

Baystate Wealth Management, LLC.

One Marina Park Drive, 16<sup>th</sup> Floor,

Boston, MA 02110

617-982-5200

[www.BaystateWealth.com](http://www.BaystateWealth.com)

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## Wrap Fee Program Brochure

This wrap fee program 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 brochure, please contact us at 617-982-5200. 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 Baystate Wealth also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Since its last Other Than Annual Amendment filing on June 15, 2022, the following material changes have been made:

- Baystate Wealth has changed the address of its home office.

Although not material, Baystate Wealth has made disclosure changes, enhancements and additions at Items 4 and 9.

Our current Brochure may be requested by contacting Thomas N. O'Connor at: 617-585-4543; or by email at: [toconnor@baystatewealth.com](mailto:toconnor@baystatewealth.com). Our current 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.adviserinfo.sec.gov](http://www.adviserinfo.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 – Services, Fees and Compensation

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

Baystate Wealth has entered into a co-advisory agreement with MML Investors Services, LLC (“MMLIS”) pursuant to which the two companies act as co-advisors to Clients who open investment advisory accounts at Baystate Wealth (“Accounts”). 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 the asset allocation strategies. Baystate Wealth is responsible for managing the Client’s assets consistent with Investment Policy Statement (“IPS”) signed by the Client. Baystate Wealth’s Form ADV 2A Brochure and this Wrap Fee Program Brochure describe Baystate Wealth’s duties and responsibilities. For a description of MMLIS’ duties and responsibilities, please see MMLIS’ Form ADV 2A Brochure.

Baystate Wealth provides fee-based discretionary and non-discretionary investment supervisory services and portfolio management primarily for high net worth individuals, closely-held and family businesses, corporations, trusts and foundations and athletes involved in professional and amateur athletics (the “Program”).

The Company’s typical Clients are individuals, high net worth individuals, or owner of a family or closely-held and family businesses.

*Please Note: Non-Discretionary Service Limitations.* Clients who engage Baystate Wealth on a non-discretionary investment advisory basis must agree that Baystate Wealth cannot affect any Account transactions without obtaining prior verbal consent from the Client. Thus, in the event of a market correction (up or down) during which the Client is unavailable, Baystate Wealth will be unable to effect any Account transactions (as it would for its discretionary Clients) without first obtaining the Client’s verbal consent.

Baystate Wealth Program offers flexibility in choosing the kinds of securities to be held in the Client’s Account(s). Eligible securities include, without limitation:

There are certain securities that are “ineligible” for the Program. Those securities will not be purchased for Clients’ Accounts. To the extent a Client transfers an Account or portfolio in kind, and the incoming portfolio or Account contains ineligible securities, the ineligible securities will either be refused for transfer or sold once the portfolio or Account is in the Program.

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 management or employees 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. 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 Investment Committee of the Company will meet typically twice a month or as dictated by market conditions, to discuss investment options for Client Accounts.

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

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

### **Individually Managed Accounts**

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

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. 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 or Account will achieve a particular result or that any Account will result in a profit. Past performance is no guaranty of future results.

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

Portfolios 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.

Client assets are custodied at Fidelity Institutional Wealth Services (“the Custodian”) and are maintained in Baystate Wealth Program (hereinafter the accounts are referred to as “the 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 to the CRIA Transition form required by MMLIS. Further information concerning the relationship between the Company, MMLIS and Fidelity is set forth in Baystate Wealth’s ADV 2A Brochure at Item 10.

### **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 Wrap Fee Program or charged separately on a fully disclosed basis.

**Sub-Advisory Arrangements.** Baystate Wealth has entered into a sub-advisory arrangement with Auour Investments LLC (SEC#: 801-80544) ("Auour Investments"), an SEC registered investment adviser, pursuant to which Baystate Wealth offers its Clients a tactical asset allocation strategy that is sub-advised by Auour Investments. Auour Investments has discretionary authority for the day-to-day management of the assets that are allocated to it by Baystate Wealth. Auour Investments shall continue in such capacity until such arrangement is terminated or modified by Baystate Wealth or the Client. Baystate Wealth shall pay a portion of the investment advisory fee received for these allocated assets to Auour Investments for its sub-advisory services.

Baystate Wealth also provides 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 Program fee charged by Baystate Wealth for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. The terms and conditions of a wrap program engagement are more fully discussed in this Wrap Fee Program Brochure.

