

# **BAYSTATE WEALTH MANAGEMENT, LLC**

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SEC # 801-70681

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**This Brochure is provide pursuant to Schedule H of Form ADV, and must be provided to the client in lieu of Form ADV. This Brochure provides clients with information about Baystate Wealth Management, LLC and its Program that should be considered before becoming a client of Baystate Wealth Management, LLC. This information has not been approved or verified by any governmental authority.**

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**FORM ADV SCHEDULE H BROCHURE**

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### **Description of the Baystate Wealth Program**

Baystate Wealth Management, LLC ("Baystate Wealth" or "the Company") provides fee-based discretionary and non-discretionary investment supervisory services and portfolio management primarily for high net worth individuals, closely-held and family businesses, corporations, trusts and foundations ("the Program").

The Company's typical client is a high net worth individual, an owner of a family or closely-held business, a company executive, a professional athlete or an entrepreneur or business person who has had or will have a liquidity event.

The Baystate Wealth Program offers flexibility in choosing the kinds of securities to be held in the client's account(s). Eligible securities include, without limitation:

- No-Load Mutual Funds;
- Load-Waived Mutual Funds;
- Exchange (NYSE, AMEX) Listed Stocks;
- Exchange Traded Funds (ETFs);
- Closed-End Funds (Secondary Market)
- American Depository Receipts (ADRs)
- NASDAQ Listed Securities
- U.S. Government Bonds
- Mortgage-backed Bonds;
- Corporate Bonds;
- Municipal Bonds;
- Unit Investment Trusts;
- Structured Products;
- Exchange Traded REITs/Limited Partnerships; and
- Brokerage Certificates of Deposit.

There are certain securities that are "ineligible" for the Program. Those securities will not be purchased for clients' accounts. To the extent a client transfers an account or portfolio in kind, and the incoming portfolio or account contains ineligible securities, the ineligible securities will either be refused for transfer or sold once the portfolio or account is in the Program. A list of ineligible securities is available upon request.

Clients may establish an account at Baystate Wealth by transferring cash or by transferring accounts in kind or after the sale of all or some of the securities in the transferred account. To the extent the client seeks to transfer an account in kind, and the account contains securities that are not eligible under the Baystate Wealth Program, those securities must be sold prior to or concurrent with the transfer.

The client relationship is managed by Investment Adviser Representatives ("IARs") of Baystate Wealth. IARs meet with clients, discuss the client's goals and objectives and assist the client in the development, management and implementation of the client's wealth management program. IARs do not, however, manage portfolios for clients. Rather portfolios are managed by Approved Portfolio Managers ("APMs"). All

APMs of Baystate Wealth are pre-approved by the Company to manage assets. The investment process is governed by the Investment Committee of the Company, which meets periodically or as dictated by market conditions to discuss investment options for the APMs. With permission of Baystate Wealth, an IAR may also serve as an APM.

Baystate Wealth's investment advisory services are based primarily on asset allocation and diversification strategies developed by the Company and agreed to in writing with the client. The Company builds portfolios using a combination of individual stocks and bonds, exchange traded funds ("ETFs"), index funds, fixed income alternatives, mutual funds and alternative managers when appropriate. Portfolios are reviewed at least annually.

The investment advice provided by Baystate Wealth is customized to fit the risk profile, goals, objectives, and other preferences of each individual client, pursuant to a written Investment Policy Statement ("IPS") developed with and signed off on by the client. Such advice may include recommended strategic and tactical asset allocation, recommended diversification, investment buy/sell recommendations, selection of and recommendations of outside managers, and portfolio management, including the potential selection of securities for the account of the client on the basis of the client's risk profile and goals and objectives. The Company currently does not maintain or promote pooled accounts (although it may do so in the future). By agreement, the Company may treat members of a family as a single client for billing, allocation and other purposes. As discussed in more detail below, Baystate Wealth on occasion may purchase or sell securities on an aggregated or block basis. The Company has specific practices and policies it follows to ensure that all clients are treated fairly in such circumstances.

All accounts are reviewed at least annually by the Investment Committee and by the Compliance Committee for overall adherence with the client's IPS and with the investment discipline employed by the Company. The IPS governs the frequency of such reviews with the individual client.

The Investment Committee meets periodically; typically twice a month. During these meetings, accounts are reviewed for asset allocation testing and to ensure that the portfolios are being managed to the guidelines set forth in the IPS. Specific account holdings are reviewed when changing market conditions warrant. The Compliance Committee also reviews accounts periodically, when circumstances warrant review, often times in conjunction with or as an adjunct to the Investment Committee. As noted earlier, portfolios are managed on an individual basis in accordance with the client's risk tolerance and goals and objectives as disclosed in the IPS. The Custodian, Pershing, LLC, provides the clients with statements of their accounts/portfolios at least quarterly and with quarterly performance reports. In addition, the IAR and/or officers of the Company typically meet with the client at least annually to review the accounts.

## **Baystate Wealth's IARs, APMs, Officers and Investment Committee Members**

### **General Qualifications**

Generally, IARs must be college graduates and have their Series 6, 7, 63 and/or 65 licenses. APMs must have sufficient education, background and experience to manage assets for others, which includes a college education, a CFA, MBA or CIMA designation, at least 2 years of asset management experience, or some combination of the above, as well as participation in continuing education.

