

# Bay Harbor Wealth Management, LLC:

Form ADV Part 2A: Firm Brochure

## Item 1 - Cover Page

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Date of Brochure: November 2, 2018

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This brochure provides information about the qualifications and business practices of Bay Harbor Wealth Management, LLC (“We,” “Us” or “Firm”). If you have any questions about the contents of this brochure, please contact us at 410-403-2060 or [info@bayharborwealth.com](mailto:info@bayharborwealth.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.

Additional information about Bay Harbor Wealth Management, LLC is also available on the internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on that website by searching for the firm’s name or by using its CRD number: 294000.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 - MATERIAL CHANGES**

***This version of our Brochure dated November 2, 2018 is an interim amendment brochure filing.***

Investment advisers are required to prepare a disclosure document such as this one, commonly referred to as a “Brochure,” that describes the adviser and its business practices. We are required to amend our Brochure at least annually and provide clients and prospective clients with a summary of any material changes since the previous annual amendment.

In the future, this Section of the Brochure (Item 2) will be reserved for discussion of the material changes made to the Brochure since the last annual updating amendment.

Annually, We will ensure that you receive either an amended brochure or a summary of any material changes to this and any subsequent Brochure within 120 days of the end of our fiscal year and promptly at any time if any of the information herein becomes materially inaccurate.

We will deliver a complete copy of our Brochure upon your request at any time during the year. Please contact our Chief Compliance Officer, Lance Scott at 410-403-2060 or via email at [info@bayharborwealth.com](mailto:info@bayharborwealth.com), to request a Brochure.

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## **Item 4 – Advisory Services**

Our Firm is an investment adviser that primarily provides individuals, high net worth individuals and other types of clients with discretionary investment advisory services. We are newly registered with the Securities and Exchange Commission. Our firm is a Limited Liability Company formed under the laws of the State of Maryland. We have been operating in the financial services industry since 2011 and became registered as an Investment Adviser in 2018. Our firm is wholly owned by Lance Scott, who also serves as Managing Member, President and Chief Compliance Officer.

In each section below, you will find more information about the specific services we offer.

### **Types of Advisory Services Offered**

The following are descriptions of the primary advisory services of Bay Harbor Wealth Management. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and the Firm before we can provide you the services described below. A more detailed explanation of our services is as follows:

#### **1. Financial Planning & Consulting Services**

Our firm may provide stand-alone financial planning and consulting services to clients for the management of financial resources based upon an analysis of current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Corporate Structure, Mortgage/Debt Analysis, Insurance Analysis, or Business and Personal Financial Planning.

Written financial plans or financial consultations rendered to clients may include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Our firm will provide such clients with a summary of their financial situation, and observations for financial planning engagements.

#### **2. Asset Management Services**

As part of our Asset Management service, a portfolio is created, potentially including individual stocks, bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. Our firm may utilize the sub-advisory services of various third-party investment advisory firms to aid in the implementation of an investment

portfolio. Before selecting a firm or individual, our firm will ensure that the chosen party is properly licensed or registered as required.

We provide discretionary investment advisory services on a non-wrap fee basis. This means that if the client engages us, the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, trade execution, custody).

As noted above, our firm may utilize the services of various third-party money managers for the management of client accounts, allocating client assets among such managers as appropriate. In such cases, the third-party money managers will be responsible for continuously monitoring client accounts and making trades in client accounts when necessary. While the chosen third-party money manager(s) will provide advice on specific securities and/or other investments in connection with this service, our firm has discretionary authority to hire and fire such managers and reallocate assets among them as deemed appropriate. We will assist you with identifying your risk tolerance and investment objectives, and, in turn, retain third-party money managers in relation to your stated investment objectives and risk tolerance. As a result, we allocate a portion of the total fee charged and collected from you to the third-party money managers as compensation for their direct management of your account.

Such third-party money managers may include Global Financial Private Capital ("Global"). Lance Scott and other investment adviser representatives of our firm are also registered as investment adviser representatives of Global. See Item 10 below for a more detailed discussion of Global.

Historically, we have recommended that many of our clients directly retain Global as a third-party manager. As a result of that recommendation our clients have historically entered into agreements directly with Global. We are in the process of transitioning to become the primary investment adviser to all clients of Global whose relationships with Global are currently managed by investment adviser representatives of Global who are also investment adviser representatives of the Firm. This process requires the Global clients to execute a form with their account custodian removing Global as the primary adviser and substituting Us as the primary adviser. Additionally all of those clients must sign an investment advisory contract with Bay Harbor Wealth Management. We anticipate that many of these clients will continue to have their accounts managed through a sub-advisory agreement by which Global agrees to provide a sub-advisory service to our firm.

