

Item 1: Cover Page



**Part 2A of Form ADV  
Firm Brochure**

December 12, 2024

**Mosaic Family Wealth Partners, LLC**  
**dba Mosaic Wealth**  
SEC No. 801-122745

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This brochure provides information about the qualifications and business practices of Mosaic Wealth. If you have any questions about the contents of this brochure, please contact us at 314-627-5220. 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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Mosaic Wealth is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

There are no material changes since the annual update of this Brochure issued in March 2024.

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## Item 4: Advisory Business

### A. Ownership/Advisory History

Mosaic Family Wealth Partners, LLC, dba Mosaic Wealth (“Mosaic Wealth” or the “Advisor”) is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). Mosaic Wealth is organized as a Limited Liability Company (“LLC”) under the laws of the State of Delaware. Mosaic Wealth acquired the investment advisory business of Mosaic Family Wealth, LLC, which was founded in February 2015 by Duncan (Scott) Highmark and Larry Keith Shikles.

#### Focus Financial Partners

Mosaic Wealth is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, Mosaic Wealth is a wholly-owned indirect subsidiary of Focus LLC. Focus Financial Partners Inc. is the sole managing member of Focus LLC. Ultimate governance of Focus LLC is conducted through the board of directors at Focus Financial Partners Inc. Focus LLC is majority-owned, indirectly and collectively, by investment vehicles affiliated with Clayton, Dubilier & Rice, LLC (“CD&R”). Investment vehicles affiliated with Stone Point Capital LLC (“Stone Point”) are indirect owners of Focus LLC. Because Mosaic Wealth is an indirect, wholly-owned subsidiary of Focus LLC, CD&R and Stone Point investment vehicles are indirect owners of Mosaic Wealth.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Mosaic Wealth is managed by Duncan (Scott) Highmark, Larry Shikles, Steve Rotello, Michelle (Missy) Brown, Tyler Campo, and Sarah Wolk (“Mosaic Wealth Principals”), pursuant to a management agreement between Mosaic Wealth Management Company, LLC and Mosaic Wealth. The Mosaic Wealth Principals serve as officers of Mosaic Wealth and are responsible for the management, supervision and oversight of Mosaic Wealth.

### B. Advisory Services Offered

Mosaic Wealth offers investment advisory services to individuals, high net worth individuals, trusts, estates, businesses, charitable organizations, and retirement plans (each referred to as a “client”). It is the Advisor’s mission to help its clients incorporate clear, effective, and comprehensive strategies designed to not only facilitate their finances, but also their lives.

The Advisor serves as a fiduciary to clients, as defined under the applicable laws and regulations. As a fiduciary, the Advisor upholds a duty of loyalty, fairness and good faith towards each client and seeks to mitigate potential conflicts of interest. Mosaic Wealth’s fiduciary commitment is further described in the Advisor’s Code of Ethics. For more

information regarding the Code of Ethics, please see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

### **Wealth Management Services**

Mosaic Wealth may provide clients with wealth management services, which generally includes discretionary management of investment portfolios in connection with a broad range of comprehensive financial planning services.

### **Investment Management Services**

Mosaic Wealth provides customized investment advisory solutions for its clients. This is achieved through ongoing personal client contact and interaction while providing discretionary investment management and consulting services. Mosaic Wealth works with each client to identify their investment goals and objectives as well as risk tolerance and financial situation in order to create a portfolio strategy. Mosaic Wealth will then construct a portfolio, consisting of securities and strategies described in Item 8 of this brochure and/or affiliated private investment vehicles to achieve the client's investment goals. Where appropriate, the Advisor may also provide advice regarding legacy portfolio positions or other investments held by the client.

Mosaic Wealth's investment approach is primarily long-term focused, but the Advisor may buy, sell or re-allocate positions that have been held for less than one year to meet the objectives of the client or due to market conditions. Mosaic Wealth will construct, implement and monitor the portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the client. Each client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to acceptance by the Advisor.

Mosaic Wealth evaluates and selects investments for inclusion in client portfolios only after applying its internal due diligence process. Mosaic Wealth may recommend, on occasion, redistributing investment allocations to diversify the portfolio. Mosaic Wealth may recommend specific positions to increase sector or asset class weightings. The Advisor may recommend employing cash positions as a possible hedge against market movement. Mosaic Wealth may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position[s] in the portfolio, change in risk tolerance of the client, generating cash to meet client needs, or any risk deemed unacceptable for the client's risk tolerance.

Clients have the right to provide the Advisor with any reasonable investment restrictions that on the management of their portfolio, which must be in writing and sent to the Advisor. Clients should promptly notify the Advisor in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Mosaic Wealth will remind clients of their obligation to inform the Advisor of any such changes or any restrictions that should be imposed on the management of the client's account. Mosaic Wealth will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

**Held-Away Accounts - Pontera Order Management System**

Mosaic Wealth implements investment advice on behalf of certain clients in held-away accounts that are maintained at independent third-party custodians. These held-away accounts are often 401(k) accounts, 529 plans and other assets that are not held at our primary custodian(s). The order management system that we use for held-away accounts is provided by Pontera Solutions, Inc. Mosaic Wealth reviews, monitors, and manages these held-away accounts in an integrated way with client accounts held at our clients' primary custodian(s).

The platform allows Mosaic Wealth to avoid being considered to have custody of client funds since we do not have direct access to client log-in credentials to effect trades. Mosaic Wealth is not affiliated with the platform in any way and receives no compensation from them for using their platform. A link will be provided to the client allowing them to connect an account(s) to the platform. Once client account(s) is connected to the platform, Mosaic Wealth will review the current account allocations. When deemed necessary, Mosaic Wealth will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

Mosaic Wealth may provide these services or, alternatively, may arrange for the plan's other providers to offer these services, as agreed upon between Mosaic Wealth and the client.