**Trade Error Policy.** Baystate Wealth shall reimburse accounts for losses resulting from Baystate Wealth's trade errors but shall not credit accounts for such errors resulting in market gains.

**Borrowing Against Assets/Risks.** A Client who has a need to borrow money could determine to do so by using:

- **Margin-**The account custodian or broker-dealer lends money to the Client. The custodian charges the Client interest for the right to borrow money, and uses the assets in the Client's brokerage account as collateral; or

- **Pledged Assets Loan**- In consideration for a lender (i.e., a bank, etc.) to make a loan to the Client, the Client pledges its investment assets held at the account custodian as collateral.

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the Client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the Client's investment assets in the event of a loan default or if the assets fall below a certain level. For this reason, Baystate Wealth does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Baystate Wealth does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). Regardless, if the Client were to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Baystate Wealth:

- by taking the loan rather than liquidating assets in the Client's account, Baystate Wealth continues to earn a fee on such Account assets;
- if the Client invests any portion of the loan proceeds in an account to be managed by Baystate Wealth, Baystate Wealth will receive an advisory fee on the invested amount; and,
- if Baystate Wealth's advisory fee is based upon the higher margined account value (*see* margin disclosure at Item 5 below), Baystate Wealth will earn a correspondingly higher advisory fee. This could provide Baystate Wealth with a disincentive to encourage the Client to discontinue the use of margin.

**Please Note:** The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loans.

**Socially Responsible Investing Limitations.** *Socially Responsible Investing* involves the incorporation of **Environmental, Social and Governance** considerations into the investment due diligence process ("ESG"). There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by



Baystate Wealth), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful.

### **Program Fees and Billing**

There is no significant difference between how the Baystate Wealth manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a Client determines to engage Baystate Wealth on a wrap fee basis the Client will pay a single fee for bundled services (i.e., investment advisory, brokerage, custody) (*See* Form ADV 2A at m 4.B). The services included in a wrap fee agreement will depend upon each Client's particular needs. If the Client determines to engage Baystate Wealth on a non-wrap fee basis the Client will select individual services on an unbundled basis, paying for each service separately (i.e., investment advisory, brokerage, custody). **Please Note:** When managing a Client's account on a wrap fee basis, Baystate Wealth shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.

### **Wrap Fee Program-Conflict of Interest**

Because wrap program transaction fees and/or commissions are being paid to the Account custodian/broker-dealer, Baystate Wealth or the IAR could have an economic incentive to maximize compensation by seeking to minimize the number of trades in the Client's Account. **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.**

The minimum account size for Baystate Wealth is \$250,000. Baystate Wealth's President, at his sole discretion, may accept a lower minimum. 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. **Please Note:** The grid rate does not impact what the Client pays; it only affects 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 fee to MMLIS for operational compliance, marketing and sales support equal to 4 basis points. The total management fee is determined by the IAR (within a fee range not to exceed 164 basis points or 1.64%). 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. The agreed upon fee is set forth in the Engagement Letter.

The first payment for the Program Fee is prorated to cover the period from the date the 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 to the Engagement Letter. Thereafter, the quarterly Program 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 account. Therefore, the Client should maintain a suitable percentage of the portfolio in cash to pay for fees and charges under the Program. If the Account does not have enough cash to pay for the advisory and/or brokerage fees and charges, the Company instructs the Custodian to sell any 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.

#### Advisory Fee Plus compared to Advisory Fee One

Clients can choose one of two billing arrangements; called "Advisory Fee Plus" and "Advisory Fee One." The difference is whether the transaction and other costs are paid for directly by the Client or included in the overall fee charged to the Account (which is considered a "wrap fee" program).

Under Advisory Fee Plus, the Client pays the transactional costs directly to the Custodian, which are deducted and paid from the Program Account. The IAR and Baystate Wealth are not paid, and neither receives, any compensation or payment from such transactional and other brokerage costs and fees.

Under Advisory Fee One (the wrap fee), the IAR and/or Baystate Wealth will pay the transactional costs from the Advisory Fee One fee paid by the Client. In the event the Client elects Advisory Fee One, the Client will only pay one total fee to Baystate Wealth and the Client will not have to pay the transactional costs charged by the Custodian.

Since this Brochure addresses only the Wrap Fee Program, only Advisory Fee One is discussed below. For more information on the different billing arrangements, please see Baystate Wealth's ADV 2A Brochure at Item 5.

