

**Item 1: Cover Page**

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

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**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 630-333-9207 or via email at [marc.horner@fairhavenwealth.com](mailto:marc.horner@fairhavenwealth.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. At this time there are no material changes.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	5
A. Fairhaven Wealth Management, LLC .....	5
B. Advisory Services Offered .....	5
C. Client-Tailored Services and Client-Imposed Restrictions.....	10
D. Wrap Fee Programs.....	10
E. Client Assets Under Management .....	10
Item 5: Fees and Compensation .....	11
A. Methods of Compensation and Fee Schedule .....	11
B. Client Payment of Fees.....	12
C. Additional Client Fees Charged .....	12
D. Prepayment of Client Fees .....	13
E. External Compensation for the Sale of Securities to Clients.....	13
Item 6: Performance-Based Fees and Side-by-Side Management.....	14
Item 7: Types of Clients.....	15
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	16
A. Methods of Analysis and Investment Strategies .....	16
B. Investment Strategy and Method of Analysis Material Risks .....	21
C. Security-Specific Material Risks .....	23
Item 9: Disciplinary Information.....	24
A. Criminal or Civil Actions.....	24
B. Administrative Enforcement Proceedings.....	24
C. Self-Regulatory Organization Enforcement Proceedings .....	24
Item 10: Other Financial Industry Activities and Affiliations.....	25
A. Broker-Dealer or Representative Registration .....	25
B. Futures or Commodity Registration.....	25
C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest.....	25

D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest.....	26
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	27
A. Code of Ethics Description.....	27
B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest .....	27
C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest .....	27
D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest.....	28
Item 12: Brokerage Practices .....	29
A. Factors Used to Select Broker-Dealers for Client Transactions.....	29
B. Aggregating Securities Transactions for Client Accounts.....	32
Item 13: Review of Accounts .....	35
A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved.....	35
B. Review of Client Accounts on Non-Periodic Basis.....	35
C. Content of Client-Provided Reports and Frequency.....	35
Item 14: Client Referrals and Other Compensation.....	36
A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest .....	36
B. Advisory Firm Payments for Client Referrals.....	36
Item 15: Custody .....	37
Item 16: Investment Discretion.....	38
Item 17: Voting Client Securities.....	39
Item 18: Financial Information .....	40
A. Balance Sheet.....	40
B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients.....	40
C. Bankruptcy Petitions During the Past Ten Years .....	40

## 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 is a newly formed investment adviser and has not previously provided investment advisory services.

### 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 and Non-Discretionary Investment Management Services
- Retirement Plan Services
- Ancillary Services – Tracking and Reporting Services
- Personal Financial Management Services
- Financial Planning Services

The services available under each category may, depending upon your needs and circumstances, be offered according to different formats and levels of complexity.

For its discretionary asset 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 asset 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.
- Reporting to the client on a regular basis information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing 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 required 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 of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, Fairhaven Wealth's reports to clients will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. 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 either on a discretionary or non-discretionary basis.

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.

For non-discretionary accounts, no trades will be placed without prior approval from you. If you choose to have accounts managed on a non-discretionary basis, you are advised that such

accounts are subject to certain risks. Risks may include but not be limited to the risk of missing market opportunities or the risk that we will be unable to effect timely changes in market positions as a result of not being able to obtain your authorization.

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.1.a. Financial Portfolio Services**

Through the Financial Portfolio Services we offer investment portfolios called Financial Portfolios. The advisory representative will work with you to select one or more portfolios that fit your investment objectives and risk tolerance. The Financial Portfolios are designed to provide risk-adjusted returns through the use of a proprietary strategic asset allocation investment approach ranging from 0% equity to 100% equity.

Each portfolio was designed using a proprietary set of investment models to provide an efficiently managed portfolio. Financial Portfolios are designed with a particular equity to fixed income ratio. Periodic client meetings, updates to the investor profile questionnaire, and evaluation of current market conditions will help to ensure the selected Financial Portfolios reasonably match your investment objectives. Financial Portfolios are available through the applicant's advisory representatives. These services are offered on a discretionary basis only.