Prior to selecting such third-party managers, our firm will conduct due diligence on these managers as well as ongoing reviews of their management of client accounts. In order to assist in the selection of a third-party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will review third-party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and

objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third-party money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

### **3. Educational Seminars**

The Firm provides educational seminars/workshops to its prospects and clients. These seminars may contain information in areas such as financial planning, retirement planning, estate planning, college planning, tax planning and charitable planning. Seminars are always offered on an impersonal basis and do not focus on the individual needs of participants. These seminars are for informational purposes only. They are not intended to provide any tax or legal advice or provide the basis for any financial decisions. Please consult a qualified professional before making decisions about your financial situation.

### **Tailoring of Advisory Services**

Our firm offers individualized investment advice to our Asset Management clients. General investment advice will be offered to our Financial Planning & Consulting clients.

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

### **Conflicts of Interest**

Please note that the Firm's investment adviser representatives ("IARs") are licensed to sell insurance and related products with Bay Harbor Insurance, LLC a licensed insurance company. In such cases, the Firm's IARs will earn typical and customary commission for the sale of insurance products purchased for a client's account. This represents a conflict of interest in that Our representatives may recommend purchasing insurance products based on compensation received rather than on the needs of the client. Please see Item 10 for more information.

Retirement Plan Rollovers – A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If We recommend that a client roll over their retirement plan assets into an account to be managed by the Firm, such a recommendation creates a conflict of interest as We will earn a new (or increase our current) advisory fee as a result of the rollover. We address this conflict of interest by reviewing any such recommendation to ensure it is in the best interest of the client. No client is under any obligation to roll over retirement plan assets to an account managed by Us.

**Regulatory Assets Under Management**

Our firm managed \$0 as of September 12, 2018.

## **Item 5 – Fees and Compensation**

In addition to the information provided in Item 4 – Advisory Business, this section provides additional details regarding our firm’s services along with descriptions of each service’s fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and the Firm.

### Financial Planning & Consulting Services:

Our Firm will charge clients on an hourly or flat fee basis for any financial planning and/or consulting services to be provided. The total estimated fee, as well as the ultimate fee charged, will be based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$500 per hour. Flat fees will range from \$500 to \$10,000. Our firm will require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee at the time of signing. The remainder of the fee will be directly billed to the client and due within thirty (30) days of a financial plan being delivered or consultation rendered. Our Firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months. Bay Harbor reserves the right to waive the financial planning fee in its sole discretion.

### Asset Management Services:

The total annual advisory fee due to Bay Harbor for Asset Management Services consists of a base amount for services provided by Bay Harbor (the “Advisory Fee”) plus, a Management Fee (the “Management Fee”) charged by either Bay Harbor or a Sub-Advisor for management of the account. All such fees to be assessed are negotiable at the sole discretion of Bay Harbor and will be outlined in the Investment Advisory Agreement signed by the client and our firm. The maximum annual fee charged for these services will be up to 1.75% of the total assets under management.

The maximum Advisory Fee will be an annual 1.25% based on a percentage of assets under Our management. The maximum Management Fee will be 0.5% per year for any assets directly managed by Bay Harbor or by a Sub-Advisor. Clients will be provided with a copy of the chosen third-party money manager’s Form ADV Part 2, all relevant Brochures, and the third party money manager’s privacy policy.

Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). In rare cases, our firm will agree to direct bill clients. As part of this process, you understand and acknowledge the following:



- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the account and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

#### Seminars:

No fees are charged for seminars.

#### Other Types of Fees & Expenses

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian.

Clients will typically pay charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses). Our firm does not receive a portion of these fees. For more information regarding brokerage practices, see Item 12.

Our IARs are licensed to sell insurance and related products with Bay Harbor Insurance, LLC, an affiliated entity of Bay Harbor Wealth Management. IAR's in such cases will earn typical and customary commission for the sale of insurance products purchased for a client's account. This represents a conflict of interest in that IARs may recommend purchasing insurance products based on compensation rather than on the needs of the client. To mitigate this conflict of interest, we require all representatives who are licensed to offer insurance products to our clients to assure that the issuing insurer reviews the potential sale of any products for the purpose of determining adherence to applicable insurance suitability standards, we fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees and we require all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed. Insurance products may be available through other channels and as a client you are not obligated to purchase products recommended by our representatives. You may purchase insurance products through agents we recommend who are not affiliated with us.

