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*A Registered Investment Advisor*

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# Disclosure Brochure

March 8 2019

This brochure provides information about the qualifications and business practices of Modera Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact Modera Wealth Management, LLC at (352) 746-4460. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Modera Wealth Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Modera Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This section of the brochure discusses only the material changes that have occurred since the last annual update filed by Modera Wealth Management, LLC (“Modera”) on March 28, 2018.

Item 4. Updated the current ownership of Modera, Inc from eleven to ten.

Item 5. Fees and Compensation Modera has revised the annual fees it charges for retirement plan consulting/management services. Its annual fee for consulting services as advisor to a plan under ERISA Section 3(21) will range from 0.12% to 0.40%. Modera has revised that where it also acts as investment manager to the plan pursuant to ERISA Section 3(38), it will charge an annual management fee ranging from 0.08% to 0.27% of assets under management.

Item 8. Disclosed the limitations on investment in Dimensional Fund Advisor mutual funds outside of a relationship with a registered investment adviser.

Item 12. Brokerage Practices, Modera deleted the reference to the acquisition at a discounted rate of the automatic portfolio rebalancing services of iRebal from TD Ameritrade. Modera no longer uses iRebal for automatic portfolio rebalancing services.

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## Item 4. Advisory Business

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

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

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

In January 2017, Moderata merged with Southern Wealth Management, Inc., d/b/a Cambridge Wealth Counsel ("Cambridge Wealth Counsel"), of Atlanta, Georgia. Cambridge Wealth Counsel began business as a registered investment adviser in 1999. After the merger Cambridge Wealth Counsel ceased providing investment advisory services and now renders all such services through Moderata. Effective July 1, 2018, Moderata purchased certain assets of Matrix Wealth Advisors, Inc. of Charlotte, North Carolina, and members of its staff joined Moderata.

Moderata Capital, Inc. is the current owner of Moderata, and Moderata Capital, Inc. in turn is owned by John Ceparano, Karl Graf, Robert Hockett, Barry Kaplan, Adam Leone, Thomas Orecchio, George Padula, Robert Siefert, Kevin Sweeney and Mark Willoughby. Moderata maintains offices in Boston, Massachusetts, Westwood, New Jersey, Atlanta, Georgia, Inverness, Florida and Charlotte, North Carolina.

As of December 31, 2018, Moderata had approximately \$2,391,444,456 in regulatory assets under management. Of these assets, Moderata managed approximately \$2,377,507,353 on a discretionary basis and \$13,937,103 on a non-discretionary basis.

Prior to engaging Moderata to provide wealth management, portfolio management, investment consulting/investment monitoring, retirement plan consulting/management or financial planning and consulting services, a client will be required to enter into one or more written agreements with Moderata

setting forth the terms and conditions under which Modera will render its services (collectively, the “Agreement”).

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

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Modera primarily offers two ongoing forms of asset management services: wealth management and portfolio management. A client may engage Modera to provide a broad range of financial planning and consulting services along with management of all or a portion of a client’s assets on a discretionary or non-discretionary basis (“wealth management”). Depending on the engagement, such wealth management services also can include business coaching and/or real estate coaching services, and Modera provides tax preparation services for certain existing clients. Modera also offers its clients discretionary or non-discretionary management of investment portfolios (“portfolio management”). Modera’s portfolio management services do not include financial planning services. As discussed below, a portfolio management client can engage Modera for financial planning under a separate engagement (for which Modera may receive additional compensation).

Modera intends to allocate each client’s investment management assets on a discretionary or non-discretionary basis primarily among mutual funds, exchange traded funds and individual debt securities and to a lesser extent among Independent Managers (as defined below) in accordance with the client’s investment objectives and risk tolerance. Modera may provide advice about any type of investment held in a client’s portfolio.

In addition, Modera may recommend that clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, invest in investments offered in a private offering (“private placement investments”), which may include, among other things, debt securities, equity securities and/or securities of pooled investment vehicles, when consistent with the client’s investment objectives and risk tolerance and at the client’s discretion. Certain of these private placement investments may be limited to clients who are “qualified purchasers” under Section 2(a)(51) of the Investment Company Act.