**Retirement Accounts**

When the Advisor provides investment advice to clients regarding ERISA retirement accounts or individual retirement accounts ("IRAs"), the Advisor is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. When deemed to be in the client's best interest, the Advisor will provide investment advice to a client regarding a distribution from an ERISA retirement account or to roll over the assets to an IRA, or recommend a similar transaction including rollovers from one ERISA sponsored Plan to another, one IRA to another IRA, or from one type of account to another account (e.g. commission-based account to fee-based account). Such a recommendation creates a conflict of interest if the Advisor will earn a new (or increase its current) advisory fee as a result of the transaction. No client is under any obligation to roll over a retirement account to an account managed by the Advisor.

**Family Office Services**

Mosaic Wealth also offers family office bill pay services to certain clients as part of its wealth management program, pursuant to the wealth management agreement.

**UPTIQ Treasury & Credit Solutions, LLC**

Mosaic Wealth offers clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions through UPTIQ Treasury & Credit Solutions, LLC (together with UPTIQ, Inc. and its affiliates, “UPTIQ”). Please see Items 5 and 10 for additional information on these services and other important information.

Clients that obtain loans through the secure lending facility are strictly prohibited from using any loan proceeds to buy securities for their managed portfolio.

**Insurance Solutions**

Mosaic Wealth helps clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to Mosaic Wealth’s affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of Mosaic Wealth’s parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of these services and other important information.

**Related Private Fund Manager**

Mosaic Wealth has a business arrangement with SCS Capital Management LLC (“SCS”), who is an indirect, wholly owned subsidiary of Focus LLC, under which certain clients of Mosaic Wealth have the option of investing in certain private investment vehicles managed by SCS. Mosaic Wealth is an affiliate of SCS by virtue of being under common control with it. Please see Items 5, 10, and 11 of this Brochure for further details.

**Use of Separate Account Managers**

Mosaic Wealth will recommend that clients utilize one or more affiliated or unaffiliated third-party separate account managers or investment platforms for managing all or a portion of a client’s investment portfolio. Clients may be required to authorize and enter into an investment management agreement with a separate account manager that defines the terms in which the manager will provide its services. The Advisor will perform initial and ongoing oversight and due diligence over each separate account manager to ensure the strategy remains aligned with clients’ investment objectives and overall best interests. The Advisor will also assist the client in the development of the initial policy recommendations and managing the ongoing client relationship. The client, prior to entering into an agreement with a separate account manager, will be provided with the separate account manager’s Form ADV Part 2A – Disclosure Brochure (or a brochure that makes the appropriate disclosures).

**Financial Planning Services**

As part of the wealth management services, Mosaic Wealth will typically provide a variety of financial planning and consulting services, which are offered in several areas of a client’s financial situation, depending on their goals, objectives and financial situation. Generally, such financial planning services involve preparing a formal financial plan or rendering a specific financial consultation based on the client’s financial goals and objectives. This planning or consulting may encompass one or more areas of need, including but not limited to, Investment management, retirement planning, education

savings, cash flow planning, tax planning analysis and coordination, estate planning analysis and coordination, and other areas of a client's financial situation.

A financial plan developed for the client will usually include general recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs. Mosaic Wealth may also refer clients to an accountant, attorney or other specialist, as appropriate for their unique situation. For certain financial planning engagements, the Advisor will provide a written summary of client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, the Advisor may not provide a written summary. Plans or consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

### **Financial Consulting Services**

Mosaic Wealth provides a variety of ongoing financial consulting services to clients, pursuant to a written financial consulting services agreement. Services offered are related to the client's investment portfolio and other areas of need. Services are tailored to the client based on the client's financial situation, goals, and objectives.

Generally, such consulting services involve preparing a specific financial consultation based on the client's financial goals and objectives. This consulting may encompass one or more areas of need, which may include the following services:

- General investment plan
- Ongoing investment consulting
- Risk analysis
- Overlap analysis
- Portfolio analysis
- Correlation analysis, and/or
- Fee analysis of underlying investments

The client may engage the Advisor for other services not listed above. A financial consultation rendered to the client will usually include general recommendations for a course of activity or specific actions to be taken by the client. Through the creation of an investment proposal outlining the client's previously stated investment considerations, the Advisor may advise on best trading and investment practices including security selection, commission costs, alternatives, liquidity, methods of investing, sell criteria (if any), dollar cost averaging and timing. Mosaic Wealth may also refer clients to an accountant, attorney or other specialist, as appropriate for their unique situation. Consultations are typically ongoing, where recommendations will occur periodically, assuming all information and documents requested are provided promptly.

Consulting recommendations pose a conflict between the interests of the Advisor and the interests of the client. For example, the Advisor has an incentive to recommend that clients engage the Advisor for investment management services or to increase the level of



investment assets with the Advisor, as it would increase the amount of advisory fees paid to the Advisor. clients are not obligated to implement any recommendations made by the Advisor or maintain an ongoing relationship with the Advisor. If the client elects to act on any of the recommendations made by the Advisor, there is no guarantee of returns and the client is under no obligation to implement the transaction through the Advisor.