### Termination & Refunds

Either party may terminate the advisory agreement for our Asset Management service in writing at any time. If a client terminates within five (5) days of the date the advisory agreement is signed, then the firm will not charge any advisory fee. Upon notice of termination, our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance at the beginning of the quarter.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

### Commissionable Securities Sales

Our firm and representatives do not sell securities for a commission in advisory accounts.

## **Item 6 – Performance Based Fees and Side-By-Side Management**

Bay Harbor Wealth Management does not charge performance-based fees (i.e., fees calculated based on a share of capital gains upon, or capital appreciation of, the funds or any portion of the funds of an advisory client). Additionally, We do not engage in side-by-side management of accounts.

## **Item 7 – Types of Clients**

Bay Harbor Wealth Management generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Trusts

Our Firm generally requires that new clients have a minimum liquid net worth of \$500,000 for our asset management services. This minimum requirement is generally negotiable. Our firm does not generally impose any other requirements for opening and maintaining accounts or otherwise engaging us.

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

Bay Harbor Wealth Management utilizes different methods of analysis and investment strategies. Each client's portfolio will be invested according to that client's investment goals, objectives, timeline, present and future income needs, and risk tolerance. We determine these objectives by working collaboratively with clients and evaluating new account documents thoroughly.

Once we ascertain the client's goals and objectives, we will develop specific tactical asset allocation guidelines for the client's accounts. Tactical asset allocation (TAA) is a dynamic investment strategy that actively adjusts a portfolio's asset allocation. The goal of a TAA strategy is to improve the risk-adjusted returns of passive management investing. Alternatively, we may employ a more passive strategic allocation strategy. In this type of strategy, we set target allocations and then periodically rebalance the portfolio back to those targets as the original allocation percentages change. Generally, we recommend a mix of equities, ETFs, bonds and third-party portfolios.

Our investment strategies include long term buy and hold and short-term trading strategies. It is important to remember that because market conditions can vary greatly, your asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary or appropriate. The specific funds and portfolios we recommend for your account will depend on market conditions and our research at the time.

Bay Harbor may also employ sub-advisors who will actively manage portfolios in an attempt to benefit from or protect against market volatility. These portfolios may not be suitable for investors who require a very low trading activity through all market conditions. You have the opportunity to place reasonable restrictions or constraints on the way your account is managed; however, such restrictions may affect the composition and performance of your portfolio.

We base our analysis predominantly on publicly available research such as regulatory filings, press releases, competitor analyses, and in some cases research we receive from our custodian or other market analyses.

Investing in securities involves risk of loss that clients should be prepared to bear. Prior to entering into an Investment Management Agreement with Bay Harbor Wealth Management, a client should carefully consider: 1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long term basis; 2) that volatility from investing in the stock market can occur; and 3) that over time the client's

assets may fluctuate and at any time be worth more or less than the amount invested. It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading.** Clients should note that the Firm may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. Bay Harbor Wealth Management endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.
- **Risks Related to Investment Term.** If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would have had the investment had the opportunity to regain its value, as investments frequently do, or had we been able to reinvest in another security.

- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not. Some securities are highly liquid while others are highly illiquid. Illiquid investments carry more risk because it can be difficult to sell them.
- **Financial Risk.** Excessive borrowing to finance a business' operations decreases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Risks specific to sub-advisors and other managers.** If we invest some of your assets with another adviser, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your portfolio, or that their risk management guidelines are more liberal than we would normally employ. You should always review the Form ADV Part 2A ("Brochure") of each sub-adviser that manages your assets to review the specific risks of their investment strategies.

In addition, there is no assurance that a mutual fund, an ETF, or any security will achieve its investment objective. The principal risks of investing in any mutual fund or ETF are market risk, diversification risk and style risk (growth investing risk and mid-cap company risk). To the

extent that a mutual fund or ETF invests in foreign securities or debt securities, a fund would be subject to foreign exposure risk, interest rate risk and credit risk. A fund may invest in derivative instruments that carry derivative instruments risk. A principal risk is the risk that the value of equity securities may decline. Although a mutual fund or ETF may be a diversified fund, it may invest in securities of a limited number of issuers to achieve a potentially greater investment return than a fund that invests in a larger number of issuers. As a result, price movements of a single issuer's securities will have a greater impact on this fund's net asset value causing it to fluctuate more than that of a more widely diversified fund. These and other risk considerations are discussed in a fund's prospectus. Past performance of investments is no guarantee of future results.