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

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

## **Investment Consulting/Investing Monitoring Services**

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For certain legacy clients Modera also provides investment consulting/investment monitoring services, which include consulting on or monitoring of the clients' outside investments. Modera does not provide wealth management or portfolio management services with respect to such outside investments as it does not have discretionary or non-discretionary authority over such outside investments.

## **Retirement Plan Consulting/Management Services**

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Modera provides various consulting and management services to qualified employee benefit plans and their fiduciaries. In providing services to retirement plans, Modera can be engaged to act as an advisor to the plan pursuant to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Section 3(21). Where Modera is engaged to act as an advisor under Section 3(21), a client also can engage Modera to serve as the investment manager to the plan under ERISA Section 3(38). These institutional services are designed to assist plan sponsors in structuring and managing their corporate retirement plans. Each engagement is individually negotiated and customized.

For retirement plans for which Modera acts as an advisor under ERISA Section 3(21), Modera's services will include any or all of the following:

- Plan design and strategy
- Recommend plan investment menu
- Monitor plan investment menu and recommend suggestions for replacement as appropriate
- Assist in drafting and/or reviewing an investment policy statement prepared by your Section 3(38) investment manager
- Plan fee and cost analysis
- Plan committee consultation
- Employee education
- Fiduciary consulting

For plans for which Modera also acts as the investment manager under ERISA Section 3(38), Modera's services will include any or all of the following:

- Draft investment policy statement
- Fiduciary relief under ERISA Section 405(d)(1) for the plan in investment menu selection, management and monitoring
- Make changes to the investment menu selection, as appropriate
- Delivery of qualified default investment alternatives (QDIAs)
- Quarterly monitoring and ongoing due diligence of investments with an annual benchmarking review
- Audit support for investment-related decisions

Modera also provides certain retirement plan consulting services to plan participants.

In addition, Modera, where appropriate and in a client's best interest, provides retirement plan consulting services through a turn-key asset management program. Modera provides such services using BAM Advisor Services, LLC's ("BAM") Advisor Access™ 401(k) service, which includes access to model investment portfolios and administrative and marketing support services.

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

## **Financial Planning and Consulting Services**

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

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

## **Use of Independent Managers**

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

Modera will continue to render services to the client relative to the discretionary selection and retention of Independent Manager(s) as well as monitoring and reviewing account performance and client investment objectives, for which Modera will receive an annual management fee based upon a percentage of the market

value of the assets being managed by the designated Independent Manager(s) in accordance with the applicable fee schedule in Item 5 below.

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

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

## **Management of Collective Investment Vehicle**

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

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

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

Modera will devote its best efforts with respect to its management of both MAI and its wealth management and portfolio management client accounts. Relative to the objectives, suitability, risk factors and qualifications for participation in MAI, Modera can give advice or take action with respect to MAI that differs from that which it gives for wealth management or portfolio management client accounts that are not invested in MAI.

## Item 5. Fees and Compensation

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

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

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

The annual management fee charged by Modera varies depending upon the market value of the assets under management and the type of services to be rendered. The annual fee generally ranges from 0.15% – 1.00% of the assets under management for wealth management services and from 0.10% – 0.80% of the assets under management for portfolio management services. Notwithstanding the foregoing percentages, for new clients Modera generally charges a minimum quarterly fee of \$5,000 per quarter for wealth management services and \$4,000 per quarter for portfolio management services. While Modera does not have any minimum account size, these minimum quarterly fees can cause clients to pay fees that exceed those in the percentage ranges above, particularly for those with smaller account values. Additionally, with respect to clients who had an arrangement with an advisory firm that merged with or was acquired by Modera, Modera can maintain the client's existing fee structure, which may fall outside the ranges of fees above.

Clients who receive wealth management services also can elect to receive business coaching and/or real estate coaching services. Modera will charge a separate fixed fee for business coaching and/or real estate coaching services for an annual fee generally ranging from \$2,500 to \$25,000 (assessed quarterly in advance). The annual fee for such business coaching and/or real estate coaching services shall be charged in addition to the fee for wealth management services.