### **Retirement Plan Advisory Services**

Mosaic Wealth provides retirement plan advisory services on behalf of the retirement plans (each a “Plan”) and the company (the “Plan Sponsor”), pursuant to the terms of the retirement plan advisory agreement. The Advisor’s retirement plan advisory services are designed to assist the Plan Sponsor in meeting its fiduciary obligations to the Plan and its Plan Participants. Each engagement is customized to the needs of the Plan and Plan Sponsor. Services generally include:

- Vendor analysis
- Plan Participant enrollment and education tracking
- Investment Policy Statement (“IPS”) design and monitoring
- Performance Reporting
- Investment due diligence and oversight (ERISA 3(28))
- Ongoing investment recommendation and assistance
- ERISA 404(c) Assistance
- Benchmarking Services

Mosaic Wealth is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) with respect to investment management services and investment advice provided to ERISA plans and ERISA plan participants. Mosaic Wealth is also a fiduciary under section 4975 of the Internal Revenue Code of 1986, as amended (the “IRC”) with respect to investment management services and investment advice provided to individual retirement accounts (“IRAs”), ERISA plans, and ERISA plan participants. As such, Mosaic Wealth is subject to specific duties and obligations under ERISA and the IRC, as applicable, that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice, the fiduciary must either avoid certain conflicts of interest or rely upon an applicable prohibited transaction exemption (a “PTE”).

As a fiduciary, Mosaic Wealth has duties of care and of loyalty to you and is subject to obligations imposed on us by the federal and state securities laws. As a result, you have certain rights that you cannot waive or limit by contract. Nothing in Mosaic Wealth’s agreement with you should be interpreted as a limitation of our obligations under the federal and state securities laws or as a waiver of any non-waivable rights you possess.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Prior to engaging Mosaic Wealth to provide investment advisory services, each client is required to enter into one or more agreements with the Advisor that define the terms,

conditions, authority and responsibilities of the Advisor and the client. These services may include:

- Establishing an Investment Strategy – Mosaic Wealth, in connection with the client, will develop a strategy that seeks to achieve the client’s investment goals and objectives.
- Asset Allocation – Mosaic Wealth will develop a strategic asset allocation that is targeted to meet the investment objectives, time horizon, financial situation and tolerance of risk for each client.
- Portfolio Construction – Mosaic Wealth will develop a portfolio for the client that is intended to meet the stated goals and objectives of the client.
- Wealth management and Supervision – Mosaic Wealth will provide wealth management and ongoing oversight of the client’s investment portfolio.

Each client’s account will be managed on the basis of the client’s financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **D. Wrap Fee Programs**

Mosaic Wealth does not participate in wrap fee programs, where brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

#### **E. Client Assets Under Management**

As of December 31, 2023, Mosaic Wealth managed a total of 1,436,354,560 in client assets comprising \$998,175,370 in discretionary assets and \$438,179,190 in non-discretionary assets.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### Wealth Management Services

Mosaic Wealth's maximum wealth management fee as a percentage of assets under management is 1.50%. The specific advisory fees are set forth in the wealth management agreement.

Mosaic Wealth's fees are based on the market value of client assets under our management, including cash, accrued interest, accrued dividends, and securities purchased on margin. Please be aware of a conflict of interest when utilizing margin. As fees are based on the gross value of the portfolio, the firm has an economic incentive to utilize margin, because doing so would have the effect of increasing the gross value of the portfolio on which our advisory fees are based.

For certain clients, the Advisor charges an advisory fee for services provided with respect to the held-away accounts mentioned in Item 4, just as the Advisor does with client accounts held at Advisor's primary custodians.

Wealth management fees are always subject to the investment advisory agreement between the client and the Advisor. Such fees are payable quarterly in advance. The amount due is calculated by applying the period rate (annual rate divided by the number of days in the year multiplied by the number of days in the billing quarter) to the total assets under management with Mosaic Wealth at the end of the prior quarter. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. Fees are negotiable at the sole discretion of the Advisor.

The client may make additions or withdrawals from the account[s] at any time, subject to the Advisor's right to terminate an account or the overall relationship. Additions may be in cash or securities provided that the Advisor reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account[s]. Clients may withdraw account assets on notice to Mosaic Wealth, subject to the usual and customary securities settlement procedures. However, the Advisor typically designs its investment portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. Mosaic Wealth may consult the client about certain implications of such transactions. Clients are advised that when such securities are liquidated, they may be subject to securities transaction fees, short-term redemption fees, and/or tax ramifications. If assets in excess of \$10,000 are deposited into or withdrawn from the client's account(s), The Advisor's fee will be adjusted the next billing period to reflect the fee difference. The Advisor may negotiate a fee that differs from the schedule above for certain account[s] or holdings.

#### UPTIQ Treasury & Credit Solutions, LLC

Mosaic Wealth offers clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions through UPTIQ Treasury & Credit Solutions,

LLC (together with UPTIQ, Inc. and its affiliates, “UPTIQ”). Focus Financial Partners, LLC (“Focus”) is a minority investor in UPTIQ, Inc. UPTIQ is compensated by sharing in the revenue earned by such third-party financial institutions for serving our clients. The revenue paid to UPTIQ also benefits UPTIQ Inc.’s investors, including Focus, our parent company. When legally permissible, UPTIQ also shares a portion of this earned revenue with our affiliate, Focus Solutions Holdings, LLC (“FSH”). For non-residential mortgage loans made to our clients, UPTIQ will share with FSH up to 25% of all revenue it receives from such third-party financial institutions. For securities-backed lines of credit (“SBLOCs”) made to our clients, UPTIQ will share with FSH up to 75% of all revenue it receives from such third-party financial institutions. For cash management products and services provided to our clients, UPTIQ will share with FSH up to 33% of all revenue it receives from the third-party financial institutions and other intermediaries that provide administrative and settlement services in connection with this program. This earned revenue is indirectly paid by our clients through an increased interest rate charged by the third-party financial institutions or, for cash balances, a lowered yield. FSH distributes this revenue to us when we are licensed to receive such revenue (or when no such license is required) and the distribution is not otherwise legally prohibited. Further information on this conflict of interest is available in Item 10 of this Brochure.