### **Baystate Wealth's Officers, APMs and Investment Committee Members**

The following people are the officers, APMs or members of the Investment Committee of Baystate Wealth:

#### **David C. Porter**

Mr. Porter is the Chairman of the Board and a managing member of Baystate Wealth.

Born on January 16, 1961, Mr. Porter graduated from West Chester University in 1983 with a degree in Public Administration.

#### **Business Background:**

1/10 – Date:	Baystate Wealth Management, LLC Chairman
8/1996 to Date:	Baystate Financial Services, LLC Managing Member/Principal
1992 – 1996:	The Porter Agency Managing Member/Principal
1985 - 1992:	Keystone Financial Sales Manager
1983 - 1985:	Prudential Financial Agent

#### **Michael A. Yoken**

Mr. Yoken is the Chief Operating Officer, the Secretary and a managing member of Baystate Wealth.

Born on July 21, 1965, Mr. Yoken graduated from Assumption College in 1987 with a B.A. in Accounting.

**Business Background:**

1/10 – Date: Baystate Wealth Management, LLC  
Chief Operating Officer/Secretary

1996 to Date: Baystate Financial Services, LLC  
Sales Manager (1996-2004)  
Managing Member/Principal (2004 - Date)

1994 - 1996: Heritage Investment Planning  
Investment Consultant

1990 - 1994: IDS Financial Services  
Financial Planner

1987 - 1990: First National Bank of Ipswich  
Investment Representative

**Thomas Neal O'Connor**

Mr. O'Connor is the President of Baystate Wealth, a member of Baystate Wealth and a member of the Investment Committee.

Born October 1, 1953, Mr. O'Connor received a B.A. in Government from St. Lawrence University in 1975 and a J.D. from Albany Law School of Union University in 1979.

**Business Background:**

1/10 – Date: Baystate Wealth Management, LLC  
President

11/09- Date: Baystate Financial Services, LLC  
General Counsel

3/09- Date: New England Securities  
Broker/Dealer, Registered Representative

3/00 - 10/09: Marathon Capital Group LLC, Boston, MA  
Managing Member/COO/Chief Compliance Officer

3/03 - 10/09: Investors Capital Corporation, Lynnfield, MA  
Broker/Dealer, Registered Representative

11/05 - Date: O'Connor, Carnathan and Mack LLC  
Law Firm, Founding Partner

9/01 - 11/05: Quigley, O'Connor & Carnathan LLC

Law Firm, Founding Partner

8/81 - 3/00: Hale & Dorr LLP, Boston, MA  
Law Firm, Senior Partner

9/79 – 5/81 Rogers & Well, New York City  
Associate

### **Susana Ngan**

Ms. Ngan, CFA, CFP is the Chief Compliance Officer and a member of the Investment Committee.

Born on March 29, 1978, Ms. Ngan received Bachelors in Business Administration from the University of Wisconsin, Madison, in 1999.

#### **Business Background:**

1/10-Date: Baystate Wealth Management, LLC  
Chief Compliance Officer

1/05-Date: Baystate Financial Services, LLC  
Compliance Officer, Registered Principal

1/01-1/05: Financial Perspectives Planning Services, Inc.  
Financial Planner/Analyst

09/99-1/01: Fechter, Detwiler & Co., Inc.  
Financial Advisor Associate/Securities Associate

### **Gregory Pinto**

Mr. Pinto, MBA, CLU, ChFC (American College), CFP, is a member of the Investment Committee.

Born on August 9, 1965, Mr. Pinto received a Bachelors of Science from the University of Bombay in 1986 and an MBA from the University of Rochester in 1989.

#### **Business Background:**

4/10 – Date: Baystate Wealth Management, LLC  
Chief Investment Officer

2004-Date: Baystate Financial Services, LLC  
Vice President - Investments

1997-2004:	Baystate Financial Services, LLC Investment Specialist
1995-1997:	New England Financial Services, Rochester, NY Managing Associate

### **John P. Cogswell**

Mr. Cogswell, CFA, is a member of the Investment Committee.

Born on May 20, 1971, Mr. Cogswell received a Bachelors of Science, with a dual major in Finance and International Finance, from Northeastern University in 1995.

#### **Business Background:**

1/10 – Date:	Baystate Wealth Management, LLC Portfolio Manager
08/09- Date:	Baystate Financial Services, LLC Senior Vice President, Investments
05/01-07/09:	Kobren Insight Management, Wellesley, MA Senior Vice President
01/99-04/01:	A.G. Edwards, Boston, MA Investment Manager
06/95-12/98:	Gruntal & Co., Boston, MA Account Manager

### **Joshua T. Pierce**

Mr. Pierce, MBA, CFP, is a member of the Investment Committee.

Born on May 21, 1976, Mr. Pierce received an M.A. from Wheaton College in 1999 and an MBA from Northeastern University in 2008.

