



*A Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Modera Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact Modera Wealth Management, LLC using the information above. 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 Modera Wealth Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Modera Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This section of the brochure discusses only the material changes that have occurred since the last annual update filed by Modera Wealth Management, LLC (“Modera”) in March 2015.

In Item 4, Advisory Business, Modera has added a description of a business transaction it entered into with Graf Financial Advisors, LLC. See Item 4 for more information. This change may be deemed material. Modera does not have any other material changes to disclose pursuant to this item since its last annual update.

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## Item 4. Advisory Business

Modera is an independent, fee-only registered investment adviser that acts in a fiduciary capacity to its clients in providing wealth management, portfolio management, retirement plan consulting services and financial planning and consulting services. In delivering those services, Modera derives all compensation from its clients and does not accept any commissions, referral fees or other fees from the sale of financial products.

Modera was formed by the merger of Back Bay Financial Group, Inc. and Modera Capital, Inc., f/k/a Modera, Inc. Prior to that merger, Back Bay Financial Group, Inc. had been a registered investment adviser since 1997, and Modera Capital, Inc., f/k/a Modera, Inc., had been a registered investment adviser since 1983. They merged in January 2011 to form Modera Wealth Management, LLC. Modera has been in business since that date. As a result of the merger, Back Bay Financial Group, Inc. and Modera Capital, Inc., f/k/a Modera, Inc., ceased conducting advisory services and now render all such services through Modera.

In July 2014, Modera merged with Joseph Capital Management, LLC of Hernando, Florida. Joseph Capital Management, LLC, a registered investment advisor, had been in business since 2001. Following the merger, Joseph Capital Management, LLC ceased providing advisory services and now conducts all advisory services through Modera. Effective January 2016, Modera purchased certain assets of Graf Financial Advisors, LLC of Wayne, New Jersey, and Graf Financial Advisors, LLC's staff joined Modera at that time.

Modera Capital, Inc. is the current owner of Modera, and Modera Capital, Inc. in turn is owned by John Ceparano, Karl Graf, Adam Leone, Sara "Sally" Long, Thomas Orecchio, George Padula, Gregory Plechner, Robert Siefert, Michael Tringali and Mark Willoughby. Modera maintains offices in Boston, Massachusetts, Westwood, New Jersey, Atlanta, Georgia and Hernando, Florida.

As of December 31, 2015, Modera had approximately \$1,640,152,759 in assets under management. Of these assets, Modera managed approximately \$1,576,577,383 on a discretionary basis and \$63,575,376 on a non-discretionary basis.

Prior to engaging Modera to provide wealth management, portfolio management, retirement plan consulting or financial planning and consulting services, a client will be required to enter into one or more written agreements with Modera setting forth the terms and conditions under which Modera will render its services (collectively, the "Agreement").

### **Wealth Management and Portfolio Management Services**

Modera primarily offers two ongoing forms of asset management services: wealth management and portfolio management. A client may engage Modera to provide a broad range of financial planning and

consulting services along with management of all or a portion of a client's assets on a discretionary basis ("wealth management"). Modera also offers its clients discretionary management of investment portfolios ("portfolio management"). Modera's portfolio management services do not include financial planning services. As discussed below, a portfolio management client may engage Modera for financial planning under a separate engagement (for which Modera may receive additional compensation).

Modera intends to allocate each client's investment management assets on a discretionary basis primarily among mutual funds, exchange traded funds and individual debt securities, and to a lesser extent among Independent Managers (as defined below), in accordance with the client's investment objectives and risk tolerance.

In addition, Modera may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity and/or pooled investment vehicles when consistent with the client's investment objectives and risk tolerance and at the client's sole discretion. Modera may provide advice about any type of investment held in a client's portfolio.

Modera also may render non-discretionary wealth management and portfolio management services to clients relative to: variable life/annuity products that they may own; their individual employer-sponsored retirement plans; and 529 plans or other products that may not be held by the client's primary custodian. In so doing, Modera recommends the allocation of client assets among the various investment options that are available for the product. These client assets will be maintained at the specific insurance company or custodian designated by the product.

It is Modera's practice to tailor its wealth management and portfolio management services to the individual needs of each client. Modera will strive to ensure that each client's investments are suitable for that client and consistent with his/her/its investment needs, goals and risk tolerance. Clients have the ability to impose reasonable restrictions on the management of their accounts, including the ability to instruct Modera not to purchase certain securities or types of securities. Modera's clients are advised to notify Modera promptly if there are any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Modera's wealth management and portfolio management services.