#### **Use of Separate Account Managers and Private Investment Funds**

As noted in Item 4, the Advisor will implement all or a portion of a client’s investment portfolio utilizing one or more third-party separate account managers and/or private investment fund. The terms of such fee arrangements are included in the separate account manager’s disclosure brochure and applicable agreements with the separate account manager. The terms of the investment in a private investment fund are described in the private offering memorandum for the fund.

#### **Financial Consulting Services**

Mosaic Wealth offers financial consulting services for an annual fixed fee ranging from \$10,000 to \$100,000. Financial consulting fees are paid quarterly, at the end of each calendar quarter. Fees may be negotiable based on the nature and complexity of the services to be provided and the overall relationship with the Advisor. An estimate for total costs will be determined prior to engaging for these services. If a client engages the Advisor for wealth management services, Mosaic Wealth may offset all or a portion of its fees for those services based upon the amount paid for the wealth management services.

#### **Insurance Solutions**

Mosaic Wealth helps clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to Mosaic Wealth’s affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of Mosaic Wealth’s parent company, Focus Financial Partners, LLC. FRS has arrangements with certain third-party insurance brokers (the “Brokers”) under which the Brokers assist clients with regulated insurance sales activity. If FRS refers one of Mosaic Wealth’s clients to a Broker and there is a subsequent purchase of insurance through the Broker, then FRS will receive a portion of the upfront and/or ongoing commissions paid to the Broker by the insurance carrier with

which the policy was placed. The amount of revenue earned by FRS for the sale of these insurance products will vary over time in response to market conditions. The amount of insurance commission revenue earned by FRS is considered for purposes of determining the amount of additional compensation that certain of Mosaic Wealth's financial professionals are entitled to receive. The amount of revenue earned by FRS for a particular insurance product will also differ from the amount of revenue earned by FRS for other types of insurance products. Further information on this conflict of interest is available in Item 10 of this Brochure.

### **Retirement Plan Advisory Services**

Retirement plan advisory fees are paid quarterly, in advance of each calendar quarter, pursuant to the terms of the agreement. Retirement plan fees are either based on the market value of assets under management at the end of the prior calendar quarter and range from 0.25% to 1.00% or based on a fixed annual fee of up to \$100,000. Fees are based on several factors, including: the complexity of the services to be provided, the level of assets to be managed, and the overall relationship with the Advisor. Relationships with multiple objectives, specific reporting requirements, portfolio restrictions and other complexities may be charged a higher fee. Fees may be negotiable depending on the size and complexity of the plan. Certain existing clients may have fees that differ from the range above.

### **Related Private Fund Manager**

Mosaic Wealth does not receive any compensation from SCS in connection with assets that Mosaic Wealth's clients place in SCS's pooled investment vehicles. Mosaic Wealth's clients are not advisory clients of and do not pay advisory fees to SCS. However, Mosaic Wealth's clients bear the costs of SCS's investment vehicle or vehicles in which they are invested, including any management fees and performance fees payable to SCS.

The allocation of Mosaic Wealth client assets to SCS's pooled investment vehicles, rather than to an unaffiliated investment manager, increases SCS's compensation and the revenue to Focus LLC relative to a situation in which Mosaic Wealth's clients are excluded from SCS's pooled investment vehicles or invested in an unaffiliated third party's pooled investment vehicles. As a consequence, Focus LLC has a financial incentive to cause Mosaic Wealth to recommend that Mosaic Wealth's clients invest in SCS's pooled investment vehicles.

## **B. Client Payment of Fees**

### **Wealth Management Services**

Mosaic Wealth generally requires fees to be prepaid on a quarterly basis. Mosaic Wealth requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to Mosaic Wealth's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Mosaic Wealth will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be canceled at any time by the client, or by Mosaic Wealth with 30 days' prior written notice to the client. Upon termination, the Advisor will refund any unearned, prepaid wealth management fees from the effective date of termination to the end of the quarter.

### **Use of Separate Account Managers**

For client accounts implemented through a third-party separate account manager, the client's overall fees will include Mosaic Wealth's investment advisory fee (as noted above) plus investment management fees and/or platform fees charged by the separate account manager. The separate account manager will assume the responsibility for calculating the client's fees and deducting all fees from the client's account[s].

In the event that a client should wish to terminate their relationship with a separate account manager, the terms for termination will be set forth in the respective agreements between the client and those third parties, as applicable. Mosaic Wealth will assist the client with the termination and transition as appropriate.

### **Financial Consulting Services**

Financial consulting fees are invoiced quarterly, at the end of each quarter, and are due upon receipt. Mosaic Wealth is compensated for its financial consulting services at the end of the quarter after services are rendered. Mosaic Wealth offers financial consulting services as a perpetual engagement. Financial consulting agreements intended as perpetual will be ongoing in nature and continue until terminated by either party. Either party may terminate the financial consulting agreement, at any time, by providing written notice to the other party. The client may also terminate the agreement within five (5) business days of signing the Advisor's financial consulting services agreement at no cost to the client. After the five-day period, the client shall be responsible for financial consulting fees up to and including the effective date of termination. The client's financial consulting agreement with the Advisor is nontransferable without the client's prior consent.

