

# Disclosure Brochure

February 24, 2011

## **Modera Wealth Management, LLC**

*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 John LeBlanc at (617) 247-0518. 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").

Modera does not have any material changes to disclose since its last annual update.

## Item 3. Table of Contents

### Firm Disclosure Brochure

Item 1.	Cover Page .....	i
Item 2.	Material Changes .....	ii
Item 3.	Table of Contents .....	iii
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	8
Item 6.	Performance-Based Fees and Side-by-Side Management .....	11
Item 7.	Types of Clients.....	12
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	13
Item 9.	Disciplinary Information .....	15
Item 10.	Other Financial Industry Activities and Affiliations .....	16
Item 11.	Code of Ethics .....	17
Item 12.	Brokerage Practices .....	18
Item 13.	Review of Accounts .....	21
Item 14.	Client Referrals and Other Compensation .....	22
Item 15.	Custody .....	23
Item 16.	Investment Discretion.....	24
Item 17.	Voting Client Securities .....	25
Item 18.	Financial Information .....	26

### Supervised Person Disclosure Supplement(s)

## 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, 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 formed from the merger of Back Bay Financial Group, Inc. and Modera, Inc. Prior to that merger, Back Bay Financial Group, Inc. had been a registered investment adviser since 1997, and Modera, Inc. had been registered as an investment adviser since 1983. They merged in January 2011 to form Modera. As a result of the merger, Back Bay Financial Group, Inc. and Modera, Inc. ceased conducting advisory services and now render all such services through Modera. Modera has been in business since that January 2011 merger.

Modera, Inc. (which is owned by Thomas Orecchio, Gregory Plechner and Mark Willoughby) and Back Bay Financial Group, Inc. (which is owned by Robert Siefert and John LeBlanc) own Modera. Modera maintains offices in Boston, Massachusetts and Westwood, New Jersey.

As of January 1, 2011, Modera has \$964,445,639 in assets under management. Of these assets, \$942,965,301 is managed on a discretionary basis and \$21,480,338 is managed on a non-discretionary basis.

Modera provides wealth management, portfolio management, financial planning, and consulting services. Prior to engaging Modera to provide any of these 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 shall render its services (collectively, the “*Agreement*”). Neither Modera nor the client may assign the *Agreement* without the consent of the other party. Transactions that do not result in a change of actual control or management of Modera shall not be considered an assignment of the *Agreement*.

### Portfolio Management and Wealth Management Services

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Modera primarily offers two platforms for ongoing asset management services: portfolio management and wealth management. A client may engage Modera to manage all or a portion of a client's assets on a discretionary basis (“portfolio management”). Modera's portfolio management does not include financial planning services. As further discussed below, a client may engage Modera for financial planning under a separate engagement (for which Modera may receive additional compensation). Modera also may provide its clients with a broad range of comprehensive financial planning and consulting services in conjunction with its discretionary management of investment portfolios (“wealth management”).

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. 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. Modera also 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/or 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 with the product. The client assets shall 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 ensure that each client’s investments are suitable for that client and consistent with his/her/its investment needs, goals, and risk tolerance.

Clients shall have the ability to impose reasonable restrictions on the management of their account(s), 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 ever 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.

### **Financial Planning and Consulting Services**

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

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, etc.) 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 such 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 if there is ever 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

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As mentioned above, in limited 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. The terms and conditions under which the client shall engage the *Independent Manager(s)* shall be set forth in separate written agreements between Modera or the client and the designated *Independent Manager(s)*. Modera shall 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 shall receive an annual advisory 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 shall review information about the *Independent Manager(s)* such as its disclosure statement and/or material supplied by the *Independent Manager(s)* 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 shall consider in recommending *Independent Manager(s)* include the client's stated investment objective(s) and risk tolerance, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees the designated *Independent Manager(s)* charge, 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 portfolio management fee or wealth 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(s)*, 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

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Modera's affiliate, Modera Alternative Investments, LLC, is the general partner of Modera Alternative Investments, LP (the "*Fund*"). The *Fund* is a Delaware limited partnership formed in January 2004 to engage primarily in the business of investing and trading in securities. Interests in the *Fund* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Fund* currently relies on an exemption from registration under the Investment Company Act of 1940, as amended. Modera's affiliate has discretionary authority to determine the broker or dealer to be used by the *Fund*. The *Fund* seeks to generate returns by making, holding and disposing of certain investments in alternative asset classes. Modera does not receive any compensation (outside of its management fee as set forth in Item 5) if a client invests in the *Fund*. While the *Fund* is generally Modera's client, the term "client(s)" sometimes refers to the investors in the *Fund*.