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

A number of factors have a bearing on the issue of whether the Advisory Fee One fee 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 (an Advisory Fee Plus fee). 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). 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.

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 Accounts falling below a minimum amount or 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.

Baystate Wealth makes no representation that the Advisory Fee One or the Advisory Fee Plus fee paid by the Client is the same as or lower than that charged to another Clients who invest in Baystate Wealth Program, or that the Advisory Fee One or the Advisory Fee Plus fee is 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 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.

**Please Note:** Fee Differentials. As noted above, the total fee charged to Clients is based upon various objective and subjective factors. Thus, Baystate Wealth's Clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall services provided to the Clients, etc. As a result, similarly situated Clients could pay disparate fees, and similar services may be available from other advisers at lesser fees. All Clients and prospective Clients should be guided accordingly.

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.

### **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. 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 does not use 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 arrangement. **MML, as part of its initial and ongoing review obligation of the Client's assets, will determine with the Client, which fee arrangement is best for the Client.** As indicated above, Baystate Wealth's investment management fee remains the same regardless of whether the Client engages Baystate Wealth 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.

**Margin Accounts: Risks/Conflict of Interest.** Baystate Wealth **does not** recommend the use of margin for investment purposes. A *margin account* is a brokerage *account* that allows investors to borrow money to buy securities and/or for other non-investment borrowing purposes. The broker/custodian charges the investor interest for the right to borrow money and uses the securities as collateral. By using borrowed funds, the Client is employing leverage that will magnify both account gains and losses. Should a Client determine to use margin, Baystate Wealth will include the entire market value of the margined assets when computing its advisory fee. Accordingly, Baystate Wealth's fee shall be based upon a higher margined account value, resulting in Baystate Wealth earning a correspondingly higher advisory fee. As a result, the potential of conflict of interest arises since Baystate Wealth may have an economic disincentive to recommend that the Client terminate the use of margin. **Please Note:** The use of margin can cause significant adverse financial consequences in the event of a market correction.

**Please Note:** 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 O'Connor, remains available to address any questions that a Client has regarding advisory fees and related issues as discussed above.

## **Item 5 – Account Requirements and Types of Clients**

Baystate Wealth provides fee-based discretionary and non-discretionary investment supervisory services and portfolio management primarily to high net worth individuals, ultra-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 (determined by household). Baystate Wealth's President, at his sole discretion, may accept a lower minimum.

The total fee charged to Clients is based upon various objective and subjective factors. Thus, Baystate Wealth's Clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall services provided to the Clients, 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.). **Please Note:** As result of the above, similarly situated Clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **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 advisory fees.

#### **Item 6 – Portfolio Manager Selection and Evaluation**

It is the policy of the Company to permit only APMs to manage portfolios on behalf of Clients. APMs must have sufficient education, background and experience to manage assets for others, which includes an MBA education, a CFA® or CIMA® designation, at least 2 years of asset management experience, or some combination of the above, as well as participation in continuing education.

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

The Client may agree to have a particular APM manage the Client's assets. Alternatively, the IAR may recommend a particular APM to the Client. In the event the Client does not choose an APM, the President of Baystate Wealth will appoint an APM for the Client's Accounts. The factors that are considered by the President for such an appointment include: the experience and educational background of the APM, the likelihood that the personality of the APM will fit well with the Client, the investment profile and risk profile of the Client, and any other factor deemed by the President to be appropriate to consider in attempting to match an APM with the Client. The Client must agree to the APM and the Client has the right to request the removal of one APM and the appointment of another APM. APMs are reviewed continuously and are formally reviewed on an annual basis. APMs are subject to Baystate Wealth's Code of Ethics and disciplinary actions by the Investment Committee and by the Compliance Committee. APMs are permitted to manage Client assets at the discretion of the Investment Committee. If, in the opinion of the



Investment Committee, an APM is no longer qualified to manage Client assets, that APM's designation as an APM and his or her privilege to manage Client assets will be revoked or suspended by the Investment Committee. Circumstances warranting consideration of suspension or termination include, without limitation, the health of the APM, adherence to the policies and procedures of Baystate Wealth and the Investment Committee, performance of the portfolios under the management of the APM, and compliance with the Clients' IPS. The portfolios managed by a terminated or suspended APM will be reassigned to another APM until a suitable replacement is found.

