



Baystate Wealth Management, LLC.

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March 31, 2021

## ADV 2A Disclosure Brochure

This Disclosure Brochure provides information about the qualifications and business practices of Baystate Wealth Management, LLC ("Baystate Wealth"). If you have any questions about the contents of this Disclosure Brochure, please contact our Chief Compliance Officer, Mr. Thomas N. O'Connor, at 617-585-4543 and/or [toconnor@baystatefinancial.com](mailto:toconnor@baystatefinancial.com).

Baystate Wealth is an Investment Adviser, registered with the United States Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Baystate Wealth also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) and on Baystate Wealth's website at [www.baystatewealth.com](http://www.baystatewealth.com).

## Item 2 – Material Changes

Since our amended filing on September 24, 2020, there have not been any material changes to this Form ADV 2A Disclosure Brochure (“Disclosure Brochure”).

The Firm has made disclosure changes, enhancements and additions at Items 4, 5, and 15 below.

Our current Disclosure Brochure may be requested by contacting Thomas N. O’Connor at: 617-585-4543; or by email at: [toconnor@baystatefinancial.com](mailto:toconnor@baystatefinancial.com). Our current Disclosure Brochure is also available on our web site free of charge at [www.baystatewealth.com](http://www.baystatewealth.com).

Additional information about Baystate Wealth is available via the SEC’s web site: [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC’s web site also provides information about the people affiliated with Baystate Wealth who are registered, or who are required to be registered, as investment adviser representatives of Baystate Wealth.

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## Item 4 – Advisory Business

Baystate Wealth is a Massachusetts corporation formed in 2009. Baystate Wealth has been registered with the SEC as an Investment Adviser (SEC file number: 801-70681) since 2010. Baystate Wealth is owned by David C. Porter and Thomas N. O'Connor.

### **Baystate Wealth's Investment Advisory Business**

Baystate Wealth has entered into a co-advisory agreement with MML Investor Services LLC ("MMLIS"), pursuant to which the two companies act as co-advisors to Clients who open investment advisory accounts at Baystate Wealth. Under the terms of the Co-Investment Advisory Agreement, MMLIS is responsible for the initial and ongoing day-to-day relationship with the Client, including the initial and ongoing determination of client suitability for asset allocation strategies. Baystate Wealth is responsible for managing the Client's assets consistent with the Investment Policy Statement ("IPS") signed by the Client.

This Disclosure Brochure describes Baystate Wealth's services, fees, conflicts of interests and duties and responsibilities with respect to its investment advisory business. For a description of MMLIS' duties and responsibilities, please see MMLIS' Form ADV 2A Disclosure Brochure and other disclosures as appropriate.

Baystate Wealth provides fee-based discretionary and non-discretionary investment supervisory services and portfolio management primarily for high net worth individuals, corporate pensions and profit-sharing plans, closely held and family businesses, corporations, trusts, foundations, and athletes involved in professional and amateur athletics (the "Program"). Baystate Wealth is compensated for its services by charging a fee based on a percentage of assets placed under its management.

*Please Note: Non-Discretionary Service Limitations.* Clients that have engaged Baystate Wealth to provide investment advisory services on a non-discretionary basis must be willing to accept that Baystate Wealth cannot consummate any account transactions without obtaining prior consent from the Client. Thus, in the event that Baystate Wealth would like to make a transaction for a Client's account (including in the event of an individual holding or general market correction), and the Client is unavailable, Baystate Wealth will be unable to make any account transactions (as it would for its discretionary Clients) without first obtaining the Client's consent.

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

- Exchange Listed Stocks (NYSE, AMEX);
- NASDAQ Listed Securities;
- Exchange Traded Funds (ETFs);

- Exchange Traded Notes (ETNs);
- No-load Mutual Funds;
- Load-Waived Mutual Funds;
- American Depository Receipts (ADRs);
- U.S. Government Bonds;
- Mortgage-backed Bonds;
- Municipal Bonds;
- Corporate Bonds;
- Unit Investment Trusts;
- Exchanged Traded REITs/Limited Partnerships/Master Limited Partnerships; and
- Brokerage Certificates of Deposit.

Certain securities are “ineligible” for the Program. Those securities will not be purchased for Clients’ Accounts. Clients may establish an account at Baystate Wealth by transferring cash or by transferring accounts in kind or after the sale of all or some of the securities in the transferred account. To the extent the Client seeks to transfer an account in kind, and the account contains securities that are ineligible under the Program, those ineligible securities will be refused for transfer or sold prior to, concurrent with, or shortly after the transfer.

The Client relationship is managed by Investment Adviser Representatives (“IARs”) of MMLIS and by the management and employees of Baystate Wealth. IARs, with the assistance of Baystate Wealth (if requested), generally meet with Clients, discuss the Clients’ goals and objectives and assist the Clients in the development, management and implementation of the Clients’ wealth management program. MMLIS IARs do not, however, manage Baystate Wealth portfolios for Clients. Rather, Baystate Wealth portfolios are managed by Approved Portfolio Managers (“APMs”) of Baystate Wealth. All APMs of Baystate Wealth are pre-approved by the Company to manage assets. The APMs and the Research Department, in consultation with Investment Committee (when appropriate), oversee the Company’s investment strategies, transactions, policies and guidelines, including review of APM selection, establishment of investment benchmarks, review of investment performance and oversight of investment risk management exposure policies and guidelines. The Investment Committee will typically meet twice a month or as dictated by market conditions, to discuss the current strategies of the APMs.