Moderata, in its sole discretion, can negotiate to waive or charge a greater or lesser annual management fee, minimum quarterly fee and/or business coaching and/or real estate coaching fee based upon certain criteria (e.g., anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, *pro bono* activities, complexity of the relationship, assets held away or the client's planning needs). For those clients to whom Modera provides wealth management services, an ongoing financial planning fee is included as part of Modera's overall annual management fee described above. Modera, however, can charge an additional initial fixed fee for financial planning services. In certain circumstances involving clients who are members of the same family, Modera, in its discretion, can aggregate their accounts for

billing purposes to permit those clients to meet fee break points or waive minimum quarterly fees based on the aggregated assets.

Modera permits its employees to choose to invest their assets with it for a substantially reduced or nominal annual management fee.

Modera's annual management fee is in addition to, brokerage commissions, transaction fees and other related costs and expenses that the client may incur, including those listed on pages 13 and 14 under the heading "Fees Charged by Third-Party Financial Institutions." Modera will not receive any portion of those commissions, fees and costs. Modera's annual management fee will be prorated and charged quarterly in advance and, except for assets invested in MAI and other private placement investments, is based upon the market value of the assets Modera is managing on the last day of the previous quarter.

For assets invested in MAI, Modera does not receive any direct compensation from MAI in the form of management or incentive fees. The value of MAI interests held by investors in it who also are clients of Modera, however, will be included in the client's assets under management for purposes of calculating Modera's annual management fee charged to such clients. The annual management fee for assets invested in MAI is calculated based on Terrapin's estimate of the asset values held in MAI as of the most recent quarter end. MAI investors bear all expenses in connection with the operation and management of MAI which include, among other things, the sub-advisory fee paid to Terrapin and the management fees and incentive fees paid to managers of pooled investment vehicles in which MAI invests its funds. With MAI in wind-down mode, Modera, effective for billing beginning with the second quarter of 2018, is waiving its annual management fee charged on the value of MAI interests its clients hold.

For assets invested in other private placement investments, Modera does not receive any direct compensation from such private placement investments in the form of management or incentive fees. The value of interests in such private placement investments held by investors who are clients of Modera, however, will be included in the client's assets under management for purposes of calculating Modera's annual management fee charged to such clients. The annual management fee for assets invested in such private placement investments is typically calculated based on the reported or estimated net asset value of such private placement investments securities as of the most recent quarter end. Investors in such private placement investments also bear expenses in connection with the operation and management of such private placement investments as described in each private placement investment's offering documents.

## **Investment Consulting/Investment Monitoring Services Fees**

In the event a client engages Modera to provide investment consulting or investment monitoring services, Modera will do so on a fee basis. Modera will charge an annual fee as a fixed fee. These fixed fees can range from \$7,000 to \$50,000 per year and are charged quarterly in advance. Such annual fixed fees also may cover financial planning services. Prior to engaging Modera to provide investment consulting/investment monitoring services, the client will be required to enter into a written Agreement

with Modera setting forth the terms and conditions of the engagement and describing the scope of the services to be provided.

## **Retirement Plan Consulting/Management Fees**

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In the event a client engages Modera to provide retirement plan consulting or consulting and management services, Modera will do so on a fee basis. Modera will charge an annual fee based upon a percentage of the market value of the assets which Modera manages or on which it consults. The annual fee varies, depending upon the market value of the assets on which Modera provides services and the type of services to be rendered. Typically, Modera provides retirement plan services to plans having \$1 million or more in plan assets.

Where Modera is engaged to act as an advisor to the plan under ERISA Section 3(21), its annual consulting fee ranges from 0.12% – 0.40% of the market value of the assets on which Modera is consulting.

Where Modera is engaged to provide services to a plan act under ERISA Section 3(21) and also is engaged to act as investment manager to the plan under ERISA Section 3(38), Modera charges an annual management fee for its services under Section 3(38) generally ranging from 0.08% to 0.27% of the assets under management. Where Modera is providing services as an investment manager under ERISA Section 3(38) along with acting as advisor to the plan under ERISA Section 3(21), this annual management fee is in addition to the annual fee described in the paragraph immediately above.