#### **Business Background;**

1/10 – Date:	Baystate Wealth Management, LLC Portfolio Manager
08/09-Date:	Baystate Financial Services, LLC Senior Vice President
11/05-07/09:	Kobren Insight Management, Wellesley, MA



Vice President

12/04-10/05: UBS Financial Services, Boston, MA  
Financial Advisor

01/01-12/04: Bank of America, Boston, MA  
Associate Financial Advisor

### **Individually Managed Accounts**

Each portfolio (or group of family portfolios) is designed for the client ("Account" or "Program Account"). At the inception of the relationship, Baystate Wealth and the client develop and sign a written Investment Policy Statement ("IPS"), which is reviewed at least annually, although the review period may be shortened or lengthened upon agreement with the client. The IPS is a dynamic, working document, which takes into account the client's risk tolerance, the client's goals and objectives and a written summary of the type of investment program and proposed asset allocation for the portfolio.

The Accounts are individually managed. The IPS dictates how an Account is constructed and managed. Depending on the IPS, Accounts may be managed with individual stocks and bonds, ETFs, index funds, mutual funds and the like, separate manager accounts ("SMAs") and some may be managed through a combination thereof.

While each portfolio is managed separately, and ultimately the IPS controls, with the client's consent the Company may manage Accounts targeted to one of several investment strategies, referred to as "Model Portfolios" by the Company. These Model Portfolios range from conservative to very aggressive. The client's portfolio may or may not be identical to a Model Portfolio, but the Model Portfolio is a target allocation tied to a specific risk tolerance. The selection of one or more of these Model Portfolios as an investment target depends on the client's risk tolerance.

Information on the Model Portfolios, their composition, strategic and asset allocation, and their benchmarks are provided by Baystate Wealth to clients. The specific securities in each Model Portfolio, and the specific strategic and tactical allocations for each Model, may change over time and may be different at different points in time. Strategic and tactical allocation decisions for each Model are made by the Investment Committee. The Company may employ a strategy of writing options to hedge portfolios or dampen volatility.

There is no guaranty that any investment strategy, Model Portfolio or Account will achieve a particular result or that any Account will result in a profit. Past performance is no guaranty of future results.

The client's risk tolerance, and financial goals and objectives, as well as other pertinent facts and data, are reflected in the IPS. As the client's goals, objectives and risk

tolerance change, the IPS is updated accordingly, and certain agreed-upon actions are taken to ensure that the portfolios are being managed in accordance with the IPS.

Portfolios are adjusted in response to and in anticipation of market conditions, and strategic and tactical allocation decisions are made to take into account market conditions, movements in the market and geo-political events affecting the markets.

Client assets are held in a brokerage account at Pershing, LLC ("Pershing"), with New England Securities Corp. ("NES") acting as the introducing broker-dealer (hereinafter referred to as "the Program"). These accounts shall be known as "the Program Accounts." Clients are required to sign the Investment Account Application & Agreement ("IAAA") to open a brokerage account with NES. This is in addition to the Engagement Letter clients sign to open an advisory account with Baystate Wealth. Further information concerning the relationships between the Company, its associated persons and NES is set forth below in the section discussing the information required by Form ADV, Part II.

### **Program Fees and Billing**

Subject to exceptions made at the discretion of the Company, the minimum account size for Baystate Wealth is \$250,000.00. Fees are negotiable with the client and generally are charged as a percentage of assets under management or stated in basis points. Fees may not exceed 2.5% or 250 basis points. The agreed upon fee is stated in the Engagement Letter.

The first payment for the Program Fee is prorated to cover the period from the date that the Account balance has reached \$5,000 through the end of the current calendar quarter. Fees are debited directly from the client's Program Account, based on the fee schedule, and begin once the account balance has reached \$5,000. Thereafter, the quarterly Program Fee will be paid at the beginning of each calendar quarter for such quarter and the fee will be based on the fair market value of the assets in the Account on the last business day of the preceding calendar quarter as calculated by Pershing. The Client will also be subject to a Program Fee for any additional lump sum contribution(s) in a calendar quarter equal to or greater than \$5,000. The Client will pay for that portion of the ongoing quarterly Program Fee that relates to the number of days remaining in the calendar quarter on the date of any additional contribution equal to or greater than \$5,000. Payment of the Program Fee will be made in the quarter following any such contribution and will be based on the amount of the contribution.

Through the Company, the Client authorizes the deduction of the Program Fee and other charges by Pershing from cash assets held in the account. Therefore, the Client should maintain at least 1% of the portfolio in cash to pay for fees under the program. If the Account does not have enough cash to pay for the advisory and/or brokerage fees and charges, the Company instructs NES and/or Pershing to sell any Account assets NES and/or Pershing deems appropriate to make such cash available. In such cases, the Client may face a taxable event, to which capital gains (or other) taxes apply. For certain accounts, specific security exclusions from billing may be negotiated with the Client.

The Client authorizes Pershing to deduct all applicable fees from the Client's Program Account and all such fees will be clearly noted on the Client's statements provided to the client no less than quarterly by Pershing. Baystate Wealth compensates NES for providing certain administrative services and oversight functions and reimburses NES for expenses that it incurs on behalf of the Company for certain services provided by Pershing for Baystate Wealth.

### **Investment Advisory Fees - Fee Schedule - Wrap Fee Program**

#### **RMSPlus Fee Arrangement v. RMSOne Fee Arrangement**

Baystate Wealth clients can choose one of two billing arrangements; called "RMSPlus" and "RMSOne." The difference is whether the transaction and other costs are paid for directly by the client or included in the overall fee charged by the Company.