Mutual fund investing involves risk including the possible loss of principal. Non-diversified funds are more susceptible to financial, market and economic events affecting the particular issuers and industry sectors in which they invest and therefore may be more volatile or risky than less concentrated investments. There can be no assurance that any fund will be able to achieve its investment objective. For more information on a particular fund's associated risks, please refer to that fund's prospectus or equivalent disclosure document.

Due to the volatile nature and risks involved when investing in certain types of strategies and/or securities, clients should be aware that the actual return and value of their account(s) may fluctuate and at any point in time be worth more or less than the amount originally invested. Bay Harbor Wealth Management does not represent, guarantee or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

## **Item 9 – Disciplinary Information**

Our firm is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management personnel. We do not have any required disclosures to report in response to this Item.

## **Item 10 – Financial Industry Affiliations**

Bay Harbor Wealth Management is not registered as, and does not have applications pending to register as, a broker-dealer. Furthermore, Bay Harbor Wealth Management is not registered as, and does not have applications pending to register as, a futures commission merchant, commodity pool operator, or commodity trading adviser, nor are our management or supervised persons registered or have applications pending to register as associated persons thereof.

IARs of the Firm are independently licensed to sell insurance and annuity products through Bay Harbor Insurance, LLC. When acting in this capacity, IARs will receive commissions for selling insurance and annuity products. IARs have a conflict of interest to recommend that clients purchase insurance products from them, since commissions may be earned in addition to fees for advisory services. Clients are not obligated to purchase insurance products through Bay Harbor Insurance, LLC.

Bay Harbor Insurance, LLC receives marketing materials from Advisors Excel, an insurance marketing organization focused on helping independent advisers increase their life insurance and annuity business. While much of this material benefits the business of Bay Harbor Insurance, LLC, (see above), Bay Harbor Insurance, LLC also utilizes the marketing material in connection with its advisory business. Advisors Excel receives marketing compensation in connection with some of the insurance products purchased by our Clients based on the recommendations of our representatives. Although the receipt of such marketing material is not conditioned upon any particular level of insurance business conducted by Bay Harbor Insurance, LLC with Advisors Excel, the receipt of such material is implicitly based upon a continuation of the relationship between the two firms.

To mitigate the conflicts of interest described above, we require all representatives who are licensed to offer insurance products to our clients to assure that the issuing insurer reviews the potential sale of any products for the purpose of determining adherence to applicable insurance suitability standards, we fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees and we require all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed.

#### Dually Registered as an Investment Adviser Representative

The investment adviser representatives (“IARs”) of Bay Harbor Wealth Management are also licensed as investment adviser representatives with Global. Bay Harbor Wealth Management and Global are not affiliated. Through Global, the representatives provide asset management services as well as referrals to sub-advisers. They earn advisory fees when providing these services through Global. Therefore, you could receive advisory services from one individual acting as an investment adviser representative on behalf of two separate registered investment advisers. Our relationship with Global creates a conflict of interest in that we receive an advisory fee from Global. To address this conflict, we ensure that all investment advisory services are in the best interest of the client. If the investment adviser representative of the Firm provides asset management or referral services to you, you will be given the disclosure brochure of Global describing the services provided, fees charged and other information. You are encouraged to read and review the disclosure brochures for both Bay Harbor Wealth Management and Global and direct questions to your representative.

Bay Harbor Wealth Management no longer accepts new clients in their individual capacity as investment adviser representatives of Global. Bay Harbor Wealth Management’s investment adviser representatives will continue to be representatives of Global until Bay Harbor Wealth

Management no longer receives any fees it receives from their individuals' relationship with Global as investment adviser representatives.

#### Service on GFPC's Advisory Council

Lance Scott serves on GFPC's Advisory Council, in which role he provides input and direction to GFPC's management team. In connection with his service, Lance Scott has entered into an Incentive Award Agreement with GFPC, under which he may receive an incentive cash award based upon the occurrence of one or more specified events: (1) GFPC reaching a certain specified value as of December 31, 2020; or (2) the Occurrence of a merger, acquisition or certain other specified events involving GFPC. One of the conditions of obtaining the award is that Lance Scott must cause Bay Harbor Wealth Management to use the wealth management and technology platform of GFPC for "substantially all" of its investment advisory business. This Award Agreement gives rise to a conflict of interest, in that it incentivizes Lance Scott and Bay Harbor Wealth Management to recommend that its clients uses the sub-advisory services of GFPC, either as a condition to remain eligible for the cash award or to increase the value of GFPC and make the payment of the cash award more likely. Additionally, Lance Scott's service on the Advisory Council raises similar conflict of interest concerns. Bay Harbor Wealth Management addresses these conflicts of interests by performing comparative analysis of other subadvisors to assure the recommended sub-advisor is in the best interest of the client.