Notwithstanding the foregoing, Modera charges a minimum quarterly fee of \$1,375 for retirement plan services. The minimum quarterly fee can cause clients to pay fees that exceed those in the percentage ranges above.

With respect to clients who had an arrangement with an advisory firm that merged with or was acquired by Modera, Modera can maintain the client's existing fee structure, which may fall outside the percentage ranges of fees above. Modera, in its sole discretion, can negotiate to charge greater or lesser annual consulting fee, annual management fee or a minimum quarterly fee based upon certain criteria (*e.g.*, anticipated future additional assets, dollar amount of assets which Modera will manage or on which it will consult, related accounts, account composition, pre-existing client relationship, account retention, complexity of the relationship, plan type).

Modera's annual consulting fee and annual management fee are exclusive of, and in addition to, brokerage commissions, transaction fees, record-keeper fees, custodian fees, third-party administrator fees, investment manager fees under ERISA Section 3(38) where Modera is not engaged to act in that role, fund management fees and other fund expenses and other related costs and expenses that the client may incur. Modera will not receive any portion of these commissions, fees and costs. For retirement plan consulting/management clients who pay a fee based upon a percentage of the market value of the assets which Modera manages or on which it consults, Modera's annual consulting fee and annual management fee will be prorated and charged quarterly either in advance or in arrears depending on the arrangement

with the client and is based upon the market value of the assets on which Modera is consulting or managing on the last day of the previous quarter.

Modera has a contract with BAM for its Advisor Access™ 401(k) services. The retirement plan pays Modera a fee which includes BAM's fee. BAM bills the retirement plan for the Advisor Access™ fees quarterly in arrears based on the market value of the assets managed by the Advisor Access™ program on the last day of the previous quarter. BAM retains a portion of the fee and transfers the remainder to Modera. The annual management fees Modera charges (and which include BAM's fees) range from 0.40% - 1.00%.

## **Financial Planning and Consulting Fees**

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

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

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

As discussed further in response to Item 12 below, Modera recommends that wealth management and portfolio management clients utilize the brokerage and clearing services of Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab"), TD Ameritrade Clearing, Inc., a division of TD AMERITRADE, Inc. ("TD Ameritrade"), Fidelity Investments Institutional Services Company, Inc. ("Fidelity") or National Advisors Trust Company, FSB ("National Advisors Trust"), or the client in writing can direct the use of any other trust company, bank or broker-dealer (collectively, "Financial Institution(s)"). As discussed further in Item 12 below, if a client directs the use of another Financial Institution, Modera will not be responsible for negotiating the terms, including pricing, of that directed brokerage arrangement. Modera can only implement securities transactions after the client has arranged

for and furnished Modera with all information and required authorizations regarding accounts with the appropriate Financial Institution(s).

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

Except for certain clients who choose to be invoiced and pay their annual management fee by check or in some other fashion, Modera's Agreement and/or the separate agreement with the Financial Institution(s) generally authorizes Modera through the Financial Institution(s) to debit a wealth management or portfolio management client's account for the amount of Modera's annual management fee and to remit that fee directly to Modera in accordance with applicable custody rules. The Financial Institution(s) used in conjunction with Modera's services have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of annual management fees paid directly to Modera. It is the client's responsibility to verify the accuracy of the fee calculation. The Financial Institution(s) will not determine whether the annual management fee is properly calculated.

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

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

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

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

Subject to restrictions imposed on contributions and withdrawals applicable to certain investments, including MAI and private placement investments, wealth management and portfolio management clients can make additions to and withdrawals from their accounts at any time, subject to the availability of cash and to the settlement of liquidated securities. Clients can withdraw account assets subject to the usual and

customary securities settlement procedures. Modera designs its portfolios as long-term investments, however, and the withdrawal of assets can impair the achievement of the client's investment objectives. As to assets invested in private placement investments, clients can make additions to and withdrawals from private placement investments in accordance with the terms of the agreements with the managers of the private placement investments. There are no additions to or withdrawals from allowed with respect to MAI, which is in the process of winding down its operations.