##### **RMSPlus**

Under RMSPlus, in addition to the fees charged by Baystate Wealth, the client will be charged separately for transactional and other brokerage fees pursuant to the then current fee schedule provided by New England Securities Corporation ("NES") as the introducing broker for the client's brokerage account(s) under the Program. The transactional and other costs are deducted directly from the Account. Baystate Wealth, the IARs and the APMs are not paid and they do not receive any portion of the transactional fees and costs paid to NES or to Pershing. The client will be provided a copy of the current fee schedule at the time Baystate is engaged.

##### **RMSOne**

The client may select a fee arrangement where the transactional and other brokerage fees are paid for out of the total fee charged the client. This fee is referred to as "RMSOne." RMSOne may meet the definition of a "wrap fee program" as defined under the Investment Advisers Act of 1940 ("the Act") and other applicable rules and regulations. Accordingly, Baystate Wealth is providing this Schedule H Brochure to all prospective clients.

The RMSOne fees charged to the client for portfolio management are negotiable and subject to the written agreement of the client in the Engagement Letter, but may not exceed 2.5% or 250 basis points of the assets under management (families and family members may be grouped together for billing and other purposes with the consent of the client(s)). If the client selects RMSOne, the total fee cannot exceed 2.5% or 250 basis points of assets under management. Under an RMSOne fee, the IAR and/or Baystate Wealth will pay the transactional and other brokerage fees from the RMSOne fee paid by the client. In the event the client elects RMSOne, the client will only pay one fee to Baystate Wealth and the client will not have to pay the transactional fees and brokerage fees charged by NES as introducing broker under the Program.

### *RMSOne Fee May Cost More/Factors Bearing on Costs*

Because the transactional and brokerage fees are paid for from the advisory fee charged to the client, the RMSOne fee likely will be higher than if the client did not select this option and instead opted for the RMSPlus fee. This does not necessarily mean that the RMSOne fee will be higher than the total fees and costs the client would pay if the client opted for the RMSPlus fee, since this will depend on the number of trades and the other factors discussed below.

A number of factors will have a bearing on the issue of whether the wrap fee (RMSOne) would be higher or lower than the total fees and costs the client would pay if the client opted to pay for the transactional and brokerage fees from the assets under management in the portfolio (RMSPlus). The number, amount and types of trades undertaken in the portfolio on a quarterly and yearly basis will have a direct impact on the issue. Under RMSOne, the transactional and brokerage costs are paid for from the overall fee charged, whereas under RMSPlus, the client pays for the transactional and brokerage costs. If the number, amount and types of trades are increased, the transactional and brokerage costs will increase. Depending on the amount of wrap fee charged on the account, these transactional and brokerage costs could be a significant portion of the fee charged and thus reduce the overall compensation received by the APMs and the IARs and Baystate Wealth. By contrast, if the number, amount and type of trades are kept to a relatively low number, then it is likely that the wrap fee charged would exceed the total of the investment advisory fee plus the transactional and brokerage costs paid directly by the client.

In addition to the number, amount and types of trades, the sizes of the trades and the number of shares traded will have an impact on the fee comparisons. NES imposes certain minimum ticket charges for trades. Thus, a significant number of smaller trades will have a disproportionately large impact on the costs of managing the portfolio. In such circumstances, a wrap fee program likely would cost less than the other type of program, depending on the fees agreed to by the client.

Other factors that may bear upon the cost of RMSOne in relation to the cost of RMSPlus, may include, among other things, the number of trades executed for the account, the size and type of account, the types of securities executed, the broker-dealer executing the trade, the historical and expected size of the account and the number and range of supplemental services provided to the account.

Baystate Wealth makes no representation that the RMSOne fee paid by the client is the same as or lower than that charged to other clients who invest in the Program, or that the RMSOne fee is the same as or lower than the fees charged by other sponsors or advisers of comparable programs for accounts of comparable size or comparable investment objectives.

The nature and extent of services provided by the IARs and the APMs should not vary based upon the type of fee arrangement selected by the client. However, since transactional and brokerage fees are paid for out of the total fee under RMSOne, and the

APMs as well as the IARs are compensated from the fees paid by the client, there may be an incentive (and thus a conflict of interest) to reduce the number of trades in an account for a client who has selected RMSOne (see discussion in the Conflicts of Interest section below).

### Additional Fees

Other than the transaction charges noted above, all normal NES brokerage account charges and fees (i.e., returned check fee, overnight charges, ACH return check fee, etc.) apply to Program Accounts. The fees charge by Baystate Wealth do not include certain other fees and charges such as any fees imposed by the Securities and Exchange Commission, wire transfer fees, fees resulting from any special requests that client may have, fees or commissions for securities transactions (including without limitation dealer markups or mark-downs) effected through any broker-dealer other than NES' clearing firm, Pershing, LLC. (the "Custodian"), or costs associated with temporary investment of client funds in a money market account. In addition to the fees charged by Baystate Wealth, the Custodian may charge the client additional miscellaneous fees (*e.g.*, ACAT fees, IRA maintenance fees). Such fees are disclosed in the NES fee schedule that Baystate Wealth provides to the client. The fees charged by Baystate Wealth also do not include the internal management, operating or distribution fees or expenses imposed or incurred by any mutual fund or exchange traded fund that the client's account may hold, which may include 12b-1 fees, early termination fees (which include fees on whole or partial liquidations of fund assets in your account) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service providers. These expenses may include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Further information regarding charges and fees assessed by a fund company may be found in the appropriate prospectus, and/or annual report of the fund. NES-related brokerage charges and fees are disclosed in the Client Fee Schedule for brokerage accounts which is provided to the client by the Company at the time the client executes the engagement letter with Baystate Wealth (it is attached as Exhibit C to the engagement letter). NES will mail a new schedule prior to any charges becoming effective. Any increase in those charges and fees will be borne by the client regardless of the type of fee arrangement selected by the client.