Portfolio Manager's performance is judged by the return of Model Portfolios adjusted by risks taken. Since each Client portfolio is individually managed according to the IPS and Client-imposed restrictions (if any), and may differ from the Model Portfolios, performance information may not be calculated on a uniform and consistent basis.

Black Diamond Performance Reporting, a third-party vendor, is used to produce performance reports for individual Client portfolios to ensure accuracy and compliance with presentation standards.

#### **Item 7 – Client Information Provided to Portfolio Managers**

As discussed previously, all information disclosed through the IPS and the IAAA is shared with and communicated to the APM. This includes the name, address, telephone number and other personal information; all financial information pertaining to the Client as disclosed in the IPS; tax information such as tax brackets and past and futures taxes to be paid; employment history; financial goals and objectives; experience with investments; and risk profile. To the extent a Client wants to change or update any information on the IPS or the Client profile, Baystate Wealth has a policy that such amendments, changes or updates must be in writing and signed by the Client. Accordingly, the APM should be updated on all pertinent Client information at all times.

#### **Item 8 – Client Contact with Portfolio Managers**

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

#### **Item 9 – Additional Information**

##### ADV Part 2A, Item 9 and Item 10

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 any the Company or its management. Thus, Baystate Wealth Management, LLC has no information applicable to this Item.

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 Baystate Wealth Program to Clients do so independent of MMLIS, even though they are registered with MMLIS.

MMLIS is a registered broker-dealer and member firm of FINRA and SIPC, and an SEC registered investment adviser. MMLIS makes Baystate Wealth Program available to its IARs and to Clients of the IARs through the Platform.

Fidelity acts as the Custodian for assets held in 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. Fidelity and Baystate Wealth, and Baystate Wealth and MMLIS, are not affiliated with one another.

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 Baystate Wealth may be part of an overall wealth management program developed by the Baystate Financial Services, there is a potential conflict of interest in the recommendation of products and services offered by or through Baystate Financial Services.

Baystate Wealth is also affiliated, through cross-ownership, with Catalyst Financial Partners LLC ("Catalyst Financial"). The owners of Catalyst Financial are also 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 fees or solicitor arrangements between the two companies. Catalyst Financial pays a fee to Baystate Wealth for operations and logistic support and access to Baystate Wealth's intellectual property and know-how.

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.

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 unaffiliated with Baystate Wealth.

Thomas. 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 is 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: 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 investment advisor representative 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.

ADV Part 2A, Item 11, 13, 14 and 18

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 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. A copy of the Privacy Policy is available on request and will be sent to the Client on a yearly basis.

Neither Baystate Wealth nor any related person of Baystate Wealth recommends, buys, or sells for Client accounts, securities in which Baystate Wealth or any related person of Baystate Wealth has a material financial interest.

Baystate Wealth and/or representatives of Baystate Wealth *may* buy or sell securities that are also recommended to Clients. This practice may create a situation where Baystate Wealth and/or representatives of Baystate Wealth are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Baystate Wealth did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Baystate Wealth’s Clients) and other potentially abusive practices.

#### Potential Conflicts of Interest

Because Program transaction fees are to be paid by Baystate Wealth and/or the IARs under the Advisory Fee One program, Baystate Wealth could have an economic incentive to minimize the number of trades in the Client’s account. This potential conflict of interest is discussed at length above. Baystate Wealth’s Chief Compliance Officer, Thomas O’Connor, remains available to address any questions that a Client or prospective Client may have regarding the corresponding conflict of interest a particular fee arrangement may create.

**Please Note:** The Client’s total wrap fee is a combination of both Baystate Wealth’s investment management fee and the IAR’s service/advisory fee. 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. Baystate Wealth receives any residual fee not paid to the IAR, after payment of transaction costs to the account custodian. Accordingly, Baystate Wealth has a conflict of interest because Baystate Wealth could have an economic incentive to maximize its compensation by seeking to minimize the number of transaction/total costs in a Client’s account.

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, Accounts are reviewed and monitored on a regular basis by the APMs. 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, the Research Department and, on occasion as circumstances warrant, 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. Program Accounts that contain securities managed by an Independent Manager are reviewed by the Independent Manager and by the Research Department on a periodic basis and discussed at the Investment Committee.

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

The Custodian provides Clients with monthly statements of their 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.

As indicated at Item 12 of the ADV 2A Brochure, 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 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.

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 O'Connor, remains available to address any questions that a Client or prospective Client may have regarding the above disclosures and arrangements.