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

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

## **Item 7. Types of Clients**

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

### **Minimum Quarterly Fee**

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While Modera does not have a minimum account size, as a condition for starting and maintaining a wealth management, portfolio management or retirement plan consulting/management relationship, Modera generally imposes a minimum quarterly fee as follows: \$5,000 per quarter for wealth management services; \$4,000 per quarter for portfolio management services; and \$1,375 per quarter for retirement plan services. For wealth management clients receiving business coaching and/or real estate coaching services, the minimum quarterly fee for the business coaching and/or real estate coaching services generally ranges from \$625 to \$6,250 and is in addition to the fee for wealth management services. Notwithstanding the foregoing, for clients who had an arrangement with an advisory firm that merged with or was acquired by Modera, Modera can elect to maintain the client's pre-existing minimum quarterly fee, which can vary from the minimum fee requirements described above.

Modera, in its sole discretion, can negotiate to waive, increase or reduce its minimum quarterly fees described in the paragraph above based upon certain criteria including, but not limited to, anticipated future earnings capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, *pro bono* activities, complexity of the relationship, assets held away, the client's planning needs or plan type.

Additionally, certain Independent Manager(s), if engaged, can impose more restrictive account requirements and varying billing practices than Modera. In such instances, Modera may alter its

corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s).

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

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

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

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

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

Moderas understanding of efficient markets causes it to discount the concept that active security selection in asset classes that Modera deems to be efficient can consistently add value to a portfolio. Similarly, Modera views market timing as not adding value over the long term. Modera's goal is to stay fully invested within specific client parameters. Studies of asset class performance strongly suggest that stocks that are: (a) valued lower than their peers using certain valuation methods; and (b) smaller in size generally have had superior rates of return potential. Accordingly, Modera tilts the equity weighting of its portfolios toward these factors. In certain circumstances, as noted in Item 4 above, however, for certain wealth

management or portfolio management clients Modera may allocate a portion of their assets to active management on a discretionary basis by certain Independent Manager(s) based upon the client's stated investment objectives and risk tolerance.

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

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

Modera attempts to minimize the risk associated with an individual security through its emphasis on investing in multiple mutual funds and exchange traded funds, each representing an asset class and holding many underlying securities. Modera usually uses mutual funds and exchange traded funds for all asset classes in a client portfolio. Modera recommends funds offered by Dimensional Fund Advisors ("DFA"), in addition to other fund companies. DFA offered funds are only available for investment to clients of registered investment advisers that are subject to approval by DFA. This means that the termination of a client's relationship with Modera would eliminate the ability to make additional investments in DFA funds unless the client establishes a relationship with another DFA approved registered investment adviser. On occasion, Modera can use an Independent Manager for certain fixed income, equity or other exposure.

For clients whom the SEC defines as "accredited investors" and/or "qualified purchasers" (exceeding minimum net worth and/or income thresholds as defined in the applicable rules and statutes), Modera can recommend the use of investments in private placement investments. These may include, among other things, debt securities, equity securities and/or securities of pooled investment vehicles when consistent with the client's investment objectives and risk tolerance. Such private placement investments may be illiquid, and clients may not be able to withdraw their investments for a significant period of time. The decision to invest is at the discretion of the client.

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

Following is a more detailed description of the specific risks inherent in the strategies and securities Modera recommends.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of other factors.

**Issuer Risk:** The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.

**Small Company Risk:** Securities of companies with smaller market capitalizations may be more volatile and less liquid than investments in companies with larger market capitalizations. Smaller market capitalization companies could increase the volatility of the client's portfolio because of volatility in share price.

**Foreign Investment Risk:** Investments in securities of foreign issuers may involve risks including adverse fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments and reduced legal protection. These risks may be more pronounced for investments in emerging markets or developing countries.