## **Retirement Plan Consulting Services**

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Modera provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring and managing their corporate retirement plans. Each engagement is individually negotiated and customized and may include any or all of the following services:

- Plan Design and Strategy

- Plan Review and Evaluation
- Investment Selection (including model portfolios)
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary Consulting

As disclosed in the Agreement, Modera provides certain of the foregoing services as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Modera’s fiduciary status, the specific services to be rendered and all direct and indirect compensation Modera reasonably expects to receive under the engagement.

## **Financial Planning and Consulting Services**

Modera separately may provide its clients with a broad range of financial planning and consulting services (which may include non-investment related matters). These services may include: business planning, investments, insurance planning, retirement planning, education funding, estate planning, tax planning and cash flow planning.

In performing such services, Modera shall not be required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant) and is expressly authorized to rely on such information provided. Modera may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Modera recommends its own services. The client is under no obligation to act upon any of Modera’s recommendations under a financial planning/consulting engagement or to engage the services of any recommended professional, including Modera itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Modera’s recommendations. Moreover, each client is advised that it remains his/her/its responsibility to notify Modera promptly in writing if there is any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating or revising Modera’s previous recommendations and/or services.

## **Use of Independent Managers**

As mentioned above, in certain circumstances Modera may recommend that certain wealth management or portfolio management clients have a portion of their assets actively managed on a discretionary basis by certain independent investment manager(s) (“Independent Manager(s)”), based upon the client’s stated investment objectives and risk tolerance. The terms and conditions under which the client engages the Independent Manager(s) shall be set forth in separate written agreements between Modera and/or the client and the designated Independent Manager(s).

Modera will continue to render services to the client relative to the discretionary selection of Independent Manager(s) as well as to monitor and review account performance and client investment objectives, for which Modera will receive an annual management fee based upon a percentage of the market value of the assets being managed by the designated Independent Manager(s) in accordance with the applicable fee schedule in Item 5 below.

When selecting an Independent Manager for a client, Modera will review information about the Independent Manager such as its disclosure statement and/or material supplied by the Independent Manager or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results, to the extent available. Factors that Modera considers in recommending Independent Manager(s) include the client's stated investment objectives and risk tolerance, management style, performance, reputation, financial strength, reporting, pricing and research. The investment management fees the designated Independent Manager charges, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, Modera's wealth management fee or portfolio management fee as set forth below in Item 5. As also discussed in Item 5 below, the client may incur fees other than those that Modera, the designated Independent Manager and any corresponding broker-dealer and custodian charge.

In addition to Modera's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Manager(s).

## **Management of Collective Investment Vehicle**

Modera's affiliate, Modera Alternative Investments, LLC, is the general partner of Modera Alternative Investments, LP ("MAI"). MAI is a Delaware limited partnership formed in January 2004 to facilitate investment in private offerings. Interests in MAI were privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. MAI relies on an exemption from registration under the Investment Company Act of 1940, as amended. Modera does not receive any compensation (outside of its management fee as set forth in Item 5) if a client invests in MAI. While MAI is generally Modera's client, the term "client(s)" sometimes refers to the investors in MAI.

Terrapin Asset Management, LLC ("Terrapin") serves as a sub-advisor to MAI and provides due diligence, advisory and administrative services to MAI. In return MAI pays Terrapin a sub-advisory fee.

For additional information regarding MAI, please refer to the confidential memorandum ("Confidential Memorandum"), investor agreement and subscription agreement for MAI (together, the "Offering Documents"). MAI no longer is accepting capital contributions from new or existing investors and is in the process of liquidating its investments, returning capital to investors and winding up its affairs.

Modera will devote its best efforts with respect to its management of both MAI and its wealth management and portfolio management client accounts. Relative to the objectives, suitability, risk factors and qualifications for participation in MAI, Modera may give advice or take action with respect to MAI

that differs from that which it gives for wealth management or portfolio management client accounts that are not invested in MAI. To the extent that a particular investment is suitable for both MAI and certain wealth management and/or portfolio management accounts, Modera will allocate such investments between MAI and the wealth management and/or portfolio management accounts *pro rata* based on the assets under management or in some other manner which Modera determines is fair and equitable under the circumstances to all of its clients.

## Item 5. Fees and Compensation

Modera offers its services on a fee-only basis which may, depending upon the type of engagement, include fees based upon assets under management as well as hourly and/or fixed fees.