#### **B.1.b. Financial Portfolio Services – Tri-Party Platform**

The Tri-Party Platform is offered to clients of other investment advisers who have partnered with us. The Tri-Party Platform offers you selected Financial Portfolios with a composition of 50% or more in equity investments. Fairhaven Wealth, the other adviser, and the client enter into a tri-party advisory agreement that details the roles and responsibilities of the other adviser and us. In general, we are responsible for managing your assets in accordance with the Financial Portfolios and the other adviser, as the client contact, is responsible for gathering information related to your investment objectives, time horizon and risk tolerance and working with you to select the appropriate Financial Portfolio for your objectives and risk tolerance. The other advisor is also responsible for periodic meetings, updates to the investor profile questionnaire, and evaluation of current market conditions to help ensure that the selected Financial Portfolios reasonably match your investment objectives. These services are offered on a discretionary basis only.

#### **B.1.c. Directly Managed Accounts**

Our advisory representatives also offer you individually tailored investment management accounts. The advisory representative will allocate and periodically reallocate (or recommend the allocation or reallocation of) your assets among various securities and/or investment vehicles, including: stocks, bonds, mutual funds, exchange traded funds and private placements. These services may be offered on a discretionary or non-discretionary basis.

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

We provide advisory services to employer sponsored retirement plans, including pension and profit sharing plans (the "Plans"). Through written agreements with Plans, we offer a package of consulting services including core investment recommendations and model portfolio options. The core investment options generally include mutual funds ("Core Investments") selected exclusively from mutual funds that are made available on the platform of the Plan's custodian at the sole discretion of an independent Plan fiduciary. We will also make available various Financial Portfolios as investment options to potential plan clients. Consulting services are provided on a nondiscretionary basis. A plan fiduciary other than applicant has responsibility for determining which investment options, including Financial Portfolios, to make available to Plan participants.

With respect to Financial Portfolios made available to 401(k) plans, our services consist of providing an initial model portfolio and periodic updates to the model portfolio to a plan fiduciary. Financial Portfolios made available through our 401(k) platform consist of different risk profiles ranging from conservative to aggressive. Each model has static allocation between equity and income ranging from 0% equity/100% income for the conservative portfolio to 100% equity/0% income for the aggressive portfolio. We will rebalance each Financial Portfolio to its target allocation periodically. As compensation for consulting services, we will receive a fixed percentage of Plan assets allocated to the Core Investments and Financial Portfolios for its services under the consulting agreement with each Plan. This fee is negotiable. This fee does not vary based on recommendations accepted by the Plan fiduciary or selected by participants. The fee does not vary if Financial Portfolios are selected as an investment option and no additional fee is charged for ongoing Financial Portfolio reallocation services.

We offer discretionary asset management services to Plans through our Financial Portfolio Services or Directly Managed Accounts platforms. We may recommend one or more Financial Portfolios and/or other asset allocations for the Plans. The Plans will be charged an asset based fee using the fee rates for Financial Portfolio Services and/or Directly Managed Accounts.

## **B.3. Ancillary Services – Tracking and Reporting Services**

In addition to our discretionary and non-discretionary investment management services, we also offer Tracking and Reporting Services. This service assists with monitoring assets for which we provide neither discretionary nor non-discretionary investment management services. For this service, we provide you reports and other information related to the assets. Our obligations under the "Tracking and Reporting Services" is limited and does not include any duty or obligations to make recommendations regarding investments, advise you regarding risks or hedging strategies, or otherwise provide any investment advice with respect to the assets.

Performance results for Tracking and Reporting Services assets are not included when we calculate our performance results.

## **B.4. Personal Financial Management Services**

Personal financial management services involve monitoring, reporting and providing advice to you regarding other investment advisers or broker-dealers. For this service, we do not conduct,



directly or indirectly, any securities transactions on behalf of you or participate directly in the selection of the securities to be purchased or sold for the client. We may recommend to you specific changes to investments held in accounts with third-party advisers or other broker-dealers. However, the final decision to make such adjustments and implementation are made at your direction and/or the third-party adviser or broker-dealer without any additional involvement or conduct by us. Our fee for this service is for monitoring, reporting and providing advice regarding the investment advisers or broker-dealers. Any third-party advisers will be licensed or notice filed in the state in which you reside.