### **Retirement Plan Advisory Services**

Retirement plan advisory fees may be directly invoiced to the plan sponsor or deducted from the assets of the plan, depending on the terms of the retirement plan advisory agreement.

Mosaic Wealth is compensated for its retirement plan advisory services at the beginning of the quarter before advisory services are rendered. Either party may terminate the retirement plan advisory agreement, at any time, by providing advance written notice to the other party. The client may also terminate the agreement within five (5) business days of signing the Advisor's retirement plan advisory agreement at no cost to the client. After

the five-day period, the client shall be responsible for retirement plan advisory fees up to and including the effective date of termination. Upon termination, the Advisor will refund any unearned, prepaid retirement plan advisory fees from the effective date of termination to the end of the quarter. The client's retirement plan advisory agreement with the Advisor is non-transferable without the client's prior consent.

### **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Mosaic Wealth may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please note that for client accounts the Advisor maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts ("transaction-based fees"). For accounts enrolled in the asset-based pricing program, the custodian may charge the client a percentage of the dollar amount of assets in the account in lieu of transaction-based fees. The factors the Advisor considers before assigning asset-based pricing versus transaction-based pricing include account value, trading volume, and associated transaction costs based on the individual client's suitability and investment objectives.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the Advisor's brokerage practices.

### **D. External Compensation for the Sale of Securities to Clients**

Mosaic Wealth's advisory professionals are compensated primarily through a percentage of advisory fees charged to clients and/or salary and bonus structure. Mosaic Wealth's advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. Mosaic Wealth's advisory professionals may receive commission-based compensation for the sale of securities and insurance products. Investment adviser representatives, in their capacity as a PKS registered representative, are prohibited from earning an advisory fee on the securities value transferred from an advisory client's PKS brokerage account unless commissions earned on such securities transactions occurred at least 12 months prior to the transfer. Please see Item 10.C. for detailed information and conflicts of interest.

Mosaic Wealth or its affiliates may be paid management fees and performance-based fees. Such performance-based fees create an economic incentive for the investment manager to take additional risks in the management of a client portfolio that may be in conflict with the client's current investment objectives and tolerance for risk. Please refer to Item 6 for more information on performance-based fees.

## **E. Important Disclosure – Custodian Investment Programs**

Please be advised that certain of the Advisor's investment adviser representatives are registered with a broker-dealer and/or the Advisor is a broker-dealer or affiliated with a broker-dealer. Under these arrangements, we can access certain investment programs offered through the broker-dealer that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. As such, the investment adviser representative and/or the Advisor may have an economic incentive to recommend the purchase of 12b-1 or revenue share class mutual funds offered through the broker-dealer platform rather than from the investment adviser platform. Please note the following:

**Limitation on Mutual Fund Universe for Custodian Investment Programs:** Please note that as a matter of policy we prohibit the receipt of revenue share fees from any mutual funds utilized for our advisory clients' portfolios. There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the Advisor is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

**Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances (i) where our adviser representative is also licensed as a registered representative of a broker-dealer and receives a portion of 12b-1 and or revenue sharing fees as compensation – such compensation creates an incentive for the investment adviser representative to use programs which utilize funds that pay such additional compensation; and (ii) where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the Advisor, even though such benefits may or may not benefit some or all of the Advisor's clients.



**Additional Disclosure Concerning Wrap Programs:** To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the Advisor and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the Advisor and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the Advisor's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the Advisor in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the Advisor or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the Advisor does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

**Item 6: Performance-Based Fees and Side-by-Side Management**

Mosaic Wealth does not charge performance-based fees for its managed portfolios.

## Item 7: Types of Clients

Mosaic Wealth offers services to individuals, high net worth individuals, trusts, estates, businesses, charitable organizations, and retirement plans. Mosaic Wealth does not require a minimum portfolio size. Additionally, certain Independent Managers may impose a minimum fee.

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

### A. Methods of Analysis and Investment Strategies

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.**

#### **Methods of Analysis**

Mosaic Wealth employs fundamental analysis in developing investment strategies for its clients. Research and analysis from Mosaic Wealth are derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

Fundamental analysis utilizes economic and business indicators as investment selection criteria. These criteria are generally ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed.

Assets are deemed suitable if they meet certain criteria to indicate that they are a strong investment with a value discounted by the market. While this type of analysis helps the Advisor in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in the fundamental analysis may lose value and may have negative investment performance. The Advisor monitors these economic indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in Item 13: Review of Accounts.

As noted above, Mosaic Wealth generally employs a long-term investment strategy for its clients, as consistent with their financial goals. Mosaic Wealth will typically hold all or a portion of a security for more than a year but may hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of clients. At times, Mosaic Wealth may also buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class.

#### **Mutual Funds and ETFs, Individual Securities, Third-Party Separate Account Managers, and Pooled Investment Vehicles**

Mosaic Wealth may recommend "institutional share class" mutual funds and exchange-traded funds ("ETFs"), individual securities (including fixed income instruments), and pooled investment vehicles. Mosaic Wealth may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Mosaic Wealth will take into account when recommending managers to clients.

Mosaic Wealth's selection process cannot ensure that money managers will perform as desired, and Mosaic Wealth will have no control over the day-to-day operations of any of its selected money managers. Mosaic Wealth would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift," or even regulatory breaches or fraud.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), managers, and pooled investment vehicles is set forth below.

Mosaic Wealth has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

Mosaic Wealth may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers and pooled investment vehicles to clients as appropriate under the circumstances.

