be billed quarterly in advance of the calendar quarter and calculated based upon the value of the account on the last business day of the previous calendar quarter. This fee is negotiable at the discretion of the investment advisor representative introducing the account. This is our maximum fee regardless of account size.

### **A.3. Fees for Personal Financial Planning Services**

Fees for financial planning services will be as a fixed fee of \$5,000 unless otherwise agreed upon at the time you sign the investment advisory agreement. The fees for financial planning services are due and payable upon completion of the contracted services or 50% deposit at the time an agreement is signed and balance upon completion of the contracted services. Our fees may be lower if this service is in addition to other services you would like to request or if your financial planning needs are less than what we typically provide. Our fee may be higher if you request ongoing financial planning assistance or if your planning needs are more than what we typically provide and you are not requesting any additional services from us.

Clients seeking to terminate this service must do so in writing.

## **B. Client Payment of Fees**

Fairhaven Wealth will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Fairhaven Wealth may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. Prepayment of Client Fees**

Fairhaven Wealth generally requires fees for investment management services to be prepaid on a quarterly basis. Fairhaven Wealth's fees will either be paid directly by the client or disbursed to Fairhaven Wealth by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment management agreement may be canceled at any time by the client, or by Fairhaven Wealth with 30 days' prior written notice to the client. For plan-level services to ERISA accounts, either party may terminate the agreement with 30 days' prior written notice to the other; such 30-day period may be extended, upon the agreement of the parties, to a maximum of 60 days after notice to terminate is provided. Upon termination, any unearned, prepaid fees will be promptly refunded, and any earned, unpaid fees will be due and payable. You will be responsible for any fees and charges you have incurred from third parties as a result of maintaining the account, such as transaction fees for any securities transactions executed, and account maintenance or custodial fees.

## **E. External Compensation for the Sale of Securities to Clients**

Fairhaven Wealth's advisory professionals are compensated primarily through retention of a portion of the advisory fee collected by Fairhaven. Fairhaven Wealth's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

## **F. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a

comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

***Additional Disclosure Concerning Wrap Programs:*** To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Fairhaven Wealth does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

Fairhaven Wealth offers its investment services to various types of clients including individuals, high-net-worth individuals, trusts, estates, charitable organizations, retirement plans, and other businesses.

There is no minimum fee.

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

### **A. Methods of Analysis and Investment Strategies**

#### **A.1. Methods of Analysis**

Fairhaven Wealth uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Fairhaven Wealth and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Fairhaven Wealth reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Fairhaven Wealth may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.2. Mutual Funds and Exchange-Traded Funds, Individual and Fixed Income Securities, Third-Party Separate Account Managers**

Fairhaven Wealth may recommend no-load and load-waived mutual funds as well as individual securities (including fixed income instruments). Fairhaven Wealth may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Fairhaven Wealth will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

Fairhaven Wealth has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

Fairhaven Wealth may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

Fairhaven Wealth reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Fairhaven Wealth on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Fairhaven Wealth (both of which are negative factors in implementing an asset allocation structure).

Fairhaven Wealth may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can

have an impact on fees given the funds or managers utilized. Fairhaven Wealth will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Fairhaven Wealth will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

### **A.3. Material Risks of Investment Instruments**

Fairhaven Wealth may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, Fairhaven Wealth may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Corporate debt obligations
- Variable annuities

#### **A.3.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.3.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.



Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.3.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.3.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.3.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The

shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.3.f. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.3.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.3.h. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.3.i. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.3.j. Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance

company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although Fairhaven Wealth, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Fairhaven Wealth will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although Fairhaven Wealth, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

Fairhaven Wealth generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **B.4. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

### **B.5. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Fairhaven Wealth as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

#### **B.5.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be

reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

**B.5.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

**B.5.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

**C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Fairhaven Wealth is not registered as a broker-dealer and does not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Fairhaven Wealth nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Insurance Sales**

Certain managers, members, and registered employees of Fairhaven Wealth are licensed insurance agents. With respect to the provision of financial planning services, Fairhaven Wealth professionals may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Please also be advised that Fairhaven Wealth strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with Fairhaven Wealth's employing broker-dealer.

#### **C.2. HighTide Media LLC**

Marc Horner is President of HighTide Media LLC, an affiliate of Fairhaven. HighTide Media is a financial education company that produces videos and owns the website [Milliondollarcupofcoffee.com](http://Milliondollarcupofcoffee.com) to provide information on investment topics.