## Modera Wealth Management, LLC Disclosure Brochure

Participation as an investor in the *Fund* is restricted to investors who are qualified clients pursuant to the requirements under Rule 205-3 under the Advisers Act, as well as those who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, and “qualified purchasers” as defined under the Investment Company Act of 1940, as amended.

To the extent certain of Modera’s individual wealth management or portfolio management clients qualify, they will be eligible to participate as limited partners of the *Fund*. Investment in the *Fund* as a limited partner involves a significant degree of risk. All relevant information, terms and conditions relative to the *Fund*, including suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum, Investor Agreement, and Subscription Agreement (together, the “*Offering Documents*”), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Fund*. For additional information regarding the *Fund*, please refer to the *Offering Documents*.

Modera will devote its best efforts with respect to its management of both the *Fund* and its wealth management and portfolio management client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the *Fund*, Modera may give advice or take action with respect to the *Fund* that differs from that it gives for wealth management or portfolio management client accounts that are not invested in the *Fund*. To the extent that a particular investment is suitable for both the *Fund* and certain wealth management and/or portfolio management accounts, Modera will allocate such investments between the *Fund* 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.

### Additions and Withdrawals to Accounts

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Wealth management and portfolio management clients may make additions to and withdrawals from their accounts at any time, subject to Modera’s right to terminate an account. Clients may withdraw account assets on notice to Modera, 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 a client’s investment objectives.

## Item 5. Fees and Compensation

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

### **Portfolio Management Fee and Wealth Management Fee**

In the event the client engages Modera to provide either portfolio management or wealth management services, Modera shall do so on a fee basis. Modera shall charge an annual management fee based upon a percentage of the market value of the assets Modera is managing.

Modera's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which the client will incur. Modera shall not receive any portion of these commissions, fees, and costs. Modera's annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets Modera is managing on the last day of the previous quarter. The annual fee shall vary depending upon the market value of the assets under management and the type of management services, as follows:

WEALTH MANAGEMENT	
<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$2,000,000	1.00%
\$2,000,000 - \$5,000,000	0.75%
\$5,000,000 - \$10,000,000	0.50%
\$10,000,000 - \$20,000,000	0.25%
above \$20,000,000	0.15%

PORTFOLIO MANAGEMENT	
<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$2,000,000	0.80%
\$2,000,000 - \$5,000,000	0.60%
\$5,000,000 - \$10,000,000	0.40%
\$10,000,000 - \$20,000,000	0.20%
above \$20,000,000	0.10%



## Modera Wealth Management, LLC Disclosure Brochure

Modera, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., anticipated future earning 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, etc.).

For those clients to whom Modera provides wealth management services, an ongoing financial planning fee is generally included as part of Modera's overall management fee described above. Modera, however, may charge an additional initial up-front fixed fee of \$3,000 for financial planning services.

### **Financial Planning and Consulting Fees**

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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 \$400 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the 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 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 will generally 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 Financial Institution**

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As further discussed in response to Item 12 below, Modera generally shall recommend that wealth management or portfolio management clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*"), Charles Schwab & Co., Inc. ("*Schwab*"), TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("*TD Ameritrade*"), National Advisors Trust Company, FSB ("*National Advisors Trust*"), TIAA-CREF Individual & Institutional Services, LLC ("*TIAA-CREF*"), 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 authorization regarding accounts with the appropriate *Financial Institution(s)*.

Clients may incur certain charges that the *Financial Institution(s)* and other third parties charge 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 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 portfolio management or wealth management client's account for the amount of Modera's 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 management fees paid directly to Modera.

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

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For any partial quarter of portfolio management or wealth management services, the partial quarter's fees 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 mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

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

Modera does not provide any services for which it charges performance-based fees and does not utilize side-by-side management. Modera 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, corporations, business entities, and investment limited partnerships.

### Minimum Fee

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

Modera, in its sole discretion, may waive its minimum quarterly fee based upon certain criteria including anticipated future earning 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 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.
4. Portfolio structure explains risk and return. The asset classes that comprise 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 are 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, international stocks, value stocks, etc.). Asset classes for bonds are typically composed of security groups based upon maturity length, credit quality, issuer type and domicile (e.g., long-term bonds, high yield bonds, corporate bonds, etc.). An asset class also may be comprised of unique groupings of non-traditional assets such as real estate, commodities, energy, and long/short trading 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 level of return. Modera offers portfolios across multiple spectrums of risk, depending upon the differing rate of return requirements of 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 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, at all times.

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 superior rate of return potential. Accordingly, Modera tilts the equity weighting of its managed portfolios toward these biases.

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 the exposure to equity assets where Modera anticipates higher expected return. Conversely, Modera encourages

clients with modest return requirements or low tolerance for risk to hold a higher percentage of fixed income.