**Please Note: Dual Roles.** Each Client signs a Co-Investment Advisory Agreement with Baystate Wealth and MMLIS, an SEC registered investment adviser and broker-dealer. Baystate

Wealth representatives are associated with both Baystate Wealth and MMLIS. Per the terms of the Co-Investment Advisory Agreement, MMLIS is responsible for the initial and ongoing day-to-day relationship with the client, including the initial and ongoing determination of client suitability for Baystate Wealth's asset allocation strategies. Baystate Wealth is responsible for managing the client's assets consistent with one or more of Baystate Wealth's allocation strategies, as communicated to Baystate Wealth by MMLIS. When a Baystate Wealth representative also acts as an IAR of MMLIS and introduces a Client to Baystate Wealth, the Baystate Wealth representative is generally compensated in two separate capacities: (1) by Baystate Wealth as an employee of Baystate Wealth; and (2) by MMLIS, as an MMLIS IAR responsible for that specific client relationship. Thus, the Baystate Wealth representative has a conflict of interest when recommending Baystate Wealth strategies to the Client.

Client assets are custodied at Fidelity Institutional Wealth Services ("the Custodian") and are maintained in the Baystate Wealth Program (hereinafter referred to as "Program Accounts"). Clients are required to sign a Fidelity Account Application to open a Program Account. This is in addition to the Engagement Letter Clients sign to open an advisory account with Baystate Wealth and the CRIA Transition form required by MMLIS. Further information concerning the relationship between the Company, MMLIS and Fidelity is set forth below in Item 10, "Other Financial Industry Activities and Affiliations."

Baystate Wealth has two different methods of charging fees to Clients. One method is that the Client is charged a fee for asset management and the Client pays the commissions and other trading costs associated with the account (please note that none of the trading costs is paid to Baystate Wealth; they are all collected by the Custodian). This fee arrangement is known as "Advisory Fee Plus." The other method is for the Client to be charged an overall fee that includes the costs for commissions and other trading costs. This fee arrangement is known as "Advisory Fee One." Advisory Fee One is considered a "wrap fee" program. A wrap fee program account is a type of individually managed account in which most expenses that are typical of a managed account are combined into one fee (i.e. a "wrap fee"). This includes the management fees and transactional costs and fees.

*Independent Managers.* Baystate Wealth may recommend that the Client allocate a portion of a Client's Program Account(s) among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the Client's designated investment objective(s). In such situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. Baystate Wealth will continue to render investment supervisory services to the Client relative to the ongoing monitoring and review of Program Account performance, asset allocation, and Client investment objectives. Baystate Wealth generally considers the following factors when recommending Independent Manager(s): the Client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The Client is under no obligation to engage the services of any Independent Manager. The Client retains absolute discretion over all such implementation decisions and is free to

accept or reject any recommendation from Baystate Wealth. If the Client determines to engage an Independent Manager, the fees for the Independent Manager may be included pursuant to the Baystate Wrap Fee Program or charged separately on a fully disclosed basis.

Baystate Wealth may also provide services on a wrap fee basis as a wrap program sponsor. Under Baystate Wealth's wrap program, the Client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the Client **more or less than purchasing such services separately**. The terms and conditions of a wrap program engagement are more fully discussed in Baystate Wealth's Wrap Fee Program Brochure..

*Wrap Fee Program-Conflict of Interest.* Because wrap program transaction fees and/or commissions are being paid by Baystate Wealth to the account custodian/broker-dealer, Baystate Wealth could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. *See separate **Wrap Fee Program Brochure**.* **Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a Client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest.**

*Limitations of Non-Investment Consulting/Implementation Services.* Baystate Wealth does not hold itself out as providing financial planning or related consulting services and no portion of Baystate Wealth's services should be construed as legal, accounting or insurance implementation services. Accordingly, Baystate Wealth does not prepare estate planning documents, tax returns or sell insurance products. However, to the extent requested by a Client, Baystate Wealth may recommend the services of other professionals for certain non-investment implementation purposes (e.g. attorneys, accountants, insurance agents, etc.), including, as disclosed below, IARs in their separate capacities as registered representatives or licensed agents of MMLIS. The Client is under no obligation to engage the services of any such recommended professional. The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Baystate Wealth. Baystate Wealth does not receive any compensation for such recommendations.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** Baystate Wealth, shall be responsible for the quality and competency of the services provided.

*Client Obligations:* In performing its services, Baystate Wealth is expressly authorized to rely on any information given by the Client or the Client's professionals and is not required to verify any information received from the Client or from the Client's other professionals. It remains the Client's responsibility to promptly notify Baystate Wealth and MMLIS if there is ever any change in

his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Baystate Wealth's previous recommendations and/or services.

*Disclosure Statement.* A copy of the Baystate Wealth's Privacy Notice, Form CRS ("Client Relationship Summary"), written Disclosure Brochure as set forth on Parts 2A and 2B of Form ADV and to the extent applicable, the Baystate Wealth Wrap Fee Program Brochure, shall be provided to each Client prior to, or contemporaneously with, the execution of the applicable form of agreement between Baystate Wealth and the Client. Any Client who has not received a copy of Baystate Wealth's written Disclosure Brochure at least 48 hours prior to executing such agreement shall have five business days subsequent to executing the agreement to terminate Baystate Wealth's services without penalty.

*Portfolio Activity.* Baystate Wealth has a fiduciary duty to provide services consistent with the Client's best interest. As part of its investment advisory services, Baystate Wealth (on occasion and, in conjunction with the MMLIS representative) will review Program Accounts on an ongoing basis to determine if any changes are necessary based upon various factors including, but not limited to, investment performance, market conditions, fund manager tenure, fund flows, style drift, account additions/withdrawals, financial circumstances or changes in the Client's investment goals or objectives. Based upon these and other factors, there may be extended periods of time when Baystate Wealth determines that changes to a Client's Accounts are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by Baystate Wealth will be profitable or equal any specific performance level(s).