#### **C.3. Taglia & Associates**

Taglia & Associates recommends that certain clients engage Fairhaven to manage portfolios for its clients pursuant to an arrangement where it will receive a portion of the fees received from clients who engage Fairhaven. Taglia & Associates has an incentive to recommend to potential end clients that they utilize the services of Fairhaven, given that Taglia & Associates will receive a portion of the fees.

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Although Fairhaven Wealth does not receive any remuneration from advisers, investment managers, or other service providers that it recommends to clients, the firm engages sub-advisers to manage Fairhaven Wealth client accounts and receives a portion of the advisory fees charged by Fairhaven Wealth for its investment management services.



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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Fairhaven Wealth has adopted policies and procedures designed to detect and prevent insider trading. In addition, Fairhaven Wealth has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Fairhaven Wealth's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Fairhaven Wealth. Fairhaven Wealth will send clients a copy of its Code of Ethics upon written request.

Fairhaven Wealth has policies and procedures in place to ensure that the interests of its clients are given preference over those of Fairhaven Wealth, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Fairhaven Wealth does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Fairhaven Wealth does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Fairhaven Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Fairhaven Wealth specifically prohibits. Fairhaven Wealth has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Fairhaven Wealth's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Fairhaven Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Fairhaven Wealth clients. Fairhaven Wealth will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of Fairhaven Wealth to place the clients' interests above those of Fairhaven Wealth and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Trade-PMR, Inc.

Fairhaven Wealth utilizes Trade-PMR, Inc. ("Trade-PMR") for brokerage and trade execution services. Trade-PMR clears trades and custodies assets with First Clearing, FINRA member broker-dealers. First Clearing is a trade name used by Wells Fargo Clearing Services, LLC., a non-bank affiliate of Wells Fargo & Company. Trade-PMR acts as an introducing broker-dealer on a fully disclosed basis. Trade-PMR and First Clearing are members of SIPC and are unaffiliated registered broker-dealers and FINRA members. The brokerage commissions and/or transaction fees charged by Trade-PMR or any other designated broker-dealer are exclusive of and in addition to Fairhaven Wealth's fee. Fairhaven Wealth regularly reviews these programs to seek to ensure that its recommendation is consistent with its fiduciary duty. Factors which Fairhaven Wealth considers in recommending Trade-PMR and First Clearing or any other broker-dealer or custodian to clients include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by these brokers may be higher or lower than those charged by other broker-dealers.

In addition, Trade-PMR provides Fairhaven Wealth with access to its institutional trading and custody services, which are typically not available to retail investors. These brokerage services include the execution of securities transactions, 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.

Additionally, Fairhaven Wealth may receive the following benefits from Trade-PMR: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its participants; access to block trading which provides the ability to aggregate securities transactions and then allocates the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information

#### A.2. Charles Schwab & Co., Inc.

Certain client brokerage accounts are established with Charles Schwab & Co., Inc. ("custodian"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Fairhaven Wealth is independently owned and operated and not affiliated with custodian. For Fairhaven Wealth client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

##### A.2.a. Institutional Trading and Custody Services

The custodian provides Fairhaven Wealth with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services

generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.2.b. Other Products and Services**

Custodian also makes available to Fairhaven Wealth other products and services that benefit Fairhaven Wealth but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Fairhaven Wealth's accounts, including accounts not maintained at custodian. The custodian may also make available to Fairhaven Wealth software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Fairhaven Wealth's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help Fairhaven Wealth manage and further develop its business enterprise. These services may include

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

The custodian may also provide other benefits such as educational events or occasional business entertainment of Fairhaven Wealth personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Fairhaven Wealth may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.2.c. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Fairhaven Wealth. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Fairhaven Wealth.

### **A.3. Additional Compensation Received from Custodians**

Fairhaven Wealth may participate in institutional customer programs sponsored by broker-dealers or custodians. Fairhaven Wealth may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Fairhaven Wealth's participation in such programs and the investment advice it gives to its clients, although Fairhaven Wealth receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Fairhaven Wealth participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Fairhaven Wealth by third-party vendors

The custodian may also pay for business consulting and professional services received by Fairhaven Wealth's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Fairhaven Wealth's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Fairhaven Wealth but may not benefit its client accounts. These products or services may assist Fairhaven Wealth in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Fairhaven Wealth manage and further develop its business enterprise. The benefits received by Fairhaven Wealth or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Fairhaven Wealth also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Fairhaven Wealth to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Fairhaven Wealth will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Fairhaven Wealth's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Fairhaven Wealth's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Fairhaven Wealth endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Fairhaven Wealth or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Fairhaven Wealth's recommendation of broker-dealers for custody and brokerage services.