### **Wealth Management Fees and Portfolio Management Fees**

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In the event a client engages Modera to provide either wealth management or portfolio management services, Modera will do so on a fee basis. Modera will charge an annual management fee based upon a percentage of the market value of the assets Modera is managing. Modera may be authorized to use margin in the management of a client's portfolio. In such cases the annual fee payable will be assessed gross of margin such that the market value of the client's account and corresponding fee payable by the client to Modera will be increased. For legacy clients, Modera, in its sole discretion, may decide to assess or continue to assess the annual management fee net of margin.

The annual management fee charged by Modera varies depending upon the market value of the assets under management and the type of services to be rendered. The annual fee generally ranges from 0.15% – 1.00% for wealth management services and from 0.10% – 0.80% for portfolio management services. Notwithstanding the foregoing percentages, Modera generally charges a minimum quarterly fee of \$2,500 per quarter for wealth management and retirement plan consulting services and \$2,000 per quarter for portfolio management services. These minimum quarterly fees may cause clients to pay fees that exceed those in the range above. Additionally, with respect to clients who have an arrangement with an advisory firm that merges with or is acquired by Modera, Modera may maintain the client's existing fee structure which may fall outside the general range of fees above.

Modera, in its sole discretion, may negotiate to charge a lesser annual management fee based upon certain criteria (e.g., anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, pro bono activities). For those clients to whom Modera provides wealth management services, an ongoing financial planning fee is generally included as part of Modera's overall annual management fee described above. Modera, however, may charge an additional initial fixed fee for financial planning services.

Modera's annual management fee is exclusive of, and in addition to, brokerage commissions, transaction fees and other related costs and expenses that the client may incur, including those listed on page 9 under the heading "Fees Charged by Third-Party Financial Institutions." Modera will not receive any portion of these commissions, fees and costs. Modera's annual management fee will be prorated and charged quarterly in advance and, except for assets invested in MAI, is based upon the market value of the assets Modera is managing on the last day of the previous quarter.

For assets invested in MAI, Modera does not receive any direct compensation from MAI in the form of management or incentive fees. The value of MAI interests held by investors in it who also are clients of Modera, however, will be included in the client's assets under management for purposes of calculating Modera's annual management fee charged to such clients. The annual management fee for assets invested in MAI is calculated and charged as set forth in the Offering Documents and is based on Terrapin's estimate of the asset values held in MAI as of the most recent quarter end. MAI investors bear all expenses in connection with the operation and management of MAI which include, among other things, the sub-advisory fee paid to Terrapin and the management fees and incentive fees paid to managers of pooled investment vehicles in which MAI invests its funds.

## **Retirement Plan Consulting Fees**

In the event a client engages Modera to provide retirement plan consulting services, Modera will do so on a fee basis. Modera will charge an annual management fee either as a fixed fee or based upon a percentage of the market value of the assets on which Modera consults. Modera's annual management fee is exclusive of, and in addition to, brokerage commissions, transaction fees and other related costs and expenses that the client may incur. Modera will not receive any portion of these commissions, fees and costs. For retirement plan consulting clients who pay a fee based upon a percentage of the market value of the assets on which Modera consults, Modera's annual management fee will be prorated and charged quarterly in advance and is based upon the market value of the assets on which Modera is consulting on the last day of the previous quarter.

The annual management fee varies, depending upon the market value of the assets on which Modera consults and the type of services to be rendered. These fees generally will have a minimum charge of \$10,000 per year for clients paying a fixed fee, or the annual fee ranges from 0.30% – 1.00% for clients paying based on a percentage of the market value of the assets on which Modera is consulting. Modera, in its sole discretion, may negotiate to charge a lesser annual management fee based upon certain criteria (e.g., anticipated future additional assets, dollar amount of assets on which Modera will consult, related accounts, account composition, pre-existing client relationship, account retention).

## **Financial Planning and Consulting Fees**

Unless a client retains Modera to provide wealth management services, Modera may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees generally range up to



\$10,000 on a fixed fee basis and/or from \$200 to \$500 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or consulting services. If the client later engages Modera for wealth management or portfolio management services, Modera may choose to reduce all or a portion of its fees for those services by the amount the client paid for the financial planning and/or consulting services. Modera generally imposes a minimum fee of \$2,000 for all financial planning and consulting services, which may be assessed on a per project basis.

Prior to engaging Modera to provide financial planning and/or consulting services, the client generally will be required to enter into a written agreement with Modera setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to Modera's commencing services. Generally, Modera requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering into the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed-upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates Modera's financial planning and/or consulting services, the balance of Modera's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall receive a full refund.