*Cash Positions.* At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Baystate Wealth may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating Baystate Wealth's advisory fee. **ANY QUESTIONS: Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.**

As of December 31, 2021, the assets under management ("AUM") of Baystate Wealth were \$ 1,239,313,186 in full discretionary accounts and \$ 60,130,274 in non-discretionary accounts.

## **Item 5 – Fees and Compensation**

The minimum account size for Baystate Wealth is \$250,000.00. A lower minimum may be accepted at the discretion of Baystate Wealth. Fees are negotiable with the Client and generally are charged as a percentage of assets under management or stated in basis points.

The management fees paid by Clients are divided between Baystate Wealth and the IAR. Baystate Wealth charges a 34-basis point platform fee based on the assets under management at the



time of billing. The IAR receives a separate and additional fee determined by his/her/its applicable grid rate set by MMLIS for his/her/its ongoing advisory services. Please Note,: The grid rate does not impact what the client pays only how the financial professionals are paid. Baystate Wealth receives any residual fee not paid to the IAR. Thus, the Client's total management fee is a combination of both Baystate Wealth's investment management fee and the IAR's service/advisory fee. From the fees received on Program Accounts, Baystate Wealth pays a yearly fee to MMLIS for operational compliance, marketing and sales support. The total management fee is determined by the IAR (within a fee range not to exceed 162 basis points or 1.62%). The total management fee varies depending upon various objective and subjective factors, including the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, whether related accounts are involved, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with Client, etc. . Thus, similar Clients could pay different fees, which will correspondingly impact a Client's net Program Account performance. Total management fees are negotiable with the Client. The agreed upon fee is set forth in the Engagement Letter.

Since Baystate Wealth and the IAR receive a portion of the total management fee charged to the Client, a conflict of interest arises, because the higher the fee paid by the Client, the higher the compensation received by the IAR and by Baystate Wealth. In addition, Baystate Wealth pays a quarterly installment fee to MMLIS. This payment to MMLIS does not affect the fee paid by the Client for investment advisory services. Baystate Wealth will always act in the Client's best interest.

The first payment for the Program Fee is prorated to cover the period from the date the Program Account is opened and funded through the end of the then current calendar quarter. Fees are debited directly from the Client's Program Account, based on the fee schedule which is attached as Exhibit A to the Engagement Letter. Thereafter, the quarterly Program Account Fee will be paid at the beginning of each calendar quarter and the fee will be based on the fair market value of the assets in the Program Account on the last business day of the preceding calendar quarter as calculated by the Custodian.

Through Baystate Wealth, the Client authorizes the Custodian to deduct the Program Fee and other charges from cash assets held in the Program Account. Therefore, the Client should maintain a suitable percentage of the Program Account in cash to pay for fees and charges under the Program. If the Program Account does not have enough cash to pay for the advisory and/or brokerage fees and charges, the Company instructs the Custodian to sell any Program Account assets the Custodian deems appropriate to make such cash available even if the Client did not grant Discretionary Trading by executing a Discretionary Engagement Letter. In such cases, the Client may face a taxable event, to which capital gains (or other) taxes may apply. For certain accounts, specific security exclusions from billing may be negotiated with the Client.

The Client authorizes the Custodian to deduct all applicable fees and costs from the Client's Program Account and all such fees and costs will be clearly noted on the statements provided to the Client no less than quarterly by Baystate Wealth and/or the Custodian.

**Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a Client or prospective Client may have regarding the above fee discussion, its potential impact on account performance, and the conflicts of interest.**

#### Investment Advisory Fees – Fee Schedule – Wrap Fee Program

The fees charged to the Client for portfolio management are negotiable and subject to the written agreement of the Client in the Engagement Letter. Program Fees may not exceed 1.62% or 162 basis points of the assets under management.

Baystate Wealth does not manage accounts differently depending on the type of fee (Advisory Fee One or Advisory Fee Plus). Please review the Baystate Wealth Management, LLC Wrap Fee Program Brochure for more information on how fees are charged, collected and allocated pursuant to the "Advisory Fee One" arrangement under the Baystate Wrap Fee Program.

#### Advisory Fee One Fee May Cost More/Factors Bearing on Costs

The fee under Advisory Fee One likely will be higher than if the Client did not select this option and instead opted for the fee under Advisory Fee Plus, because the transactional costs are paid for from the total investment management fee charged to the Client. This does not necessarily mean that the fee under Advisory Fee One will be higher than the total fees and costs the Client would pay if the Client opted for Advisory Fee Plus, since this will depend on the number of trades and the other factors discussed below.

A number of factors will have a bearing on the issue of whether the fee under Advisory Fee One or "wrap fee" would be higher or lower than the total fees and costs the Client would pay if the Client opted to pay for the transactional costs from the assets under management in the portfolio (Advisory Fee Plus). The number, amount and types of trades undertaken in the portfolio on a quarterly and yearly basis will have a direct impact on the issue. Under Advisory Fee One, the transactional costs are paid for from the total investment management fee charged, whereas under Advisory Fee Plus, the Client pays for the transactional costs. If the number, amount and types of trades are increased, the transactional costs may increase (assuming the Custodian charges a transaction cost for the purchase or sale of the particular security). Depending on the amount of wrap fee charged on the Program Account, these transactional costs could be a significant portion of the wrap fee charged and thus reduce the overall compensation received by the IAR(s) and Baystate Wealth. By contrast, if the number, amount and types of trades are kept to a relatively low number, then it is likely that the wrap fee charged would exceed the total of the investment management fee (particularly if the Custodian does not charge a transaction cost for the purchase or sale of the particular security) plus the transactional and brokerage costs paid directly by the Client. To the

extent the Client's portfolio (i) qualifies for transaction fee funds at Fidelity, (ii) exceeds \$1M in assets or (iii) elects to receive electronic delivery, the Client's account may not be charged a transaction fee. In this case, it is possible that the Client would pay the same fees in an Advisory Fee One relationship as with the Advisory Fee Plus relationship.