Mosaic Wealth reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Mosaic Wealth on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect any of the following: efforts to time the market, engage in portfolio pumping, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Mosaic Wealth (both of which are negative factors in implementing an asset allocation structure).

Mosaic Wealth may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Mosaic Wealth will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Mosaic Wealth will regularly review the activities of mutual funds and managers utilized for the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

### **Material Risks of Investment Instruments**

Mosaic Wealth generally invests in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Pooled investment vehicles
- Fixed equity annuities
- Variable annuities
- Real Estate Investment Trusts ("REITs")
- Hedge funds
- Private Equity
- Derivatives

### **Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the

manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares® and VIPERs®. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

### **Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

### **Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

### **U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

### **Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

### **Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled



investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the Advisor will be unable to monitor or verify the accuracy of such performance information.

### **Fixed Equity Annuities**

A fixed annuity is a contract between an insurance company and a customer, typically called the annuitant. The contract obligates the company to make a series of fixed annuity payments to the annuitant for the duration of the contract. The annuitant surrenders a lump sum of cash in exchange for monthly payments that are guaranteed by the insurance company. Please note the following risks: (i) Spending power risk. Social Security retirement benefits have cost-of-living adjustments. Most fixed annuities do not. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation, (ii) Death and survivorship risk. In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity. (iii) Company failure risk. Private annuity contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000. To control this risk, contact the state insurance commissioner to confirm that your state has a guaranty association and to learn the guarantee limits applicable to a fixed annuity contract. Based on that information, consider dividing fixed annuity contracts among multiple insurance companies to obtain the maximum possible protection. Also check the financial stability and credit ratings of the annuity insurance companies being considered. A.M. Best and Standard & Poor's publish ratings information.

### **Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the

insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

### **Real Estate Investment Trusts ("REITs")**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations, which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers that are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships that do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor; however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

With respect to publicly traded REITs, publicly traded REITs may be subject to additional risks and price fluctuations in the public market due to investors' expectations of the individual REIT, the real estate market generally, specific sectors, the current yield on such REIT, and the current liquidity available in public market. Although publicly traded

REITs offer investors liquidity, there can be constraints based upon current supply and demand. An investor when liquidating may receive less than the intrinsic value of the REIT.

### **Hedge Funds**

A hedge fund is an alternative investment vehicle suitable for sophisticated investors, such as institutions and individuals that typically meet the Qualified Investor standard under the Investment Advisers Act of 1940. Hedge funds may invest in traditional securities, such as stocks, bonds, commodities and real estate, but they typically use sophisticated (and risky) investments, strategies, and techniques. Hedge funds typically use long-short strategies, which invest in some balance of long positions (which means buying stocks) and short positions (which means selling stocks with borrowed money, then buying them back later when their price has, ideally, fallen).

Additionally, many hedge funds invest in “derivatives,” which are contracts to buy or sell another security at a specified price. Many hedge funds also use leverage, which is essentially investing with borrowed money—a strategy that could significantly increase return potential, but also creates greater risk of loss.

Third, hedge funds are structured as private funds, exempt from registration, have limited liquidity, and complex tax structures. Most hedge funds, in contrast, seek to generate returns over a specific period of time called a “lockup period,” during which investors cannot sell their shares.

Hedge fund managers earn a “management fee,” typically in the range of 1% to 2% of the net asset value of the fund. In addition, the hedge fund manager receives a percentage of the returns they earn for investors (performance-based fee), which typically is 20% of the net profits over some hurdle or minimum return to the fund investors. Performance-based fee structures may lead the hedge fund managers to invest aggressively to achieve higher returns, increasing investor risk. Investors looking to invest in hedge funds and alternative investment vehicles are urged to carefully review the fund's offering documents, related investor agreements, and disclosures prior to investing.

### **Private Equity**

Private equity is an ownership interest in a company or portion of a company that is not publicly owned, quoted, or traded on a stock exchange. Private equity takes an ownership interest in a company with the goal of enhancing the company's value by bringing about change. Compared to public equity, long-term results of private equity investments are less dependent on overall market performance. Private equity investments are subject to certain risks such as market and investment style risk. Investments are highly illiquid and subject to greater risk. These risks include lack of liquidity, lack of valuation transparency, conflicts of interest, higher management fees, and complex tax structures. Private equity investments may require a longer holding period and are highly speculative and may result in a loss of invested capital. The strategies discussed may only be appropriate for certain qualified investors.

### **Derivatives**

Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **Margin Leverage**

Although Mosaic Wealth, as a general business practice, does not utilize leverage, there may be instances in which the use of leverage may be appropriate for certain clients and situations or requested by the clients for personal use. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **Short-Term Trading**

Although Mosaic Wealth, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Short Selling**

Mosaic Wealth generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Mosaic Wealth as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading

### **Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### **Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

## **C. Concentration Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **D. Cybersecurity**

The computer systems, networks and devices used by Mosaic Wealth and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

## Item 9: Disciplinary Information

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.



## Item 10: Other Financial Industry Activities and Affiliations

### **A. Broker-Dealer or Representative Registration**

Certain members and registered advisory personnel of Mosaic Wealth are registered representatives of Purshe Kaplan Sterling Investments (“PKS”), a FINRA-registered broker-dealer and member of SIPC. PKS is a financial services company engaged in the sale of investment products.

As a result of Mosaic Wealth members and registered professionals’ affiliation with PKS, such professionals, in their capacity as registered representatives of PKS, are subject to the general oversight of PKS and the Financial Industry Regulatory Authority Inc. (“FINRA”). As such, clients of Mosaic Wealth should understand that their personal and account information is available to FINRA and PKS for the fulfillment of their regulatory oversight obligations and duties.