Modera selectively will incorporate certain non-traditional asset classes to diversify a portfolio further. These non-traditional asset classes include commodities, real estate, and non-correlated trading strategies. Modera includes these unique asset classes either because of their low 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 a unique 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 “accredited investors” (exceeding minimum net worth and/or income thresholds), 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.

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.

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### **Item 9. Disciplinary Information**

Modera 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. 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 the *Fund*. 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, its *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 such as 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/or 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*) 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, bankers' 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.

As discussed above in response to Item 4, a *related person* (as defined in Form ADV) of Modera is the general partner to the *Fund*. Modera may recommend, on a fully disclosed basis, that certain clients invest in the *Fund*. Modera does not receive any additional compensation if a client invests in the *Fund*. As such, Modera does not believe this arrangement poses any additional conflict of interest.

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 shall recommend that clients utilize the brokerage and clearing services of *Fidelity*, *Schwab*, *TD Ameritrade*, *National Advisors Trust* and/or *TIAA-CREF*.

Factors Modera considers in recommending *Fidelity*, *Schwab*, *TD Ameritrade*, *National Advisors Trust*, *TIAA-CREF* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. *Fidelity*, *Schwab*, *TD Ameritrade*, *National Advisors Trust* and *TIAA-CREF* enable Modera to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by the *Fidelity*, *Schwab*, *TD Ameritrade*, *National Advisors Trust* and *TIAA-CREF* may be higher or lower than those charged by other broker-dealers.

The commissions Modera's clients pay shall comply with Modera'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, however, where Modera determines, in good faith, that the commission 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. 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 the client requests Modera to arrange for the execution of securities brokerage transactions for the client's account, Modera shall 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 shall review 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 *Fidelity*, *Schwab*, *TD Ameritrade*, *National Advisors Trust*, or *TIAA-CREF* 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 "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by Modera (as described below). As a result, the client that 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 would otherwise 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 “batch” 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 batch 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 shall 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 batching of orders.

In the event that Modera determines that a prorated allocation of a batched 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; 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 to service all of its clients, but brokerage commissions paid by one client may be used to pay for research 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 reviewing such products and/or services, Modera remains cognizant of its duty of best execution.

## Software and Support Provided by Financial Institutions

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Modera may receive from *Fidelity, Schwab, TD Ameritrade, National Advisors Trust* and/or *TIAA-CREF*, without or at a reduced cost, computer software and related systems support, which allow Modera to better monitor client accounts maintained at *Fidelity, Schwab, TD Ameritrade, National Advisors Trust* and/or *TIAA-CREF*. Modera may receive the benefits described in the preceding sentence without or at a reduced cost because Modera renders wealth management or portfolio management services to clients that maintain assets at *Fidelity, Schwab, TD Ameritrade, National Advisors Trust* and/or *TIAA-CREF*. 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 *Fidelity, Schwab, TD Ameritrade, National Advisors Trust* and/or *TIAA-CREF* 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 investment research products and/or services, Modera remains cognizant of its duty of best execution.

Specifically, the benefits Modera receives from *Fidelity, Schwab, TD Ameritrade, National Advisors Trust* and/or *TIAA-CREF* through their respective investment adviser groups 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 batch 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.

### 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 shall contact 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* for the client 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 may include relevant account and/or market-related information such as account performance. 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. Modera does not have any required disclosures to this Item.

### 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 management fee and to remit that fee directly to Modera in accordance with applicable custody rules. The *Financial Institutions* 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 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 should 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 since it has the ability to authorize the *Financial Institution(s)* to debit its 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 the *Fund*. The *Fund* is subject to an annual audit, and the financial information from the audit is distributed to investors in the *Fund*.

### 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 certain securities 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; 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 to be consistent with the best interest of its clients. Absent special circumstances, which are described fully in Modera's Proxy Voting Policies and Procedures, Modera will vote all proxies consistent with the guidelines established and described in its Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, clients may contact Modera to request information about how Modera voted proxies for that client's securities or to get a copy of Modera's Proxy Voting Policies and Procedures. A brief summary of Modera's Proxy Voting Policies and Procedures is as follows:

- Modera has engaged ProxyEdge, a third-party proxy voting agent, to vote proxies on behalf of Modera. Modera, through ProxyEdge, generally will vote proxies according to Modera's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although Modera will follow its Proxy Voting Guidelines as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Corporate governance issues are diverse and continually evolving, and Modera shall devote an appropriate amount of time and resources to monitor these changes.
- Where Modera is responsible for voting proxies on behalf of a client, the client cannot direct Modera's vote on a particular solicitation. The client can, however, 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, by adherence to its Proxy Voting Policies and Procedures and Proxy Voting Guidelines, will take appropriate steps to ensure that its proxy voting decisions are made in what it believes is the best interest of its clients and are not the product of 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. 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.

## **Modera Wealth Management, LLC**

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