#### Third-Party Money Managers

Bay Harbor Wealth Management has developed several programs, previously described in Item 5 of this disclosure brochure, designed to allow us to recommend and select third-party money managers for you. Once you select the third-party money manager to manage all or a portion of your assets, the third-party money manager will pay us a portion of the fees you are charged. Please refer to Item 4 and 5 for full details regarding the programs, fees, conflicts of interest and material arrangements when Bay Harbor Wealth Management selects other investment advisers.



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

### **A. Code of Ethics Summary**

Bay Harbor Wealth Management is under a fiduciary duty to act in the best interest of its clients. Bay Harbor Wealth Management's clients therefore entrust the Firm to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. Bay Harbor Wealth Management's fiduciary duty compels all employees to act with integrity in all of their dealings. Because the Firm's investment professionals may transact in the same securities for their personal accounts as they may buy or sell for client accounts, it is important to mitigate potential conflicts of interest. To that end, Bay Harbor Wealth Management has adopted personal securities transaction policies in the form of a Code of Ethics ("Code"). All Bay Harbor Wealth Management associated persons must follow Bay Harbor Wealth Management's Code which sets the standard of business conduct. Bay Harbor Wealth Management requires all of its employees to comply with applicable federal securities laws, and sets forth provisions regarding personal securities transactions to employees in its Code. Additionally, the Code sets forth Bay Harbor Wealth Management's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that Bay Harbor Wealth Management and each of its employees has to each client. The Code is circulated at least annually to all employees, and each employee annually certifies in writing that they have received and understand the Code. Bay Harbor Wealth Management will provide a copy of the Code upon request.

### **B. Participation or Interest in Client Transactions**

Bay Harbor Wealth Management recognizes that the personal securities transactions of its members and employees demand the application of practices designed to eliminate conflicts of interest, and Bay Harbor Wealth Management requires that all such transactions be carried out in a way that does not endanger the interest of the client. At the same time, Bay Harbor Wealth Management believes that if investment goals are similar for clients and for members or employees of Bay Harbor Wealth Management, it is logical and even desirable that there be common ownership of some securities. Therefore, in order to address conflicts of interest, Bay Harbor Wealth Management has adopted a set of procedures, included in the Code, with respect to transactions effected by its officers, managers, members, and employees for their personal accounts. If the possibility of a conflict of interest occurs, the client's interest prevails. It is Bay Harbor Wealth Management's policy that priority will always be given to the client's order over the order of their employees. To help mitigate potential conflicts of interest associated with these practices, the senior management of the Firm reviews employee trades quarterly.

Bay Harbor Wealth Management does not affect any principal or agency cross securities transactions for client accounts, nor does it affect cross-trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the recommendations of Bay Harbor Wealth Management. In the event that the client requests that Bay Harbor Wealth Management recommend a broker-dealer/custodian for execution and/or custodial services, Bay Harbor Wealth Management generally recommends that investment management accounts be maintained at Fidelity. Prior to engaging Bay Harbor Wealth Management to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Bay Harbor Wealth Management setting forth the terms and conditions under which Bay Harbor Wealth Management shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Not all advisers require clients to direct brokerage.

Factors that Bay Harbor Wealth Management considers in recommending Fidelity Investments (or any other broker-dealer/custodian to clients) include historical relationship with Bay Harbor Wealth Management, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Bay Harbor Wealth Management clients shall comply with Bay Harbor Wealth Management's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Bay Harbor Wealth Management determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Bay Harbor Wealth Management will seek competitive rates, it may not necessarily obtain the lowest possible commission rates or the most favorable execution for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Bay Harbor Wealth Management's investment management fee. Bay Harbor Wealth Management's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

## Research and Other Soft Dollar Benefits

Although not a material consideration when determining whether to recommend that a client utilize services of a particular broker-dealer/custodian, Bay Harbor Wealth Management may receive from Fidelity Investments (or another broker-dealer/custodian) without cost (and/or at a discount) support services and /or products, certain of which assist Bay Harbor Wealth Management to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Bay Harbor Wealth Management may be investment-related research, pricing information, and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings and other educational and/or social events, marketing support, computer hardware and /or software and /or other products used by Bay Harbor Wealth Management in furtherance of its investment advisory business operations.