### Mutual Fund and ETF Fees

The fees charged by Baystate Wealth do not include special requests by clients or the internal management, operating, distribution fees or expenses imposed or incurred by mutual funds or ETFs. Clients should read each of the Fund's or ETF's prospectus for a more complete explanation of these fees and expenses which include fees for management, administration, servicing, custodial, legal, audit, etc.

Clients may invest directly in mutual funds or ETFs (i.e. outside the Program) without paying an advisory fee. Thus, it may be less expensive for Clients to invest in Mutual Funds and ETFs outside the Program. However, Clients will not receive the services provided under the Program if they choose to do so. Baystate Wealth does not

represent that the Fee a Client pays is the same as or lower than that charged by other sponsors of comparable programs for accounts of comparable size or investment objectives.

### **Termination of the Relationship**

The client or Baystate Wealth may terminate the Engagement Letter at any time effective on thirty (30) days' written notice. If the Client did not receive a copy of the Company's Form ADV Schedule H Brochure within forty-eight (48) hours prior to the time of executing the Engagement Letter, the Client may terminate within five (5) days of establishing an account with a full rebate of fees. Termination will not affect the validity of any action previously taken by the Company under the Engagement Letter, liabilities or obligations of the parties from transactions initiated before termination, or the obligation of the Client to pay fees and expenses incurred through the date of termination.

Termination will not automatically result in redemption or sale of any positions held in the Account, and the Client may choose to continue holding the securities in a standard brokerage account.

On the effective date of termination, Baystate Wealth shall no longer have an investment advisory relationship with the Client and will have no further obligation towards the Client for investment advisory services. The Client will receive a refund of a pro-rata portion of any pre-paid, but unearned, Program Fee paid for in the current quarter. The amount refunded to the Client will be based on the number of days remaining in the quarter on the first business day after the effective date of termination. However, a portion of the fee may be retained in the Client's account sufficient to effect any open or unsettled transactions and to pay for any unpaid Program Fees, account debit balances, and other charges owed by the Client. The Client is responsible to pay for all services rendered, and all transactions effected, up through the date of termination.

Unless the Client has provided other written instructions, and in the event of no instructions from the Client, account assets will be moved to a standard brokerage account, and the Engagement Letter will provide consent to move the assets in such event. The assets therein will be subject to the fees and charges normally assessed by NES on its brokerage accounts. The standard brokerage account is subject to the terms and conditions of the IAAA.

### **Conflicts of Interest**

Baystate Wealth and its IARs may perform advisory services for various clients, and the IAR may give advice for other clients that differs from the advice given or the timing of any action taken for the Account. In addition, the IARs may, but are not obligated to, purchase or sell or recommend for purchase or sale any security which the IARs may purchase or sell for their own accounts or for the accounts of any other client.

A client's IAR receives compensation as a result of the client's participation in the Program. This compensation may be more than what the IAR would receive if the client

participated in other programs made available by NES or paid separately for investment advice, brokerage and other services. Therefore, the IAR may have a financial incentive to recommend the Baystate Wealth Program over other programs or services offered to clients.

NES is registered as both an investment advisor and a broker-dealer. In its role as a broker-dealer, NES focuses on a select group of mutual funds. NES may receive certain compensation from these mutual fund families. More information is provided in the Investment Account Application and Agreement that clients receive and sign to open a brokerage account with NES.

Baystate Wealth compensates NES for providing certain administrative services and oversight functions and reimburses NES for expenses that it incurs on Baystate Wealth's behalf for certain services provided by Pershing for the Baystate Wealth. Therefore, the IAR may have an incentive to increase the advisory fee to help offset these costs.

While it is highly unlikely that Baystate Wealth will buy or sell securities that it or its IARs are recommending to clients, it is likely that IARs or APMs of Baystate Wealth will buy or sell securities for their own accounts that are being bought or sold for the accounts of clients. This is particularly true if the IAR or APM or a family member has accounts with Baystate Wealth. Unless it is part of a block trade or a model-wide buy or sale, Baystate Wealth has a policy or procedure that prohibits any IAR and APM from buying or selling any security within 48 hours of a purchase or sale of that security on behalf of a client of the Company. Baystate Wealth also has a policy and procedure that at all times when IARs and APMs are buying or selling a security at or around the same time as the same security is being bought or sold by a client of the Company, the client must always receive best execution.

The type of fee arrangement selected by the client may also give rise to actual or potential conflicts of interest. The RMSOne fee program can create actual and potential conflicts of interest. Depending on the amount of fee agreed to by the client, APMs and IARs may have a financial incentive to lower the amount of trading activity in an account if the RMSOne program is selected by the client. Furthermore, IARs and/or APMs may have an incentive to increase the amount of the RMSOne fee to offset or ameliorate, in whole or in part, the transactional, brokerage and administration costs of the Program. IARs who are duly registered with Baystate Wealth and NES may have financial and other incentives to promote one product over another to obtain more fees. Conversely, if a client selects RMSPlus, the APMs and IARs are financially indifferent to the transactional, brokerage and administration costs of the Program, and thus may be more inclined to trade the portfolio more actively.