**Credit Risk:** If debt obligations held by an account are downgraded by ratings agencies, experience a default, or if management action, legislation or other government action reduces the issuers' ability to pay principal and interest when due, the obligations' value may decline and an account's value may be reduced. Because the ability of an issuer of a lower-rated or unrated obligation to pay principal and interest when due is typically less certain than for an issuer of a higher rated obligation, lower rated and unrated obligations are generally more vulnerable than higher-rated obligations to default, ratings downgrades and liquidity risk. Political, economic and other factors also may adversely affect governmental issues.

**Interest Rate Risk:** The prices of fixed income securities generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite also is generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes.

**Inflation Risk:** Inflation may erode the buying-power of an investment portfolio, even if the dollar value of the investments remains the same.

**Liquidity Risk:** Due to a lack of demand in the marketplace or other factors, an account may not be able to sell some or all of the investments promptly or may only be able to sell investments at less than desired prices.

**Strategy Risk/Management Risk:** The risk that the selection of investment strategies by the investment adviser does not work as intended or is not successful at achieving the stated goals. There can be no assurance that client portfolios will meet their investment objectives or that investments will not lose

money. The value of the portfolios may decrease if the investment adviser pursues unsuccessful investments or fails to correctly identify risks affecting the broad economy or specific issuers comprising the accounts.

**Prepayment Risk:** For clients who hold individual fixed income securities, including those using Independent Managers, decreases in market interest rates may result in prepayments of obligations in an account requiring the account to reinvest at lower interest rates.

**Real Estate Risk:** An account's investments in real estate investment trusts ("REITs") held in mutual funds that may be used in client portfolios are subject to risks affecting real estate investments generally (including market conditions, competition, property obsolescence, declines in property valuations, changes in interest rates, availability of loans and funding, environmental problems, default upon loan obligations and casualty to real estate), as well as risks specifically affecting REITs (the quality and skill of REIT management and the REIT's internal expenses, as well as dependency upon cash flows).

## **Item 9. Disciplinary Information**

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

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

Modera is required to disclose any relationship or arrangement with certain related persons that is material to its advisory business or to its clients. As disclosed above in response to Item 4, a Modera affiliate acts as general partner to MAI.

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

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

Modera has adopted a code of ethics ("Code of Ethics") that sets forth the standards of conduct expected of persons associated with Modera ("Supervised Persons") and requires compliance with applicable securities laws. In accordance with Section 204A of the Advisers Act, Modera's Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Modera or any of its Supervised Persons. The Code of Ethics also requires that certain of Modera's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investment transactions, including those in "Reportable Securities" as described

below, initial public offerings and limited offerings. For purposes of its Code of Ethics, Modera deems all of its Supervised Persons to be Access Persons.

Modera and its Supervised Persons are permitted to buy or sell securities that it also recommends to clients consistent with Modera's policies and procedures and its Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of Modera's Supervised Persons will not interfere with: (i) making decisions in the best interests of advisory clients; and (ii) implementing such decisions while at the same time allowing Supervised Persons to invest for their own accounts. Unless specifically permitted in Modera's Code of Ethics, Modera's Access Persons cannot engage for themselves or for their immediate family (*i.e.*, spouse, minor children and related adults living in the same household as the Access Person) in any transactions in a security that is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Modera's clients.

When Modera is purchasing or considering for purchase any security on behalf of a client, no Access Person can engage in a transaction in that security prior to the completion of the purchase on behalf of a client or until a decision has been made not to purchase such security. Similarly, when Modera is selling or considering the sale of any security on behalf of a client, no Access Person can undertake a transaction in that security prior to the completion of the sale on behalf of a client or until a decision has been made not to sell such security. These limitations are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, banker's acceptances, bank certificates of deposit, commercial paper and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds; and (v) exchange traded funds (ETFs) where the amount of the transaction is less than \$10,000. For all other securities (*i.e.*, Reportable Securities other than ETFs as described), Modera requires that Access Persons have their trades pre-approved unless the Access Person's accounts are on Modera's platform and traded through its automatic portfolio rebalancing software as part of Modera's regular portfolio rebalancing process.