In addition to the number, amount and types of trades, the sizes of the trades, the number of shares traded, the nature of the securities traded and the size of the account or whether e-delivery is authorized, may have an impact on the fee comparisons. The Custodian may charge minimum ticket charges and may charge differently for different types of securities or may not charge transaction costs for certain types of securities (e.g. foreign securities, certain mutual funds, certain exchange traded funds, certain exchange traded notes, certain types of bonds, options, alternative investments, etc.). In addition, the Custodian may charge transaction costs only with respect to Program Accounts falling below a minimum amount or Program Accounts that do not authorize e-delivery. Thus, a significant number of smaller trades or a significant number of trades in certain securities may have a disproportionately large impact on the costs of managing the portfolio, compared to the overall costs charged by the Custodian. In such circumstances, a wrap fee program likely would cost less than the other type of program, depending on the fees agreed to by the Client.

Other factors that may bear upon the cost of Advisory Fee One in relation to the cost of Advisory Fee Plus may include, among other things, the number of trades executed for the account, the size and type of account, the types of securities executed, the historical and expected size of the account, whether the Client has authorized or not authorized e-delivery and the number and range of supplemental services provided to the Account.

Baystate Wealth makes no representation that the fee under Advisory Fee One or under Advisory Fee Plus is or will be the same as or lower than that charged to another Clients who invest in the Baystate Wealth Program, or that the fee under Advisory Fee One or under Advisory Fee Plus fee is or will be the same as or lower than the fees charged by other sponsors or advisers of comparable programs for Program Accounts of comparable size or comparable investment objectives.

#### Additional Client Fees

The fees charged by Baystate Wealth do not include certain other fees and charges such as any fees imposed by the SEC, wire transfer fees, fees resulting from any special requests that Clients may have, fees or commissions for securities transactions (including without limitation dealer markups and mark-downs) effected through any broker-dealer other than the Custodian or costs associated with temporary investment of Client funds in a money market account. In addition to the fees charged by Baystate Wealth, the Custodian may charge the Client additional miscellaneous fees (e.g. ACAT fees, wire transfer fees, check re-order fees, etc.). Such fees are available upon request. In addition, there may be fees charged for performance reporting programs and other enhanced reporting programs that may be applicable to the Program Accounts.

The fees charged by Baystate Wealth do not include the internal management, operating or distribution fees or expenses imposed or incurred by any mutual fund, exchange traded fund or exchange traded note that the Client's Program Account may hold, which may include 12b-1 fees, early termination fees (which include fees on whole or partial liquidations of fund assets in the account) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service providers. Further information regarding charges and fees assessed by a fund company may be found in the appropriate prospectus, and/or annual report of the fund. Clients should read each of the prospectuses for a more complete explanation of these fees and expenses which may include fees for management, administration, servicing, custodial, legal, audit, etc. Any increase in those charges and fees will be borne by the Client regardless of the type of fee arrangement selected by the Client.

Clients may invest directly in mutual funds, ETFs, ETNs, stocks or fixed income instruments without paying an advisory fee (i.e. outside of the Baystate Wealth Program). Thus, it may be less expensive for Clients to invest in mutual funds, ETFs, ETNs, stocks or fixed income instruments outside of the Program. However, Clients will not receive the services provided by Baystate Wealth under the Program if they choose to buy these securities outside the Program. Baystate Wealth does not represent that the fee a Client pays is the same as or lower than that charged by other sponsors of comparable programs for accounts of comparable size or investment objectives.

### **Transaction Fee Differentials**

With respect to its wrap program, Baystate Wealth does not receive any portion of the transaction fees paid to the executing custodian/broker-dealer. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by Baystate Wealth to the account custodian. [Indeed, these may be zero, depending on the account type] Neither Baystate Wealth, nor any of its representatives, receive any 12b-1 fees, or any other type of compensation from any mutual fund or product sponsor as part of Baystate Wealth's wrap program. When available and appropriate, Baystate Wealth allocates client assets among individual institutional share class open-end mutual funds. The conflicts of interest inherent in a wrap program are clearly disclosed on Baystate Wealth's ADV Part 2A and Wrap Brochure. Baystate Wealth makes recommendations based upon client needs and market conditions, and without consideration of transaction costs. Baystate Wealth would not consider suitability, trading volume, or cash balances any differently if it managed assets on an unbundled basis.

The client, in conjunction with its MML representative (i.e. the determination is made by and with MML and independent of Baystate Wealth), determines whether a wrap or unbundled fee is most appropriate, given factors imposed by the custodian, such as assets under management (AUM) and whether the client will agree to electronic delivery of custodian statements. Specifically, the following apply at Fidelity:

Trading costs:

1. To qualify for transaction free funds at Fidelity, the household accounts must exceed \$1.0 million in AUM in the aggregate at BWM OR the client must be on E-Delivery.
2. Transaction free trading does NOT apply to the following:
  - a. Accounts not signed up for E-Delivery unless the household accounts aggregate over \$1.0 million of AUM.
  - b. Households less than \$1 million if no E-Delivery.
  - c. Mutual Funds that have a transaction fee, e.g. Non-NTF funds. Currently Baystate Wealth uses no-transaction fee mutual funds, but Baystate Wealth could purchase transaction fee mutual funds in the future
  - d. Large block transactions – any transaction over 10,000 shares (usual fee schedule will apply).
  - e. Option trading – the \$4.95 per contract fee is waived but there is still a fee of \$.65 per contract.
  - f. Orders requiring special handling – using the trade desk services or same-day or shortened settlement situations).