Bay Harbor Wealth Management also receives research, analysis, market and other commentary and access to performance reporting software from Global Financial Private Capital, LLC. As indicated above, certain of the support services and /or products that may be received may assist Bay Harbor Wealth Management in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Bay Harbor Wealth Management to manage and further develop its business enterprises.

The Securities and Exchange Commission has defined “soft dollar” practices as arrangements under which products or services, other than execution of securities transactions, are obtained by an investment adviser firm or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. Bay Harbor Wealth Management receives the benefits from Fidelity Investments and Global described above in connection with client securities transactions. We receive a benefit because we do not have to produce or pay for the research, products, or services. Bay Harbor Wealth Management clients do not pay more for investment transactions effected and/or assets maintained at Fidelity Investments as a result of this arrangement. There is no corresponding commitment made by Bay Harbor Wealth Management to Fidelity Investments or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement. Nevertheless, receipt of the benefits described in this section from Fidelity Investments and Global creates a conflict of interest in that we have an incentive to recommend them based on receipt of the benefits, rather than clients’ interest in receiving the most favorable execution. Bay Harbor Wealth Management manages that conflict of interest by conducting a best execution analysis to assure that the total costs to the client is reasonable in relation to the value of the services provided.

## Brokerage for Client Referrals

We do not receive referrals from broker-dealers in any material amount. We do not consider such referrals in recommending broker-dealers.

### Directed Brokerage

We routinely recommend that a client direct us to execute transactions through a specified broker-dealer. By making such recommendations, we may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money. We do not permit clients to direct brokerage.

## **Item 13 – Review of Accounts**

Our management personnel or financial advisors review accounts on at least an annual basis for our Asset Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. We attempt to understand anything that may have changed in our clients personal, professional, or financial situations.

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

Financial Planning clients will receive reviews of their written plans at their request. Our firm does not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our firm for a post-financial plan meeting or update to their initial written financial plan.

### Client Reports

Asset management clients will receive written transaction confirmations from the account custodian shortly after executing purchases or sales. Additionally, the account custodian will send at least quarterly written statements for each quarter in which the client has an account under management by our firm. These statements will provide details regarding account activity, holdings, and performance. Investment reports are available per request or during client reviews.

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

Bay Harbor Wealth Management does not directly or indirectly compensate any person for client referrals. Bay Harbor Wealth Management does not currently refer clients to other Investment Advisers. In the past, the Firm has referred Clients to Global, and received a fee for such referral. See Items 5 and 10 for further details. For some existing clients who have not yet converted to primary clients of Bay Harbor Wealth Management, Bay Harbor Wealth Management or our representatives continue to receive either referral fees or investment adviser representative fees. For new converted clients, the only compensation received from advisory services is the fees charged for providing investment advisory services as described in

Item 5 of this Disclosure Brochure. Bay Harbor Wealth Management receives no other forms of compensation in connection with providing investment advice.

### **Item 15 – Custody**

We have custody of client funds or securities because we are granted authority, upon written consent from you, to deduct the management fees directly from your account and to delegate that authority to a financial institution. We do not have physical custody of client funds or securities. Custody of client's accounts is held primarily at the Custodian.

All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our firm decides to also send account statements to clients, such notice and account statements will include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

Bay Harbor Wealth Management urges clients to compare the account statements they receive from the custodian with those they received from Bay Harbor Wealth Management.

### **Item 16 – Investment Discretion**

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

### **Item 17 – Voting Client Securities**

Bay Harbor Wealth Management does not vote proxies on behalf of clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account. Custodians are directed to forward all shareholder related materials to the owner of the account. Proxy voting for plans governed by ERISA must conform to the plan document in effect. In a case where the investment manager is listed as the fiduciary responsible for voting proxies, the responsibility will be designated to another fiduciary and reflected in the plan document.

Bay Harbor Wealth Management shall not be deemed to have proxy-voting authority solely as a result of providing advice or information about a particular proxy vote to a client, but clients may contact Bay Harbor Wealth Management with any questions concerning a proxy solicitation. Bay Harbor Wealth Management typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

### **Item 18 – Financial Information**

Bay Harbor Wealth Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, Bay Harbor Wealth Management is not required to include a balance sheet for its most recent fiscal year.

Bay Harbor Wealth Management is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, Bay Harbor Wealth Management has not been the subject of a bankruptcy petition at any time.