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

## **Cross Trading**

Cross trading involves trading the same or similar securities between client accounts. Certain Independent Managers engage in cross trading when the Independent Manager determines that the cross trading is beneficial to both clients. The details of each Independent Manager's cross trading practices are disclosed in the ADV Part 2A of the Independent Manager. Additional information about Independent Managers, investment strategies, advisory fees and other pertinent information is available and provided in the Form ADV Part 2A Disclosure Brochure of the Independent Managers. Clients should refer to the Independent Manager's disclosure document for a full description of the services offered. At no time does Modera receive transaction-based compensation for cross trades effected by an Independent Manager.

Modera does not engage in cross trades between client accounts.

## Item 12. Brokerage Practices

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

Factors Modera considers in recommending Schwab, TD Ameritrade, Fidelity, National Advisors Trust or any other broker-dealer to clients include the quality of overall services provided, commission and transaction fees charged, creditworthiness and business reputation, promptness and accuracy of orders and facilities, including hardware and software, provided to Modera. Schwab, TD Ameritrade, Fidelity and National Advisors Trust enable Modera to obtain for its clients many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees Schwab, TD Ameritrade, Fidelity and National Advisors Trust charge may be higher or lower than those charged by other Financial Institution(s).

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

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

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

transactions for the account than otherwise would be the case. Subject to its duty of best execution, Modera can decline a client's request to direct brokerage if, in Modera's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

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

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

Certain broker-dealers to whom Modera directs brokerage transactions provide investment research products and/or services that assist Modera in its investment decision-making process. All such research is generally available on the broker-dealer's web site and is not provided to or for Modera based on any volume of trading activity. Modera usually uses such research and/or services to service all of its clients, and research and/or services obtained may benefit clients who do not utilize the services of the broker-dealer providing the research and/or services. Modera's receipt of investment research products and/or services and the allocation of the benefit of such investment research products and/or services pose a conflict of interest because Modera does not have to produce or pay for the products or services. In receiving any such products and/or services, Modera remains cognizant of its duty of best execution.

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

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

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

Modera also receives certain economic benefits from Dimensional Fund Advisors, a mutual fund provider in whose funds Modera invests client assets. The benefits Modera receives from Dimensional Fund Advisors include (but are not limited to) research; educational or training conferences, seminars, workshops or study groups; forums designed to educate chief operations officers and chief compliance officers; and speakers for firm events. Modera also can receive benefits from other fund companies in the form of attendance at various educational conferences, seminars or study groups.

## **National Advisors Holdings, Inc. Shares**

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

to client accounts by National Advisors Trust. As a shareholder of National Advisors Holdings, Inc., however, the Modera Charitable Foundation can benefit in the form of dividends or other distributions from National Advisors Holdings, Inc.

## **Fidelity and eMoney Financial Planning Software**

As described above, Fidelity provides custody, brokerage and clearing services to Modera. Fidelity Investments, of which Fidelity is a division, is the owner of eMoney Advisor, a financial planning software that Modera began using in the summer of 2016. As a result of Modera's use of Fidelity's custody, brokerage and clearing services, Modera receives a discount on licenses for the use of the eMoney software. The discount Modera receives on licenses is not dependent on the amount of Modera's clients' assets on the Fidelity platform or the amount of brokerage transactions directed to Fidelity. There is no direct link between Modera's arrangement with eMoney for the financial planning software and the investment advice given to its clients, although Modera receives an economic benefit from the arrangement that is not typically available to retail investors.

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

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

For those clients to whom Modera provides wealth management or portfolio management services, Modera monitors those portfolios as part of an ongoing process. Modera conducts regular account reviews on at least a quarterly basis using an automatic portfolio rebalancing software solution and review by a member of its Portfolio Management Team. One of Modera's investment adviser representatives conducts account reviews of proposed trades.

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

Wealth management and portfolio management clients will receive transaction confirmation notices and regular summary account statements directly from the Financial Institution(s) for the client's accounts. Those clients to whom Modera provides wealth management or portfolio management services also will receive a report from Modera on a quarterly basis that can include relevant portfolio and/or market-related information such as an inventory of portfolio holdings and portfolio performance. For certain portfolio management clients with smaller portfolio balances, however, Modera will provide such information on request. Clients should compare the account statements they receive from their Financial Institution(s) with those they receive from Modera.