Please Note: Baystate Wealth is agnostic as to whether the client opts for a wrap or unbundled fee arrangement. As indicated above, Baystate Wealth's investment management fee remains the same regardless of whether the client engages the Firm on a wrap and/or unbundled basis. Please Also Note: The actual platform fee may be reduced under the new Platform Fee Reduction Program pursuant to which the platform fee charged to the Advisor is decreased 5-12 bps depending on the amount of AUM the Advisor has with BWM. This Platform Fee Reduction Program does not affect the Client's overall fee.

Please Note: Fees. Please see the discussion above relating to how fees are calculated and determined and the potential for conflicts of interest because of the manner and method by which fees are charged.

ANY QUESTIONS: Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a Client has regarding advisory fees and related issues as discussed above.

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

Baystate Wealth does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client).

## Item 7 – Types of Clients

Baystate Wealth provides fee-based discretionary and non-discretionary investment supervisory services and portfolio management primarily to high net worth individuals, corporate pension and profit-sharing plans, closely held and family businesses, corporations, trusts, foundations and persons or entities involved in professional and non-professional athletics, including athletes.

Subject to exceptions made at the discretion of the Company, the minimum account size for Baystate Wealth is \$250,000.00 (determined by household). A lower minimum may be accepted at the discretion of Baystate Wealth Management.

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

Baystate Wealth's methods of security analysis include, without limitation, charting, fundamental analysis and technical analysis. The main sources of information used by Baystate Wealth include financial newspapers and magazines, inspections of corporate activities, internal analyses, research materials prepared by others, research received from third parties, annual reports, prospectuses, filings with the SEC and company press releases. The investment strategies used to implement any investment advice given to Clients include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), securities swaps, stop losses and options writing, including covered calls and married puts. The investment advice provided by Baystate Wealth and/or an Independent Managers customized to fit the risk profile, goals, objectives, and other preferences of each individual Client, pursuant to a written IPS developed with and signed off on by the Client. Baystate Wealth primarily uses Exchange Traded Funds ("ETFs"), Exchange Traded Notes ("ETNs"), Index Funds, some mutual funds (when the manager's expenses and fees can be justified), some bond funds and individual fixed-income securities (treasuries, corporates, municipals, etc.), when appropriate. Some Independent Managers may use individual securities, including individual equities and individual bonds.

The cornerstone of Baystate Wealth's investment strategy is controlling risk, dampening volatility and protecting potential downside risk. Through a combination of asset allocation, active management of passive investments and the Company's proprietary Risk Assets and Diversification Ratio ("the RAD Ratio™"), Baystate Wealth seeks to provide its Clients with superior risk-adjusted returns over a number of market cycles.

While each portfolio is managed separately, and ultimately the IPS controls, the Company may manage Program Accounts targeted to one of several investment strategies, referred to as "Model Portfolios" by the Company. These Model Portfolios range in risk profile from conservative to very aggressive. The Client's portfolio may or may not be identical to a Model Portfolio. Model Portfolios are target allocations tied to a specific risk tolerance. The selection of one or more of these

Model Portfolios as an investment target depends on the Client's risk tolerance. Model Portfolios are not used when Independent Managers are involved.

Information on the Model Portfolios, their composition, strategic and tactical allocations, and their benchmarks, are provided by Baystate Wealth to Clients. The specific securities in each Model Portfolio, and the specific strategic and tactical allocations for each Model, may change over time and may be different at different points in time. Strategic and tactical allocation decisions for each Model Portfolio are made by the APMS, with input from the Research Committee and in consultation with the Investment Committee. The Company may employ a strategy of writing options to hedge portfolios or to dampen volatility. Smaller accounts may have a similar overall allocation among asset classes and styles. However, smaller accounts also tend to have fewer, and sometimes different, holdings than larger accounts invested in the same strategy. Thus, the performance (good or bad) of any single holding could have a greater impact on the overall performance of a smaller account than on the performance of a larger account. The Company may purchase "recommended lists" or research and buy or sell recommendations from other investment advisory firms, but the decision to buy or sell a particular security in a Baystate Wealth portfolio remains with Baystate Wealth.

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

The Client's risk tolerance, and financial goals and objectives, as well as other pertinent facts and data, are reflected in the IPS. As the Client's goals, objectives and risk tolerance change, it is the Client's obligation to update the IPS accordingly, and certain agreed-upon actions are taken to ensure that the portfolios are being managed in accordance in the IPS.

Program Accounts are adjusted in response to and in anticipation of market conditions. Strategic and tactical allocations are made taking into account relative valuations, market conditions, movements in the market and geo-political events affecting the markets. The amount of strategic and tactical allocations may vary over time periods and are at the discretion of Baystate Wealth.

At the Client's request, Baystate Wealth will accept transfers in kind and will supervise and manage those securities while reallocating the Program Account more closely with a Model Portfolio developed by the Company and that corresponds to the Client's risk profile and tolerance. Baystate Wealth attempts to make this transition on a tax-advantaged basis to the Client, but the tax consequences to the Client depends on a number of factors, including the sizes of the positions, the cost bases of the positions, the Client's individual tax circumstances and other factors. The transition of the portfolio likely will have some tax consequences to the Client. Independent Managers also may employ tax-advantaged strategies and may engage in tactical and strategic allocations. Baystate Wealth does not provide tax advice to Clients and Clients should consult their own tax advisors with respect to the tax effect of any transaction.

## **Investing In Securities Involves Risk of Loss**

Investing in securities involves risk of loss that Clients should be prepared to bear, including the complete loss of principal investment. Past performance is not indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Baystate Wealth) will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a Program Account employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

There are risks involved with investing in ETFs, ETNs, Index Funds, and individual stocks and bonds, including possible loss of money. Index-based ETFs are not actively managed. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Both index-based and actively managed ETFs are subject to risks similar to stocks and other securities, including those related to short selling and margin maintenance. ETNs are subject to credit risk. ETFs do not sell individual shares directly to investors and only issue their shares in large blocks. ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility. An investor's shares, when redeemed or sold, may be worth more or less than their original cost. ETF shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Brokerage commissions and trading costs will reduce returns. An investor should consider investment objectives, risks, charges, and expenses before investing. A description of these items can be found in each fund's prospectus. Past performance for ETFs, ETNs, Index Funds and individual stocks and bonds does not guaranty future results.