## **Fees Charged by Third-Party Financial Institutions**

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As further discussed in response to Item 12 below, Modera generally will recommend that wealth management and portfolio management clients utilize the brokerage and clearing services of Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab"), TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("TD Ameritrade"), Fidelity Institutional Wealth Services ("Fidelity") or National Advisors Trust Company, FSB ("National Advisors Trust"), or the client may direct the use of any other trust company, bank or broker-dealer (collectively, "Financial Institution(s)"). Modera may only implement securities transactions after the client has arranged for and furnished Modera with all information and required authorizations regarding accounts with the appropriate Financial Institution(s).

Clients may incur certain charges that the Financial Institution(s) and other third parties impose, such as fees charged by Independent Manager(s), custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Modera's annual management fee.

Modera's Agreement and/or the separate agreement with the Financial Institution(s) generally authorizes Modera through the Financial Institution(s) to debit a wealth management or portfolio management client's account for the amount of Modera's annual management fee and to remit that fee directly to

Modera in accordance with applicable custody rules. The Financial Institution(s) used in conjunction with Modera's services have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of annual management fees paid directly to Modera.

## **Fees for Management during Partial Quarters of Service**

For any partial quarter of wealth management or portfolio management services or for retirement plan consulting services, the partial quarter's annual management fee shall be calculated on a *pro rata* basis. The Agreement between Modera and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Modera's annual management fee shall be prorated through the date of termination, and any remaining balance shall be refunded to the client in a timely manner.

Additions to a client's account may be in cash or securities, provided that Modera reserves the right to liquidate any transferred securities or to decline to accept particular securities into a client's account. Modera may consult with its clients about the options and ramifications of transferring securities. Clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the security fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

## **Additions to and Withdrawals from Accounts**

Except with regard to assets held in MAI, wealth management and portfolio management clients may make additions to and withdrawals from their accounts at any time, subject to the availability of cash and to the settlement of liquidated securities. Clients may withdraw account assets subject to the usual and customary securities settlement procedures. Modera designs its portfolios as long-term investments, however, and the withdrawal of assets may impair the achievement of the client's investment objectives. As to assets invested in MAI, clients may make additions to and withdrawals from MAI in accordance with the terms of the Offering Documents.

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

Modera does not provide any services for which it charges performance-based fees. Performance-based fees are those based on a share of capital gains or capital appreciation of a client's assets. Modera also does not utilize side-by-side management and does not have any required disclosures for this Item.

## Item 7. Types of Clients

Modera provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations (including foundations and endowments), corporations, business entities and investment limited partnerships.

### Minimum Quarterly Fee

As a condition for starting and maintaining a wealth management, portfolio management or retirement plan consulting relationship, Modera generally imposes a minimum quarterly fee as follows: \$2,500 per quarter for wealth management and retirement plan consulting services and \$2,000 per quarter for portfolio management services.

Modera, in its sole discretion, may waive or reduce its minimum quarterly fee based upon certain criteria including, but not limited to, anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and pro bono activities.

Additionally, certain Independent Manager(s), if engaged, may impose more restrictive account requirements and varying billing practices than Modera. In such instances, Modera may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s).

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

Modera tailors its investment recommendations to each client's situation. Modera's investment philosophy is generally based upon an asset allocation approach using the principles of Modern Portfolio Theory. The principles of this theory are as follows:

1. Markets work. Under most circumstances, capital markets do a good job of fairly evaluating all available information and investor expectations to determine the prices of publicly traded securities.
2. Diversification is key. Comprehensive, global asset allocation can minimize the risks specific to individual securities.
3. Risk and return are related. The compensation for taking on increased levels of risk is the potential to earn greater returns.

Portfolio structure explains risk and return. The asset classes that make up a portfolio and the risk levels of those asset classes are responsible for most of the variability of portfolio returns. An “asset class” is a grouping of securities that is similar in terms of performance and patterns of pricing change. Asset classes for stocks are typically composed of security groups based upon size, valuation or domicile (e.g., large capitalization stocks, value stocks, international stocks). Asset classes for bonds are typically composed of security groups based upon maturity length, credit quality, issuer type and domicile (e.g., intermediate-term bonds, high yield bonds, corporate bonds, foreign bonds). An asset class also may be made up of unique groupings of non-traditional assets such as real estate, commodities, energy and managed futures strategies.

Modera measures the performance, volatility and correlation characteristics of multiple asset classes. Modera combines multiple asset classes in varying proportions to create a diversified portfolio intended to achieve a desired rate of return with the least possible amount of risk for that targeted level of return. Modera offers portfolios across multiple spectra of expected risk, depending upon the differing rates of return desired by our clients. Modera’s goal is to optimize the risk-return relationship appropriate to a client’s objectives and risk tolerance.