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

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

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

In the event Modera enters into any client referral relationships and a client is introduced to Modera by either an unaffiliated or affiliated solicitor, Modera can pay that solicitor a referral fee in accordance with applicable securities laws. Unless otherwise disclosed, any such referral fee will be paid solely from Modera’s annual management fee and will not result in any additional charge to the client. If the client is introduced to Modera by an unaffiliated solicitor, then the solicitor is required to provide the client with Modera’s written disclosure brochure and a copy of the solicitor’s disclosure statement containing the terms and conditions of the solicitation arrangement, including compensation to be paid if the prospective client retains Modera. Any affiliated solicitor whom Modera engages will be required to disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Modera’s written disclosure brochure at the time of solicitation. Modera currently has one active client referral relationship in place with an unaffiliated solicitor for which it continues ongoing payments for past client referrals. In addition, Modera currently continues ongoing payments to one unaffiliated solicitor for past client referrals who is not actively seeking or referring clients to Modera.

## **Item 15. Custody**

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

Modera does not maintain physical custody of client assets; client assets are custodied by one or more of the Financial Institution(s). Modera is deemed to have custody of client funds because it has the ability to authorize the Financial Institution(s) to debit its annual management fee. Modera Alternative Investments, LLC, Modera's affiliate, is deemed to have custody of those assets that are invested in MAI. MAI is subject to an annual audit, and the financial information from the audit is distributed to investors in MAI. Modera also is deemed to have custody by virtue of Standing Letters of Authorization ("SLOAs") entered into by certain clients that provide Modera with the ability to initiate transfers of client funds pursuant to and within the scope of a pre-defined authorization agreement established by the client. In addition, it is deemed to have custody due to login credentials for certain held-away accounts that it holds to enable Modera to perform certain services for the client. Modera is subject to a surprise examination by a PCAOB firm as to accounts having first-party transfer SLOAs in place and for which it holds login credentials.

## **Item 16. Investment Discretion**

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

Modera takes discretion over the following activities:

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

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

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

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

- Modera, through Broadridge Financial Solutions, Inc.'s ProxyEdge electronic voting service, has engaged Glass Lewis & Co. ("Glass Lewis"), a third-party, independent proxy advisory firm, to provide it with research, analysis and recommendations on the various proxy proposals for the client securities that Modera manages with the aim of maximizing shareholder value. In engaging Glass Lewis for that purpose, Modera has reviewed Glass Lewis's most recently available Proxy Paper Guidelines for the proxy voting season and has approved and adopted the summary of Glass Lewis's positions on the votes it recommends for the types of proposals most frequently presented. Modera is in agreement with the approach Glass Lewis has set forth in its most recently available Proxy Paper Guidelines for voting proxies. Although Modera, based on its approval of the positions in the Proxy Paper Guidelines, expects to vote proxies according to Glass Lewis's recommendations, certain issues may need to be considered on a case-by-case basis due to the diverse and continually evolving nature of corporate governance issues. If such cases should arise, then Modera will devote appropriate time and resources to consider those issues and either vote the proxy or instruct Glass Lewis on how to vote it. In casting proxy votes Modera uses Broadridge Financial Solutions, Inc.'s ProxyEdge electronic voting service.
- Where Modera is responsible for voting proxies on behalf of a client, the client in writing can direct Modera's vote on a particular solicitation. The client also can revoke Modera's authority to vote proxies. In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Modera maintains with persons having an interest in the outcome of certain votes, Modera will take appropriate steps, whether by following Glass Lewis's third-party recommendation or otherwise, so that proxy voting decisions are made in what it believes is the best interest of its clients and are not the product of any such conflict.
- With respect to any client who had an agreement with an advisory firm that merged with or was acquired by Modera that does not authorize Modera to vote proxies on behalf of the client, Modera can maintain that arrangement and will not have the responsibility to vote proxies on the client's behalf. In such cases clients will receive proxies directly from the Financial Institution(s) and can contact Modera with questions about such issuer solicitations.

## **Item 18. Financial Information**

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