The investment return and principal value of a mutual fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Investors should consider the investment objectives, risks, and charges, and expenses of the investment company carefully before investing. A description of these items can be found in each fund's prospectus. Past performance for mutual funds does not guarantee future results.

In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations.

**Market Risk.** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors) but may also be incurred because of a security's specific underlying investments.



Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Emerging Market Risk. Emerging markets and frontier markets involve heightened risks relative to other sectors of the market, as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Narrowly focused investments typically exhibit higher volatility.

Real Estate Risk. Real estate investments are subject to changes in economic conditions, credit risk and interest rate fluctuations.

Commodity Risk. Commodity-related investments may be speculative and may involve a high degree of risk. Commodities markets have historically been volatile, creating the potential for losses regardless of the length of time an investment is held.

Bond Risk. Bond and bond funds likely will decrease in value as interest rates rise. Investment returns and principal values will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost and potentially subject to capital gains taxes. Tax-exempt fixed income strategies invest in securities designed to pay income that is exempt from certain income taxes, but a portion of the income may be subject to federal or state income taxes or the alternative minimum tax. Federal or state changes in income or alternative minimum tax

rates or in the tax treatment of municipal bonds may make them less attractive as investments and cause them to lose value.

**Inflation Risk.** When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

**Reinvestment Risk.** Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

**Credit Risk.** The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

**Call Risk.** During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

**Regulatory Risk.** Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Baystate Wealth or the integrity of Baystate Wealth's management. Baystate Wealth is not aware of any disciplinary action taken against the Company or its management. Thus, Baystate Wealth has no information applicable to this Item.

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

- A. Baystate Wealth participates in "the Platform," which is a brokerage-based platform offered by MMLIS that supports certain investment management programs offered by registered investment advisory firms like Baystate Wealth and other asset managers. IARs of MMLIS who offer the Baystate Wealth Program to Clients do so independent of MMLIS, even though they are registered with MMLIS.

- B. MMLIS is a registered broker-dealer and member firm of FINRA and SIPC, and an SEC registered investment adviser. MMLIS makes the Baystate Wealth Program available to its IARs and to Clients of the IARs.
- C. Fidelity acts as the Custodian for assets held in the Baystate Wealth Program. Through the Custodian, Clients of Baystate Wealth are provided broker-dealer, custodial, clearing and administrative services including but not limited to, account set-up, invoicing, trading services and preparation of periodic reports associated with the advisory services. Baystate Wealth is not affiliated with Fidelity.
- D. Baystate Wealth is affiliated through cross-ownership with Baystate Financial Services, LLC (“Baystate Financial Services”). David C. Porter is affiliated with Baystate Financial Services. While Baystate Financial Services has no ownership interest in Baystate Wealth, Mr. Porter is affiliated with both companies. Baystate Financial Services bills separately and is paid separately for the products and services (if any) it provides to Clients of Baystate Wealth. However, because some of the products and services offered to Clients of the Company may be part of an overall wealth management program developed by the Company, there is a potential conflict of interest in the recommendation of products and services offered by or through Baystate Financial.

Baystate Financial Services offers securities and investment advisory products through MMLIS. Baystate Financial Services offers insurance products through Massachusetts Mutual Life Insurance Company and/or affiliated or unaffiliated insurance companies (MML). MML is not affiliated with Baystate Wealth.

Baystate Wealth is also affiliated, through cross-ownership, with Catalyst Financial Partners LLC (“Catalyst Financial”). David C. Porter and Thomas N. O’Connor are co-owners of Catalyst Financial and co-owners of Baystate Wealth. Mr. O’Connor is registered as an investment advisor representative with both Baystate Wealth and Catalyst Partners. However, there are no referral fee or solicitor arrangements. Investment management services provided by Mr. O’Connor are billed separately by the respective investment advisor.

Catalyst Financial offers investment and wealth management services to individuals, pension and profit-sharing plans, charitable institutions, foundations, endowments, trusts, and other entities on a discretionary or non-discretionary basis.

- E. Thomas N. O’Connor is a founding partner of the law firm, O’Connor, Carnathan and Mack, LLC (“OCM”). Mr. O’Connor assumed an “Of Counsel” status with OCM as of December 31, 2013. Therefore, as of that date, he was no longer a member of OCM, although he is Of Counsel and thus remains affiliated with OCM. Other than Mr. O’Connor, there is no cross ownership or affiliation by and between OCM, on the one hand, and Baystate Wealth, on the other hand.

Certain of the Company's employees may be licensed to practice law. However, no such persons provide legal services to any of the Company's Clients, and no corresponding Attorney-Client relationship is established.

Please Note - Conflict of Interest: As indicated above, representatives of MMLIS and Baystate Wealth, in their separate and individual capacities, are registered/licensed to sell securities and insurance products on a commission basis. The recommendation by a representative that a Client purchase a securities commission product, or an insurance commission product, presents a conflict of interest, because the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular Client's needs, goals or objectives. No Client is under any obligation to purchase any commission products from a Baystate Wealth or MMLIS representative. Clients are reminded that they may purchase securities and insurance products recommended through other, non-affiliated broker-dealers and/or insurance agents. Please Also Note: Baystate Wealth and Catalyst Partners offer similar investment advisory services however charge separate and different fees. Mr. O'Connor is a registered investment advisor for both Baystate Wealth and Catalyst Partners. A client may pay more or less in fees for similar investment advisory services depending upon which investment advisor the client engages. This may create a conflict of interest as Mr. O'Connor may be incentivized for engaging clients with the registered investment adviser that will pay him a higher compensation for similar services. Nonetheless, Mr. O'Connor has a fiduciary duty to act in the best interest of his clients at all times.