#### **A.4. Soft Dollar Arrangements**

Fairhaven Wealth does not utilize soft dollar arrangements. Fairhaven Wealth does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.5. Brokerage for Client Referrals**

Fairhaven Wealth does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

#### **A.6. Directed Brokerage**

##### **A.6.a. Fairhaven Wealth Recommendations**

Fairhaven Wealth typically recommends Trade-PMR as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

##### **A.6.b. Client-Directed Brokerage**

Occasionally, clients may direct Fairhaven Wealth to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Fairhaven Wealth derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Fairhaven Wealth loses the ability to aggregate trades with other Fairhaven Wealth advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **B. Aggregating Securities Transactions for Client Accounts**

#### **B.1. Best Execution**

Fairhaven Wealth, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. Fairhaven Wealth recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Fairhaven Wealth will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected

- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Fairhaven Wealth seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Fairhaven Wealth's knowledge, these custodians provide high-quality execution, and Fairhaven Wealth's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Fairhaven Wealth believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Fairhaven Wealth may be managing accounts with similar investment objectives, Fairhaven Wealth may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Fairhaven Wealth in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Fairhaven Wealth's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Fairhaven Wealth will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Fairhaven Wealth's advice to certain clients and entities and the action of Fairhaven Wealth for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Fairhaven Wealth with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Fairhaven Wealth to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Fairhaven Wealth believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Fairhaven Wealth acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Fairhaven Wealth determines that such arrangements are no longer in the best interest of its clients.



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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by Fairhaven Wealth's Manager. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. There are no post-plan reviews unless engaged to do so by the client.

### **B. Review of Client Accounts on Non-Periodic Basis**

Fairhaven Wealth may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Fairhaven Wealth formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Fairhaven Wealth.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

#### **A.1. Trade-PMR**

As noted in Item 12, Fairhaven Wealth will receive additional benefits from Trade-PMR which includes electronic systems that assist in the management of Fairhaven Wealth client accounts, access to research, the ability to directly debit client fees, 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), pricing information and other market data, assist with back-office functions, recordkeeping and client reporting.

#### **A.2. Expense Reimbursements**

Fairhaven Wealth may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing, such as advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

### **B. Advisory Firm Payments for Client Referrals**

Taglia & Associates recommends that certain clients engage Fairhaven to manage portfolios for its clients pursuant to an arrangement where it will receive a portion of the fees received from clients who engage Fairhaven. Taglia & Associates has an incentive to recommend to potential end clients that they utilize the services of Fairhaven, given that Taglia & Associates will receive a portion of the fees. We may enter into arrangements with solicitors who will refer prospective advisory clients to Fairhaven in return for a portion of the ongoing investment advisory fee our firm collects. Generally, when the firm engages a solicitor, such solicitor is compensated through receipt of a portion of the advisory fees we collect from our advisory clients. The receipt of such fees creates a conflict of interest in that the solicitor is economically incented to recommend our services because of the existence of a fee sharing arrangement with our firm. Please be advised that the firm's payment of a referral fee to the solicitor does not increase the client's advisory fee paid to the firm.

## Item 15: Custody

Fairhaven Wealth is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- For certain clients, our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to engage an independent public accountant to annually conduct a surprise custody exam audit.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

Fairhaven Wealth also provides bill paying services for one or more accounts. As such, the firm is deemed to have custody of client assets and therefore subject to a surprise annual audit by an independent certified public accounting firm.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Fairhaven Wealth with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Fairhaven Wealth will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Fairhaven Wealth does not take discretion with respect to voting proxies on behalf of its clients. Fairhaven Wealth will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Fairhaven Wealth supervised and/or managed assets. In no event will Fairhaven Wealth take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Fairhaven Wealth will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Fairhaven Wealth has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Fairhaven Wealth also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Fairhaven Wealth has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Fairhaven Wealth receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Fairhaven Wealth does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Fairhaven Wealth does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.