However, all portfolios at Baystate Wealth are constructed and managed pursuant to the IPS agreed to by the client and any significant changes in asset allocation, diversification or management style must be agreed to in writing by the client. Moreover, all APMs and the portfolios they manage are monitored by the Investment Committee

and the Compliance Committee. Inappropriate or undue trading activities in portfolios are subject to review and oversight by those Committees.

### **Portfolio Manager Selection/Review and Replacement**

As noted above, it is the policy of the Company to permit only APMs to manage portfolios on behalf of clients. APMS must have sufficient education, background and experience to manage assets for others, which includes a college education, a CFA, MBA, J.D. or CIMA designation or at least 2 years of actual asset management experience, or some combination of the above.

The Company's Management Committee provides its approval of an APM only if he or she is qualified to manage assets of clients.

The client may agree to have a particular APM manage the client's assets. Alternatively, the IAR may recommend a particular APM to the client. In the event the client does not choose an APM, the Investment Committee of Baystate Wealth will appoint an APM for the client's accounts. The factors that are considered by the Investment Committee for such an appointment include: the experience and educational background of the APM, the likelihood that the personality of the APM will fit well with the client, the investment profile and risk profile of the client, and any other factor deemed by the Investment Committee to be appropriate to consider in attempting to match an APM with the client. The client must agree to the APM and the client has the right to request the removal of one APM and the appointment of another APM. APMs are reviewed continuously and are formally reviewed on an annual basis. APMs are members of, and report to, the Investment Committee. APMs are subject to disciplinary actions by the Investment Committee and by the Compliance Committee. APMs are permitted to manage client assets at the discretion of the Investment Committee. If, in the opinion of the Investment Committee, an APM is no longer qualified to manage client assets, that APM's designation as an APM and his or her privilege to manage client assets will be revoked or suspended by the Investment Committee. Circumstances warranting consideration of suspension or termination include, without limitation, the health of the APM, adherence to the policies and procedures of Baystate Wealth and the Investment Committee, performance of the portfolios under the management of the APM, and compliance with the clients' IPS. The portfolios managed by a terminated or suspended APM will be reassigned to another APM until a suitable replacement is found.

### **Client Information Communicated to APMs**

As discussed previously, the APM must sign the IPS with the client. Thus, all information disclosed through the IPS is shared with and communicated to the APM. This includes the name, address, telephone number and other personal information; all financial information pertaining to the client as disclosed in the IPS; tax information such as tax brackets and past and future taxes to be paid; employment history; financial goals and objectives; experience with investments; and risk profile. To the extent a client wants to change or update any information on the IPS, Baystate Wealth has a policy that



such amendments, changes or updates must be in writing and signed by the APM and the client. Accordingly, the APM should be updated on all pertinent client information at all times.

### **Restrictions on Contacting the APMs**

There are no restrictions on contacting APMs. Clients are provided the name, address, telephone number and email address of the APM.

### **Information Required Under ADV Part II**

#### **ADV Part II, Items 7 and 8**

Baystate Wealth participates in “the Platform,” which is a brokerage platform offered by NES that provides brokerage services to support the trade execution needs of certain investment management programs offered by Independent Registered Investment Advisers owned and operated by NES registered representatives. Those registered representatives who offer the Baystate Wealth Management program to clients do so independent of NES. NES is a registered broker-dealer and member firm of FINRA, SIPC, and a SEC registered investment adviser. NES’ investment advisory services are not offered in conjunction with or through Baystate Wealth.

NES acts as the introducing broker-dealer for brokerage accounts held by clients of Baystate Wealth. Through NES and its custodian and clearing firm, Pershing, LLC, clients of Baystate Wealth are provided broker-dealer, custodial, clearing and administrative services including but not limited to, account set-up, automatic invoicing, trading services and preparation of periodic reports associated with the advisory services. Baystate Wealth compensates NES and Pershing for these services. NES, Baystate Wealth and Pershing are not affiliated with one another. However, Investment Adviser Representatives of Baystate Wealth may also be Investment Adviser Representatives of NES when they offer investment advisory services on behalf of NES.

Baystate Wealth is affiliated with Baystate Financial Services, LLC, through which financial, insurance and employee benefits products and services may be offered to clients. Baystate Financial Services, LLC is not a registered broker-dealer or an investment adviser. David Porter and Michael Yoken are the principals of Baystate Financial Services, LLC and principals of Baystate Wealth. While Baystate Financial Services, LLC has no ownership interest in the Company, it is a privately held company owned by Mr. Porter and Mr. Yoken, who are also principals of Baystate Wealth. Baystate Financial Services, LLC provides Baystate Wealth with cost-sharing and cost-saving opportunities, such as shared space, shared resources, shared personnel and shared systems.

Baystate Financial Services, LLC bills separately and is paid separately for the products and services it provides to clients of the Company. All fees, the amounts charged and the sources of those fees are disclosed to clients. However, because some of the products and services offered to clients of the Company may be part of an overall

wealth management program developed by the Company, there is a potential conflict of interest in the recommendation of products and services offered by or through Baystate Financial Services, LLC.