ANY QUESTIONS: Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a Client or prospective Client may have regarding the above conflict of interest.

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

Baystate Wealth has adopted a Code of Ethics which sets forth guidelines for professional standards, under which all associated persons of Baystate Wealth are to conduct themselves. The full text of the Code of Ethics is available to any Client by contacting Thomas N. O'Connor at 617-585-4543.

Baystate Wealth has set high standards, the intention of which is to protect Client interests and to demonstrate Baystate Wealth's commitment to its fiduciary duties of honesty, good faith and fair dealing with Clients. The Code of Ethics includes provisions relating to the duties to the Clients, confidentiality of Client information, prohibited acts, conflicts of interest, and personal securities transactions, among other matters. All associated persons are expected to strictly adhere to these guidelines, as well as the procedures for approval and reporting established in the Code of Ethics. They must acknowledge the terms of the Code of Ethics annually, or as amended.

Baystate Wealth has instituted, as a deterrent, a policy of disciplinary actions to be taken with respect to any associated person who violates the Code of Ethics. The Company has a privacy policy

ensuring that personal information of Clients is not disclosed to third parties. However, certain personal information will be disclosed to MMLIS, to the IARs and to the Custodian as part of the Platform, but only as needed to conduct investment advisory services related to the services provided by Baystate Wealth to the Client.

In accordance with Section 204A of the Investment Advisers Act of 1940 and similar state laws, the Adviser also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Adviser or any person associated with the Adviser

### Potential Conflicts of Interest

Many actual and potential conflicts of interest are discussed above and are incorporated herein by reference.

In addition, it is likely that IARs will buy or sell securities for their own accounts that are being bought or sold for the accounts of Clients. This is particularly true if the IAR or a family member has accounts with Baystate Wealth. IARs (or family/household members) having Beneficial Ownership (or control) of a securities account, may not buy or sell a Security within one (1) day before or after executing a transaction in the same security in a Client's Program Account, unless the market capitalization of that Security is \$500 million or more.

In addition, an IAR having Beneficial Ownership (or control) of a securities account may not buy or sell the same security on the same day as a Client Program Account unless;

1. Block Trading is utilized where the Client Program Account(s) and the IAR account get the same price (may only be used in discretionary accounts); or
2. If not using Block Trading, the Client order is entered prior to the IAR's personal trade and the Client receives an equal or a better price.

Generally, Program Accounts are reviewed and monitored on a regular basis by the APMs. The Independent Managers also review their accounts on a regular and systematic basis. Program Accounts that are to a Model (i.e. invested in a Model Portfolio) are reviewed on a continuous basis as Model Portfolios are reviewed and analyzed by the APMs and the Investment Committee. Unique accounts (i.e. accounts that contain one or more securities not found in a Model Portfolio) are reviewed on an as need basis or as market conditions or tax considerations dictate. Specific account holdings are reviewed when changing market conditions warrant. Program Accounts that contain securities managed by an Independent Manager are reviewed by the Independent Manager and by the Investment Committee on a periodic basis.

The Compliance Department also reviews Program Accounts periodically, when circumstances warrant review.

The Custodian provides Clients with monthly statements of their Program Accounts. Quarterly performance reports are made available to Clients by Baystate Wealth. In addition, the

IAR and/or officers of the Company typically meet with the Client at least annually to review the accounts.

If a Client is introduced to Baystate Wealth by either an unaffiliated or an affiliated solicitor, Baystate Wealth may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the total investment management fee and shall not result in any additional charge to the Client. If the Client is introduced to Baystate Wealth by any unaffiliated solicitor, the solicitor at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship and shall provide each prospective Client with a copy of Baystate Wealth's written Disclosure Brochure and a copy of the written disclosure statement disclosing the terms of the solicitation arrangement between Baystate Wealth and the solicitor, including the compensation to be received by the solicitor from Baystate Wealth.

In addition, Baystate Wealth may on occasion act as a solicitation agent for other investment advisory firms. In those circumstances, Baystate Wealth will comply with Rule 206(4)-(3) of the Investment Advisers Act of 1940.

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Baystate Wealth's financial condition. Baystate Wealth has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.

ANY QUESTIONS: Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a Client or prospective Client may have regarding the above disclosures and arrangements.

## Item 12 – Brokerage Practices

*Recommended Brokerage:* In the event that the Client requests that Baystate Wealth recommend a broker-dealer/custodian for execution and/or custodial services, Baystate Wealth generally recommends that investment advisory accounts be maintained at Fidelity. Prior to engaging Baystate Wealth to provide investment management services, the Client will be required to enter into an Investment Advisory Agreement with Baystate Wealth setting forth the terms and conditions under which Baystate Wealth will advise on the Client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Baystate Wealth considers in recommending Fidelity (or any other broker-dealer/custodian to Clients) include: the historical relationship with Baystate Wealth; financial strength; reputation; execution capabilities; pricing; research; and service. Although the transaction fees paid by Baystate Wealth's Clients shall comply with Baystate Wealth's duty to obtain best execution, a non-wrap fee Client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where Baystate Wealth determines, in good

faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, transaction rates, and responsiveness. Accordingly, although Baystate Wealth will seek competitive rates, it may not necessarily obtain the lowest possible rates for Client Program Account transactions. Unless services are provided in conjunction with a wrap program, transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Baystate Wealth's investment advisory fee.