Modera’s understanding of efficient markets causes it to discount the concept that active security selection in asset classes that Modera deems to be efficient can consistently add value to a portfolio. Similarly, Modera views market timing as not adding value over the long term. Modera’s goal is to stay fully invested within specific client parameters. Studies of asset class performance strongly suggest that stocks that are: (a) valued lower than their peers using certain valuation methods; and (b) smaller in size generally have had superior rate of return potential. Accordingly, Modera tilts the equity weighting of its portfolios toward these factors.

Generally, the asset classes with the greatest amount of risk historically have generated the highest rates of return. Modera counsels clients needing or looking for higher return potential to increase their exposure to equity assets where Modera anticipates higher expected return based on historical data. Conversely, Modera encourages clients with modest return requirements or low tolerance for risk to hold a higher percentage of fixed income assets.

Modera selectively will incorporate certain non-traditional asset classes to seek to diversify a portfolio further. These non-traditional asset classes may include commodities, real estate, currencies and non-correlated trading strategies. Modera may include these asset classes either because of their low historical correlations to traditional stocks and bonds or because they derive their rates of return potential from sources that are unrelated to the traditional capital markets.

Modera attempts to minimize the risk associated with an individual security through its emphasis on investing in multiple mutual funds and exchange traded funds, each representing an asset class and holding many underlying securities. Modera generally uses mutual funds and exchange traded funds for

all asset classes in a client portfolio. On occasion, Modera may recommend the use of an Independent Manager for fixed income exposure.

For clients who are defined by the SEC as “qualified clients,” “accredited investors” and/or “qualified purchasers” (exceeding minimum net worth and/or income thresholds as defined in the applicable rules and statutes), Modera may recommend investments in private placement securities. These may include debt, equity and/or pooled investment vehicles when consistent with the client’s investment objectives and risk tolerance. The decision to invest is at the sole discretion of the client.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss. Diversification does not ensure a profit or guarantee against a loss. The investment return and principal value of an investment will fluctuate such that an investor’s shares, when redeemed, may be worth more or less than their original cost.

## **Item 9. Disciplinary Information**

Modera is required to disclose the facts of any legal or disciplinary events that are material to the client’s evaluation of its advisory business or the integrity of its management. Modera does not have any required disclosures to this Item.

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

Modera is required to disclose any relationship or arrangement with certain related persons that is material to its advisory business or to its clients. As disclosed above in response to Item 4, a Modera affiliate acts as a general partner to MAI. Also, an owner of Modera Capital, Inc., Karl Graf, is the owner of a company that provides tax preparation services including such services to clients of Modera. Modera does not earn any compensation arising out of such tax preparation services.

Modera does not have any additional required disclosures to this Item.

## **Item 11. Code of Ethics**

Modera has adopted a code of ethics (“Code of Ethics”) that sets forth the standards of conduct expected of persons associated with Modera (“Associated Persons”) and requires compliance with applicable securities laws. In accordance with Section 204A of the Advisers Act, Modera’s Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by

Modera or any of its Associated Persons. The Code of Ethics also requires that certain of Modera's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments, including those in "Reportable Securities," initial public offerings and limited offerings. For purposes of its Code of Ethics, Modera deems all of its Associated Persons to be Access Persons.

Modera and its Associated Persons are permitted to buy or sell securities that it also recommends to clients consistent with Modera's policies and procedures and its Code of Ethics. Unless specifically permitted in Modera's Code of Ethics, Modera's Access Persons may not engage for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the Access Person or dependent on the Access Person for financial support and over whose accounts an Access Person has any control or influence into investing decisions) in any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Modera's clients.

When Modera is purchasing or considering for purchase any security on behalf of a client, no Access Person may engage in a transaction in that security prior to the completion of the purchase on behalf of a client or until a decision has been made not to purchase such security. Similarly, when Modera is selling or considering the sale of any security on behalf of a client, no Access Person may undertake a transaction in that security prior to the completion of the sale on behalf of a client or until a decision has been made not to sell such security. These limitations are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, banker's acceptances, bank certificates of deposit, commercial paper and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds. For all other securities (i.e., Reportable Securities), Modera requires that Access Persons have their trades pre-approved.

Clients and prospective clients may contact Modera to request and obtain a copy of its Code of Ethics.

## Item 12. Brokerage Practices

As discussed above in Item 5, Modera generally recommends that clients utilize the custody, securities brokerage and/or clearing services of Schwab, TD Ameritrade, Fidelity and National Advisors Trust, each of which is a separate entity unaffiliated with Modera.