### **B. Futures or Commodity Registration**

Neither Mosaic Wealth nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **Broker-Dealer Registration**

As noted above, certain managers, members, and registered personnel of Mosaic Wealth are associated persons of PKS, a FINRA-registered broker-dealer and member of SIPC. Mosaic Wealth professionals who effect transactions for advisory clients may receive transaction or commission compensation from PKS. The recommendation of securities transactions for commission creates a conflict of interest in that Mosaic Wealth is economically incented to effect securities transactions for clients. Although Mosaic Wealth strives to put its clients’ interests first, such recommendations may be viewed as being in the best interests of Mosaic Wealth rather than in the client’s best interest. Mosaic Wealth advisory clients are not compelled to effect securities transactions through PKS.

#### **Focus Financial Partners**

As noted above in response to Item 4, certain investment vehicles affiliated with CD&R collectively are indirect majority owners of Focus LLC, and certain investment vehicles affiliated with Stone Point are indirect owners of Focus LLC. Because Mosaic Wealth is an indirect, wholly-owned subsidiary of Focus LLC, CD&R and Stone Point investment vehicles are indirect owners of Mosaic Wealth.

### **CD&R and Stone Point Funds**

Mosaic Wealth has recommended, and may in the future recommend, that clients invest or stay invested in funds managed and/or sponsored by Clayton, Dubilier & Rice, LLC (“CD&R”) / Stone Point Capital LLC (“Stone Point”) or one of their affiliates (each such vehicle, an “Owner-Affiliated Fund”), if Mosaic Wealth determines that such investments are in the best interest of clients. Fees charged by each Owner-Affiliated Fund will be paid directly or indirectly to CD&R and/or its affiliates / Stone Point and/or its affiliates. A conflict of interest exists because CD&R / Stone Point investment vehicles are indirect owners of Mosaic Wealth, and CD&R and/or its affiliates / Stone Point and/or its affiliates will benefit financially if Mosaic Wealth recommends investment in or continued investment in Owner-Affiliated Funds. Although Mosaic Wealth will only recommend such investments if it believes that they are in the best interest of clients, it is nonetheless possible that this conflict of interest might influence Mosaic Wealth’s advice, consciously or unconsciously.

We believe this conflict is mitigated because of the following factors: (1) this recommendation is based on our judgment that investing a portion of our clients’ assets in the Owner-Affiliated Funds is in the best interest of the affected clients; (2) CD&R / Stone Point and the Owner-Affiliated Funds have met the due diligence and performance standards that we apply to outside, unaffiliated investment managers; (3) if the Owner-Affiliated Funds are private funds, then clients will invest in such Owner-Affiliated Funds on a nondiscretionary basis through the completion of subscription documentation; (4) subject to redemption restrictions, we are willing and able to reallocate client assets to other unaffiliated investment vehicles, in part or in whole, if CD&R’s / Stone Point’s services become unsatisfactory in our judgment and at our sole discretion; and (5) we have fully and fairly disclosed the material facts regarding this relationship to you, including in this Brochure, and Mosaic Wealth clients who invest in Owner-Affiliated Funds have given their informed consent to those investments.

### **UPTIQ Credit and Cash Management Solutions**

Mosaic Wealth offers clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions through UPTIQ Treasury & Credit Solutions, LLC (together with UPTIQ, Inc. and its affiliates, “UPTIQ”). These third-party financial institutions are banks and non-banks that offer credit and cash management solutions to our clients, as well as certain other unaffiliated third parties that provide administrative and settlement services to facilitate UPTIQ’s cash management solutions. UPTIQ acts as an intermediary to facilitate our clients’ access to these credit and cash management solutions.

We are a wholly owned subsidiary of Focus Financial Partners, LLC (“Focus”). Focus is a minority investor in UPTIQ, Inc. UPTIQ is compensated by sharing in the revenue earned by such third-party financial institutions for serving our clients. The revenue paid to UPTIQ also benefits UPTIQ Inc.’s investors, including Focus. When legally permissible, UPTIQ also shares a portion of this earned revenue with our affiliate, Focus Solutions Holdings, LLC (“FSH”). For non-residential mortgage loans made to our clients, UPTIQ will share with FSH up to 25% of all revenue it receives from the third-party financial

institutions. For securities-backed lines of credit (“SBLOCs”) made to our clients, UPTIQ will share with FSH up to 75% of all revenue it receives from such third-party financial institutions. For cash management products and services provided to our clients, UPTIQ will share with FSH up to 33% of all revenue it receives from the third-party financial institutions and other intermediaries that provide administrative and settlement services in connection with this program. This earned revenue is indirectly paid by our clients through an increased interest rate charged by the third-party financial institutions for credit solutions or reduced yield paid by the providers of cash management solutions. FSH distributes this revenue to us when we are licensed to receive such revenue (or when no such license is required) and the distribution is not otherwise legally prohibited. This revenue is also revenue for FSH’s and our common parent company, Focus. Additionally, the volume generated by our clients’ transactions allows Focus to negotiate better terms with UPTIQ, which benefits Focus and us. Accordingly, we have a conflict of interest when recommending UPTIQ’s services to clients because of the compensation to us and to our affiliates, FSH and Focus, and the transaction volume to UPTIQ. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering UPTIQ’s solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use UPTIQ’s services will receive product-specific disclosure from the third-party financial institutions and other unaffiliated third-party intermediaries that provide services to our clients.

We have an additional conflict of interest when we recommend credit solutions to our clients because our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidate some or all of the assets we manage.