*Directed Brokerage.* Baystate Wealth generally does not accept directed brokerage arrangements (when a Client requires that account transactions be effected through a specific broker-dealer). In such Client-directed arrangements, the Client will negotiate terms and arrangements for their account with that broker-dealer, and Baystate Wealth will not seek better execution services or prices from other broker-dealers or be able to "batch" the Client's transactions for execution through other broker-dealers with orders for other accounts managed by Baystate Wealth. As a result, a Client 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.

Please Note: In the event that the Client directs Baystate Wealth to effect securities transactions for the Client's Program Accounts through a specific broker-dealer, the Client correspondingly acknowledges that such direction may cause the Accounts to incur higher commissions or transaction costs than the Program Accounts would otherwise incur had the Client determined to effect Program Account transactions through alternative clearing arrangements that may be available through Baystate Wealth. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

*Research and Benefits:* Although not a material consideration when determining whether to recommend that a Client utilize the services of a particular broker-dealer/custodian, Baystate Wealth can receive from Fidelity (or another broker-dealer/custodian, investment manager, platform sponsor, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Baystate Wealth to better monitor and service Client Program Accounts maintained at such institutions. Included within the support services that can be obtained by Baystate Wealth can be investment-related research, pricing information and market data, software and other technologies that provide access to Client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including Client events, computer hardware and/or software and/or other products used by Baystate Wealth in furtherance of its investment advisory business operations.

Baystate Wealth's Clients do not pay more for investment transactions effected and/or assets maintained at Fidelity as a result of this arrangement. There is no corresponding commitment made by Baystate Wealth to Fidelity, or any other any entity, to invest any specific amount or percentage

of Client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

*Order Aggregation.* Transactions for each Client Account generally will be effected independently, unless Baystate Wealth decides to purchase or sell the same securities for several Clients at approximately the same time. Baystate Wealth may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Baystate Wealth’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 be averaged as to price and will be allocated among Clients in proportion to the purchase and sale orders placed for each Client account on any given day. Baystate Wealth shall not receive any additional compensation or remuneration as a result of such aggregation.

ANY QUESTIONS: Baystate Wealth’s Chief Compliance Officer, Thomas N. O’Connor, remains available to address any questions that a Client or prospective Client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.

## Item 13 – Review of Program Accounts

Generally, Program Accounts are reviewed and monitored on a regular basis by Baystate Wealth and by the Independent Managers. Program Accounts that are subject to a Model (*i.e.* invested in a Model Portfolio) are reviewed on a continuous basis as Model portfolios are reviewed and analyzed by the APMs and the Investment Committee. Unique Program Accounts (*i.e.* accounts that contain one or more securities not found in a Model portfolio) are reviewed on an as need basis or as market conditions or tax considerations dictate. Program Accounts that contain securities managed by an Independent Manager are reviewed by the Independent Manager and by the Investment Committee on a periodic basis.

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

The Custodian provides Clients with monthly statements of their Program Accounts. Quarterly performance reports are made available to Clients by Baystate Wealth. In addition, the IAR and/or officers of the Company typically meet with the Client at least annually to review the accounts.

## Item 14 – Client Referrals and Other Compensation

As indicated in Item 12 above, Baystate Wealth can receive from Fidelity without cost (and/or at a discount), support services and/or products. Baystate Wealth’s Clients do not pay more for investment transactions effected and/or assets maintained at Fidelity (or any other institution) as result of this arrangement. There is no corresponding commitment made by Baystate Wealth to



Fidelity, or to any other entity, to invest any specific amount or percentage of Client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

ANY QUESTIONS: Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a Client or prospective Client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.

If a Client is introduced to Baystate Wealth by either an unaffiliated or an affiliated solicitor, Baystate Wealth may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the total investment management fee and shall not result in any additional charge to the Client. If the Client is introduced to Baystate Wealth by any unaffiliated solicitor, the solicitor at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship and shall provide each prospective Client with a copy of Baystate Wealth's written Disclosure Brochure and a copy of the written disclosure statement disclosing the terms of the solicitation arrangement between Baystate Wealth and the solicitor, including the compensation to be received by the solicitor from Baystate Wealth.

In addition, Baystate Wealth may on occasion act as a solicitation agent for other investment advisory firms. In those circumstances, Baystate Wealth will comply with Rule 206(4)-(3) of the Investment Advisers Act of 1940.

## Item 15 – Custody

Clients will receive written transaction confirmation notices and quarterly statements from the Custodian that holds and maintains the Client's Account. Baystate Wealth urges all Clients to carefully review such statements and compare such official custodial records to the Account statements that Baystate Wealth may provide to Clients. Baystate Wealth's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of the Adviser's advisory fee calculations.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Baystate Wealth to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination. **ANY QUESTIONS: Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## Item 16 – Investment Discretion

Baystate Wealth usually receives discretionary authority from the Client at the outset of the advisory relationship to select the identity and the amount of securities to be bought or sold in Program Accounts. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment goals and objectives for the particular Client Program Account.

When selecting securities and determining amounts, Baystate Wealth observes the investment policies, limitations and restrictions of the Clients for which it advises. For registered investment companies, Baystate Wealth's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions imposed by the Client (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Adviser's use of margin, etc.), must be provided to Baystate Wealth in writing by the Client in the IPS and must be approved by Baystate Wealth.

## Item 17 – Voting Client Securities

As a matter of firm policy and practice, Baystate Wealth does not have any authority to and does not vote proxies on behalf of Clients. Instead, Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Adviser to discuss any questions they may have with a particular solicitation.

## Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Baystate Wealth's financial condition. Baystate Wealth has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding. Additionally, Baystate Wealth does not require fees of more than \$1,200, per client, six months or more in advance.

ANY QUESTIONS: Baystate Wealth's Chief Compliance Officer, Thomas N. O'Connor remains available to address any questions regarding this Part 2A.