Factors Modera considers in recommending Schwab, TD Ameritrade, Fidelity, National Advisors Trust or any other broker-dealer to clients include the quality of overall services provided, commission and transaction fees charged, creditworthiness and business reputation, promptness and accuracy of orders and facilities, including hardware and software, provided to Modera. Schwab, TD Ameritrade, Fidelity and

National Advisors Trust enable Modera to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

The commissions Modera's clients pay will comply with Modera's duty to obtain "best execution." A Modera client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction, however, where Modera determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and other services received. In seeking best execution, the determinative factor is not the lowest possible cost but rather whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services. These include, among others, the value of research provided, execution capability, commission rates and responsiveness. Consistent with the foregoing, while Modera will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If a client requests that Modera arrange for the execution of securities brokerage transactions for the client's account, Modera will direct such transactions through broker-dealers that Modera reasonably believes will provide best execution. Transactions may be cleared through other broker-dealers with whom Modera and the Financial Institution(s) have entered into agreements for prime brokerage clearing services. Modera periodically and systematically reviews its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

The client may direct Modera in writing to use a particular broker-dealer other than Schwab, TD Ameritrade, Fidelity or National Advisors Trust to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with the client's chosen broker-dealer, and Modera will not seek better execution services or prices from other broker-dealers or be able to "block" client transactions for execution through other broker-dealers with orders for other accounts managed by Modera (as described below). As a result, the client who directs Modera to use a particular broker-dealer may pay higher commissions or other transaction costs or greater spreads or receive less favorable net prices on transactions for the account than otherwise would be the case. Subject to its duty of best execution, Modera may decline a client's request to direct brokerage if, in Modera's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Securities transactions for clients generally will be effected at the individual client level, unless Modera decides to purchase or sell the same securities for several clients at approximately the same time. Modera may (but is not obligated to) combine or "block" such orders so as to obtain best execution or to allocate equitably among Modera's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Modera's clients *pro rata* to the purchase and sale orders placed for each client on any given day. To the extent that Modera determines to block client orders for the purchase or sale of securities, including securities in which Modera's Advisory Affiliate(s) (as defined in Form ADV) may invest, Modera generally will do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities



and Exchange Commission. Modera shall not receive any additional compensation or remuneration as a result of the blocking of orders.

In the event that Modera determines that a *pro rata* allocation of a blocked order is not appropriate under the particular circumstances, the allocation to client accounts will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a *pro rata* allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Modera may exclude the account(s) from the allocation, and the transactions may be executed on a *pro rata* basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, Modera may direct brokerage transactions to certain broker-dealers in return for investment research products and/or services which assist Modera in its investment decision-making process. Modera generally uses such research and/or services to service all of its clients, but brokerage commissions paid by one client may be used to pay for research and/or services that is not used in managing that client's portfolio. Modera's receipt of investment research products and/or services, as well as the allocation of the benefit of such investment research products and/or services, poses a conflict of interest because Modera does not have to produce or pay for the products or services. In receiving any such products and/or services, Modera remains cognizant of its duty of best execution.

## **Software and Support Provided by Financial Institutions**

Modera may receive from Schwab, TD Ameritrade, Fidelity and/or National Advisors Trust, without or at a reduced cost, computer software and related systems support which allow Modera to better monitor client accounts maintained at Schwab, TD Ameritrade, Fidelity and/or National Advisors Trust. Modera may receive these benefits without or at a reduced cost because Modera renders wealth management or portfolio management services to clients who maintain assets at Schwab, TD Ameritrade, Fidelity and/or National Advisors Trust. The software and related systems support may benefit Modera but not its clients directly. In fulfilling its duties to its clients, Modera endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Modera's receipt of economic benefits from Schwab, TD Ameritrade, Fidelity and/or National Advisors Trust creates a conflict of interest because these benefits may influence Modera's choice of one broker-dealer over another broker-dealer that does not



furnish similar software, systems support or services. In receiving such software, systems support and/or services, Modera remains cognizant of its duty of best execution.

Specifically, the benefits Modera receives from Schwab, TD Ameritrade, Fidelity and/or National Advisors Trust through their respective investment adviser and/or institutional divisions may include (but are not limited to): receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its registered investment adviser group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communications network for client order entry and account information; attendance at educational or training conferences, seminars, or workshops; access to certain job postings or other computer sites; and business succession consultative services.