Baystate Financial Services, LLC offers securities and investment advisory products through NES. Baystate Financial Services, LLC is a general agency of New England Life Insurance Co. New England Securities and New England Life Insurance Co. are affiliates of MetLife, Inc.

### Solicitors

The Baystate Wealth Program may be offered to prospective clients through an arrangement with a paid solicitor (“Solicitor”), who may only introduce prospective clients to Baystate Wealth or an IAR to further discuss whether Baystate Wealth’s investment advisory services may be appropriate for the prospective client. The Solicitor may not provide investment advice to prospective clients or the client on behalf of Baystate Wealth or the IARs. Additional information about this arrangement, including the relationship between the Solicitor and Baystate Wealth, the role of the Solicitor and any compensation that Baystate Wealth pays to the Solicitor for introducing prospective clients, is outlined in a separate Solicitor Disclosure Statement that is provided to prospective clients.

### **Other Pertinent ADV Disclosure Information**

Because representatives of Baystate Financial Services, LLC likely will also be IARs of Baystate Wealth Management, it is likely that representatives of Baystate Financial Services, LLC will provide brokerage and/or investment advisory services to clients of both firms, and thus may act as a broker or agent of clients of Baystate Wealth Management.

While it is highly unlikely that Baystate Wealth Management will buy or sell securities that it or its IARs are recommending to clients, it is likely that IARs of Baystate Wealth Management will buy or sell securities for their own accounts that are being bought or sold for the accounts of clients. This is particularly true if the IAR or a family member has accounts with Baystate Wealth Management. Unless it is part of a block trade or a model-wide buy or sale, Baystate Wealth Management has a policy or procedure that prohibits any IAR from buying or selling any security within 48 hours of a purchase or sale of that security on behalf of a client of the Company. Baystate Wealth Management also has a policy and procedure that at all times when IARs are buying or selling a security at or around the same time as the same security is being bought or sold by a client of the Company, the client must receive best execution.

### Code of Ethics

Effective February 1, 2005, federally registered investment advisers are required to adopt a Code of Ethics. The Company has adopted a Code of Ethics, the full text of which is available to any client upon request.

Baystate Wealth Management has several goals in adopting this Code.

First, the Company desires to comply with all applicable laws and regulations governing its practice. Baystate Wealth Management believes that compliance with such regulations is a signal to its clients that the Company exists to serve them, not the Company, and that the Company supports the efforts of those organizations dedicated to upholding the law. The Code of Ethics is designed to create a “culture of compliance” within the Company. Second, management of the Company has set forth guidelines for professional standards, under which all associated persons of the Company are to conduct themselves. The Company has set high standards, the intention of which is to protect client interests and to demonstrate its commitment to its fiduciary duties of honesty, good faith and fair dealing with clients. All associated persons are expected to strictly adhere to these guidelines, as well as the procedures for approval and reporting established in the Code of Ethics primarily related to personal securities transactions, and violations of the Code. This will serve to educate associated persons regarding appropriate activities. The Company has instituted, as a deterrent, a policy of disciplinary actions to be taken with respect to any associated person who violates the Code. Third, the Company has adopted specific policies and procedures designed to assist in the implementation of the guidelines. Such policies and procedures will serve to assist in reviewing the effectiveness of the implementation of the Code on an ongoing basis. The Company has a privacy policy ensuring that client personal information is not disclosed to third parties. However, certain personal information will be disclosed to New England Securities Corp. as part of the Platform and to Pershing as the custodian, but only as needed to conduct investment advisory or financial planning services related to the services provided by the Company to the client. A copy of the Privacy Policy is available on request and will be sent to the clients on a yearly basis.

#### Review and Monitoring of Accounts

All accounts are reviewed at least annually by the Investment Committee and by the Compliance Committee for overall adherence with the client's IPS and with the investment discipline employed by the Company. The IPS governs the frequency of such reviews with the client.

The Investment Committee meets periodically; typically at least twice a month. During these meetings, accounts are reviewed to ensure that the portfolios are being managed to the guidelines set forth in the IPS. Specific account holdings are reviewed when changing market conditions warrant.

The Compliance Committee also reviews accounts periodically, when circumstances warrant review, often times in conjunction with or as an adjunct to the Investment Committee.

#### Statements and Trading/Discretion

Pershing provides the Clients with monthly statements of their accounts/portfolios and may provide quarterly performance reports. In addition, the IAR and/or officers of the Company typically meet with the Client at least annually to review the accounts.

Discretionary clients give the Company advance written authorization for complete discretion over the securities to be bought or sold and the SMAs (if any) to be used without obtaining individual consent or approval over such decisions for the client. In some cases, the SMAs also have discretion over the selection of brokers and dealers to be used and the compensation to be paid. Discretion is not allowed in ERISA accounts.

Through the Platform, the Company has entered into a brokerage relationship with NES and a custodial relationship with Pershing. In addition to using a broker as an "agent" and paying commissions, the Company and/or SMAs may cause clients to buy or sell securities from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that includes compensation to the underwriters or dealers.

All transactions for Baystate Wealth's advisory service will be effected by NES through its clearing broker, Pershing, LLC. Neither NES nor Pershing, LLC has discretion over client accounts.