### **B.5. 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**

In addition to the services described above, we have affiliates that offer accounting, tax and business consulting services, and insurance products which are in addition to the advisory fees disclosed herein.

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**

The firm is newly formed and currently has \$0 in assets under management.

## **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 an annual fee of 1.5%. 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%. 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 Asset Tracking and Reporting Services**

For our Asset Tracking and Reporting 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%. 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.4. Fees for Personal Financial Management Services**

For our Personal Financial Management 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 0.6%. 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.5. Fees for Personal Financial Planning Services**

Fees for Financial Planning Services Financial planning services will be as a fixed fee of \$2,500 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 you're 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.

You may cancel these services, without penalty, upon written notice within five (5) business days after entering into the Advisory Agreement with us. 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. Thereafter, either party may terminate Advisory Agreement by providing of written notice to terminate. Upon termination, any unearned, prepaid fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

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

Fairhaven Wealth's advisory professionals are compensated primarily through a salary and bonus structure. Fairhaven Wealth's advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. Fairhaven Wealth's advisory professionals may receive commission-based compensation for the sale of securities and insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

## **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, 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**

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.1. 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 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. Fairhaven Wealth will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Fairhaven Wealth on a quarterly basis or such other interval as mutually agreed upon by the client and Fairhaven Wealth. 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). Based on its review, Fairhaven Wealth will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

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 selected by 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.2. Material Risks of Investment Instruments**

Fairhaven Wealth typically invests in open-end mutual funds and exchange-traded funds for the vast majority of its clients. However, 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.2.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.2.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.2.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.2.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.2.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.2.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.2.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.2.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.2.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.2.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.

Members and registered advisory personnel of Fairhaven Wealth are registered representatives of Triad Trading, LLC, a FINRA-registered broker-dealer and member of SIPC. Please see Item 10.C. below for further information

### **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. Broker-Dealer Registration**

Certain managers, members, and registered employees of Fairhaven Wealth are associated persons of Triad Trading, LLC, a FINRA-registered broker-dealer and member of SIPC. As a result, such professionals are subject to the oversight of Triad Trading, LLC, and the Financial Industry Regulatory Authority, Inc. ("FINRA"). As such, clients of Fairhaven Wealth should understand that their personal and account information is available to FINRA and Triad Trading, LLC, personnel in the fulfillment of their oversight obligations and duties.

Fairhaven Wealth professionals who effect transactions for advisory clients may receive transaction or commission compensation from Triad Trading, LLC. The recommendation of securities transactions for commission creates a conflict of interest in that Fairhaven Wealth is economically incented to effect securities transactions for clients. 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. Fairhaven Wealth advisory clients are not compelled to effect securities transactions through Triad Trading, LLC.

#### **C.2. 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

#### **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 front-running, and

- 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. Custodian Recommendations

Fairhaven Wealth may recommend that clients establish brokerage accounts with Fidelity, a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Fairhaven Wealth may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. 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.

Fairhaven Wealth considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Fairhaven Wealth, Fairhaven Wealth will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Fairhaven Wealth will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. 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.1.b. 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. These services are not contingent upon Fairhaven Wealth committing to a custodian any specific amount of business (assets in custody or trading commissions). 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.1.c. 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.1.d. 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.1.e. 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 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 such as Fidelity for custody and brokerage services.

## **A.2. 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.3. Directed Brokerage**

### **A.3.a. Fairhaven Wealth Recommendations**

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

### **A.3.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 semi-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**

Fairhaven Wealth does not receive economic benefits for referring clients to third-party service providers.

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

Fairhaven Wealth does not pay for client referrals.

## **Item 15: Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by Fairhaven Wealth to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

## **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.