### **TD Ameritrade Institutional Program**

Modera participates in the TD Ameritrade Institutional program, which offers services to independently registered investment advisers, including custody of securities, trade execution and clearance and settlement of transactions. Modera receives some benefits from TD Ameritrade, an independent and unaffiliated SEC registered broker/dealer and member FINRA/SIPC/NFA, through its participation in the program. In addition to those set forth above, these benefits may include discounts on compliance, marketing, research, technology and practice management products or services provided to Modera by other third-party vendors. The benefits received by Modera or its associated persons do not depend on the amount of brokerage transactions directed to TD Ameritrade.

Moreover, in recommending TD Ameritrade as the broker and custodian of certain of its current and future client accounts, Modera takes into consideration its arrangement with TD Ameritrade for obtaining the automatic portfolio rebalancing services of iRebal at a discounted rate. There is no direct link between Modera's arrangement with TD Ameritrade for iRebal and the investment advice it gives to its clients although Modera receives an economic benefit through the arrangement that is not typically available to retail investors. The fee Modera pays to TD Ameritrade for iRebal is subject to specified reductions if a specified amount of client taxable assets are either on the TD Ameritrade Institutional platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD Ameritrade Institutional platform will bring certain fee reductions for each contract renewal period. The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, as amended, or plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). Although Modera believes that the products and services offered by TD Ameritrade are competitive in the marketplace for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect Modera's judgment in selecting or maintaining TD Ameritrade as the broker-dealer or custodian for client accounts.

## **National Advisors Holdings Shares**

National Advisors Trust, as a condition it imposed in doing business with registered investment advisors, required that Modera, Inc., a predecessor to Modera, purchase shares in National Advisors Holdings, Inc., the parent company of National Advisors Trust. As a result, in 2001, Modera, Inc. purchased 40 shares of National Advisors Holdings, Inc. In December 2005, Modera relinquished any ownership over those shares when it donated them to the Modera Charitable Foundation, a 501(c)(3) entity Modera established. The Modera Charitable Foundation since that time has been the sole owner of the National Advisors Holdings, Inc. shares. The Modera Charitable Foundation does not, as a result of that ownership, share in fees charged to client accounts by National Advisors Trust. As a shareholder of National Advisors Holdings, Inc., however, the Modera Charitable Foundation may benefit in the form of dividends or other distributions from National Advisors Holdings, Inc.

Modera continually seeks to ensure that any such conflicts are fully disclosed and handled in a manner that is consistent with its clients' best interests.

## **Item 13. Review of Accounts**

For those clients to whom Modera provides wealth management or portfolio management services, Modera monitors those portfolios as part of an ongoing process. Modera conducts regular account reviews on at least a quarterly basis. One of Modera's investment adviser representatives conducts such portfolio monitoring and account reviews.

All of Modera's clients are encouraged to discuss their needs, goals and objectives with Modera and to keep Modera informed of any changes thereto. Modera contacts ongoing wealth management and portfolio management clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Wealth management and portfolio management clients will receive transaction confirmation notices and regular summary account statements directly from the Financial Institution(s) for the client's accounts. Those clients to whom Modera provides wealth management or portfolio management services also will receive a report from Modera on a quarterly basis that includes account performance information and may include other account and/or market-related information. Clients should compare the account statements they receive from their custodian with those they receive from Modera.

For those clients to whom Modera provides financial planning and/or consulting services, Modera conducts portfolio reviews on an "as needed" basis as requested by the client. Those clients to whom Modera provides financial planning and/or consulting services will receive reports from Modera summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by Modera.

## Item 14. Client Referrals and Other Compensation

Modera is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Modera is required to disclose any direct or indirect compensation that it provides for client referrals. Aside from the disclosures below, and in addition to the institutional benefits referenced in Item 12, Modera has no further disclosures pursuant to this Item.

### **Schwab Advisor Network**

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Modera may receive client referrals from Schwab through Modera's participation in the Schwab Advisor Network<sup>®</sup> ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Modera. Schwab does not supervise Modera and has no responsibility for Modera's management of Modera's clients' portfolios or Modera's other advice or services. Modera pays Schwab fees to receive client referrals through the Service. Modera's participation in the Service may raise potential conflicts of interest described below.

Modera pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all referred clients' accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Modera is a percentage of the fees the client owes to Modera or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Modera pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Modera quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Modera and not by the client. Modera generally will not charge clients referred through the Service fees or costs greater than the fees or costs Modera charges clients with similar portfolios who were not referred through the Service.

Modera generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Modera generally would pay in a single year. Thus, Modera will have an incentive to recommend that referred client accounts be held in custody at Schwab.