Clients that select discretionary accounts have the opportunity to impose reasonable investment restrictions applicable to the Client's assets. Investment restrictions must be reasonable, as solely determined by Baystate Wealth, and must be complete and consistent with applicable law. Baystate Wealth will observe the investment restrictions that the Client provides, if deemed reasonable; provided that Baystate Wealth reserves the right to seek further direction from the Client before any such investment restrictions are observed.

The Company may, but need not, aggregate or "bunch" orders for several clients in circumstances that the Company in its discretion believes will result in a more favorable overall execution. When the Company is presented with an opportunity to, or decides to, order, purchase or sell a security in an aggregated or block trade, the Company identifies which clients and/or which portfolios are appropriate for the security under consideration. The decision of which clients or which portfolios are appropriate for the security under consideration is dependent on a number of factors, including:

1. The nature and type of the security under consideration (ETF, index fund, fixed income, etc.).
2. The investment and risk profile of the client and of the portfolio.
3. The current asset allocation of the portfolio.
4. The current holdings in the portfolio.
5. Other factors, including instructions received from clients.

Once the portfolios are selected, the order, purchase, or sale is placed. If the order, purchase, or sale is filled completely, the securities will be allocated pursuant to the original allocation. If the order, purchase, or sale is filled only partially, the securities will be allocated pro rata in accordance with the original allocation. To the extent the order cannot be allocated pro rata without creating partial interests, half-shares and the like, the Company will note on the trade memoranda the methodology employed in allocating and will then apply that methodology to all the selected portfolios. When orders are filled at one price, the selected portfolios receive the same price and share pro rata on all costs. When orders are filled at various prices, the selected portfolios receive an average share price and share pro rata on all costs, provided however, that if a the Company principal or employee is included as a client or portfolio selected, the non-Company clients receive most favored pricing and most favored costs. This procedure is followed when purchasing or selling options as well.

When the Company aggregates its orders, purchases and sales of securities, it is the policy of the Company not to favor any one advisory account over another. It is also the policy of the Company that, whenever practicable, all clients participating in the aggregate order shall receive an average share price with all other transaction costs shared on a pro rata basis. It is the policy of the Company to select clients and portfolios for inclusion in an aggregated order based upon the objective facts and circumstances applicable to each client and each portfolio. It is the policy of the Company that allocations may be made differently than stated herein, provided all client accounts receive fair and equitable treatment and the reason for the different allocation is explained and approved by The Company's compliance officer. While the Company may manage numerous accounts with similar or identical investment objectives, or may manage accounts with different objectives that may trade in the same securities, portfolio decisions relating to the client's investments and the performance resulting from such decisions will differ from client to client. The Company will not necessarily allocate the same amounts to the same managers or purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible clients. Further, in many instances, it may not be possible or feasible to allocate a transaction pro rata to all eligible clients. Therefore, not all clients will necessarily participate in the same investment opportunities or participate on the same basis.

The Company does not maintain any so-called "soft dollar" arrangements with any provider of services.

Baystate Wealth does not allow discretion in connection with certain ERISA accounts (including SEPs and SIMPLE IRAs).

### **Execution Quality**

When the Company invests directly for its clients, it generally will seek "best execution" in light of the circumstances involved in transactions. In evaluating a broker's or dealer's ability to provide "best execution," historical net prices (after commissions or other transaction-related compensation) will be a principal factor, but the Company may

also consider, among other factors: the execution, clearance, error resolution and settlement capabilities of the broker or dealer generally and in connection with securities of the type to be bought or sold; the broker or dealer's willingness to commit capital; the broker or dealer's reliability and financial stability; the size of the transaction; and the market for the security. The Company will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. The Company monitors its policy and the policies of its managers on best execution at least yearly. If, as and when SMAs are selected by the Company, they must have policies and procedures in place to ensure "best execution" for investors with that manager.

### **Custodial Relationship**

Through the Platform, the Company has a "custodial" relationship with Pershing. Through this arrangement, NES operates as a broker-dealer and Pershing provides custodian and record-keeping services and performs the following functions, among others: (1) arranging for the receipt and delivery of securities purchased, sold, borrowed and loaned; (2) making and receiving payments for securities; (3) custody of securities; (4) custody of all cash, dividends and exchanges, distributions and rights accruing to an account; (5) tendering securities in connection with cash tender offers, exchange offers, mergers or other corporate reorganizations; and (6) providing monthly, quarterly and/or year-end statements to clients.

Virtually all trades made by the Company on behalf of the client will be through the Platform. In recommending the Platform, the Company will attempt to minimize the total cost for all brokerage services paid by the client. However, it may be the case that the Platform charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker. It may also be the case that the total costs of all services provided through the Platform may be higher than can be obtained at another broker if the Company determines in good faith that such total costs are reasonable in relation to the value of brokerage and research services provided by the Platform, viewed in terms of the Company's overall responsibilities to the client. The Company will monitor costs, and compare the costs charged through the Platform against those charged by others.

Baystate Wealth compensates NES and Pershing for these services. NES, Baystate Wealth and Pershing are not affiliated with one another.

### **Miscellaneous**

#### **Proxy Voting**

Under the Program, Clients vote proxies in connection with the securities held in their accounts.

#### **Class Action Lawsuits**

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. The Company has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It 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, the Company 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 the Company 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 the Client has authorized contact in this manner.