The Participation Fee and Non-Schwab Custody Fee will be based on assets in accounts of Modera's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Modera will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Modera's fees directly from the accounts.

For accounts of Modera's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Modera's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Modera may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Modera nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Modera's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

In the event Modera enters into any additional client referral relationships and a client is introduced to Modera by either an unaffiliated or affiliated solicitor, Modera may pay that solicitor a referral fee in accordance with applicable securities laws. Unless otherwise disclosed, any such referral fee will be paid solely from Modera's investment management fee and will not result in any additional charge to the client. If the client is introduced to Modera by an unaffiliated solicitor, then the solicitor is required to provide the client with Modera's written disclosure brochure and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Modera is required to disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Modera's written disclosure brochure at the time of solicitation. Modera currently has one such client referral relationship in place with an unaffiliated solicitor in addition to the Service described above.

## **Item 15. Custody**

As discussed above, the Agreement and/or the separate agreements with the Financial Institution(s) may authorize Modera through the Financial Institution(s) to debit the wealth management or portfolio management client's account for the amount of Modera's annual management fee and to remit that fee directly to Modera in accordance with applicable custody rules. The Financial Institution(s) used in conjunction with Modera's services have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of annual management fees paid directly to Modera. In addition, as discussed in Item 13, Modera sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institution(s) and compare them to those they receive from Modera.

Modera does not maintain physical custody of client assets; client assets are custodied by one or more of the Financial Institution(s). Modera is deemed to have custody of client funds because it has the ability to

authorize the Financial Institution(s) to debit its annual management fee but otherwise has no ability to access client funds. Modera Alternative Investments, LLC, Modera's affiliate, is deemed to have custody of those assets that are invested in MAI. MAI is subject to an annual audit, and the financial information from the audit is distributed to investors in MAI.

## **Item 16. Investment Discretion**

For those clients for whom Modera provides wealth management or portfolio management services, Modera is generally given the authority to exercise discretion on behalf of those clients in managing their portfolios. Modera is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Modera is given this authority through a limited power-of-attorney included in the Agreement and in the client's agreement with the Financial Institution(s). Clients may request a limitation on this authority (such as that certain securities are not to be bought or sold).

Modera takes discretion over the following activities:

- The securities to be purchased or sold;
- The price at which the securities are bought or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The Financial Institution(s) to be utilized by MAI; and
- The Independent Manager(s) to be hired or fired.

## **Item 17. Voting Client Securities**

Modera may vote client securities (proxies) on behalf of its clients. When Modera accepts such responsibility, it will cast proxy votes only in a manner it believes consistent with the best interest of its clients. At any time a client may contact Modera to request information about how Modera voted proxies for that client's securities.

A brief summary of Modera's proxy voting policies and procedures is as follows:

- Modera has engaged Glass Lewis & Co. ("Glass Lewis"), a third-party, independent proxy advisory firm, to provide it with research, analysis and recommendations on the various proxy proposals for the client securities that Modera manages with the aim of maximizing shareholder value. In engaging Glass Lewis for that purpose, Modera has reviewed Glass Lewis's most

recently available Proxy Paper Guidelines for the proxy voting season and has approved and adopted the summary of Glass Lewis's positions on the votes it recommends for the types of proposals most frequently presented. Modera is in agreement with the approach Glass Lewis has set forth in its most recently available Proxy Paper Guidelines for voting proxies. Although Modera, based on its approval of the positions in the Proxy Paper Guidelines, expects to vote proxies according to Glass Lewis's recommendations, certain issues may need to be considered on a case-by-case basis due to the diverse and continually evolving nature of corporate governance issues. If such cases should arise, then Modera will devote appropriate time and resources to consider those issues and either vote the proxy or instruct Glass Lewis on how to vote it. In casting proxy votes Modera uses Broadridge Financial Solutions, Inc.'s ProxyEdge electronic voting service.

- Where Modera is responsible for voting proxies on behalf of a client, the client in writing can direct Modera's vote on a particular solicitation. The client also can revoke Modera's authority to vote proxies. In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Modera maintains with persons having an interest in the outcome of certain votes, Modera will take appropriate steps, whether by following Glass Lewis's third-party recommendation or otherwise, so that proxy voting decisions are made in what it believes is the best interest of its clients and are not the product of any such conflict.

## Item 18. Financial Information

Modera does not require or solicit the prepayment from clients of more than \$1,200 in fees, six months or more in advance of services rendered. In addition, where Modera has discretionary authority or custody of client funds, Modera is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Modera has no disclosures to this Item.