**Credit Solutions.** Clients retain the right to pledge assets in accounts generally, subject to any restrictions imposed by clients’ custodians. While credit solution programs that we offer facilitate secured loans through third-party financial institutions, clients are free instead to work directly with institutions outside such programs. Because of the limited number of participating third-party financial institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with other banks to negotiate loan terms or obtain other financial arrangements.

Clients should also understand that pledging assets in an account to secure a loan involves additional risk and restrictions. A third-party financial institution has the authority to liquidate all or part of the pledged securities at any time, without prior notice to clients and without their consent, to maintain required collateral levels. The third-party financial institution also has the right to call client loans and require repayment within a short period of time; if the client cannot repay the loan within the specified time period, the third-party financial institution will have the right to force the sale of pledged assets to repay those loans. Selling assets to maintain collateral levels or calling loans may result in asset sales and realized losses in a declining market, leading to the permanent loss of capital. These sales also may have adverse tax consequences. Interest payments and any other loan-related fees are borne by clients and are in addition to the advisory fees that clients pay us for managing assets, including assets that are pledged as collateral. The

returns on pledged assets may be less than the account fees and interest paid by the account. Clients should consider carefully and skeptically any recommendation to pursue a more aggressive investment strategy in order to support the cost of borrowing, particularly the risks and costs of any such strategy. More generally, before borrowing funds, a client should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

We use UPTIQ to facilitate credit solutions for our clients.

**Cash Management Solutions.** For cash management programs, certain third-party intermediaries provide administrative and settlement services to our clients. Engaging the third-party financial institutions and other intermediaries to provide cash management solutions does not alter the manner in which we treat cash for billing purposes. Clients should understand that in rare circumstances, depending on interest rates and other economic and market factors, the yields on cash management solutions could be lower than the aggregate fees and expenses charged by the third-party financial institutions, the intermediaries referenced above, and us. Consequently, in these rare circumstances, a client could experience a negative overall investment return with respect to those cash investments. Nonetheless, it might still be reasonable for a client to participate in a cash management program if the client prefers to hold cash at the third-party financial institutions rather than at other financial institutions (e.g., to take advantage of FDIC insurance).

We use UPTIQ to facilitate cash management solutions for our clients.

### **Focus Risk Solutions**

Mosaic Wealth helps clients obtain certain insurance products from unaffiliated insurance companies by introducing clients to our affiliate, Focus Risk Solutions, LLC ("FRS"), a wholly owned subsidiary of Mosaic Wealth's parent company, Focus Financial Partners, LLC ("Focus"). FRS acts as an intermediary to facilitate our clients' access to insurance products. FRS has agreements with certain third-party insurance brokers (the "Brokers") under which the Brokers assist our clients with regulated insurance sales activity.

If FRS refers one of our clients to a Broker and there is a subsequent purchase of insurance through the Broker, FRS will receive a portion of the upfront and/or ongoing commissions paid to the Broker by the insurance carrier with which the policy was placed. The amount of revenue earned by FRS for the sale of these insurance products will vary over time in response to market conditions. The amount of insurance commission revenue earned by FRS is considered for purposes of determining the amount of additional compensation that certain of our financial professionals are entitled to receive. The amount of revenue earned by FRS for a particular insurance product will also differ from the amount of revenue earned by FRS for other types of insurance products. This revenue is also revenue for our and FRS's common parent company, Focus. Accordingly, we have a conflict of interest when recommending FRS's services to clients because of the compensation to certain of our financial professionals and to our affiliates, FRS and Focus. We address this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FRS solutions to clients on a strictly

nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FRS's services will receive product-specific disclosure from the Brokers and insurance carriers and other unaffiliated third-party intermediaries that provide services to our clients.

The insurance premium is ultimately dictated by the insurance carrier, although in some circumstances the Brokers or FRS may have the ability to influence an insurance carrier to lower the premium of the policy. The final rate may be higher or lower than the prevailing market rate, and may be higher than if the policy was purchased directly through the Broker without the assistance of FRS. We can offer no assurances that the rates offered to the client by the insurance carrier are the lowest possible rates available in the marketplace.

### **Sentinel**

Mosaic Wealth recommends to certain 401(k) clients or prospects the record keeping and third-party administrative services of Sentinel Benefits Group, LLC ("Sentinel"), which is an affiliate as it is also owned by Focus Operating, LLC. However, 401(k) advisory clients receive a proposal directly from, and contract separately with, Sentinel on an arm's-length basis for those services if they so choose. No compensation or financial incentives of any kind are exchanged between Mosaic Wealth and Sentinel with regard to mutual clients.

### **Related Private Fund Manager**

Mosaic Wealth has a business relationship with other Focus firms that is material to Mosaic Wealth's advisory business or to Mosaic Wealth's clients. Under certain circumstances Mosaic Wealth offers clients the opportunity to invest in pooled investment vehicles managed by SCS. SCS provides these services to such clients pursuant to limited liability company agreement or limited partnership agreement documents and in exchange for a fund-level management fee and performance fee paid by clients and not by Mosaic Wealth. SCS, like Mosaic Wealth, is an indirect wholly owned subsidiary of Focus LLC and is therefore under common control with Mosaic Wealth. The allocation of clients' assets to SCS's pooled investment vehicles, rather than to an unaffiliated investment manager, increases SCS's, and indirectly, Focus LLC's, compensation and revenue. As a consequence, Focus LLC has a financial incentive to cause Mosaic Wealth to recommend that clients invest in SCS's pooled investment vehicles, which creates a conflict of interest with Mosaic Wealth clients who invest, or are eligible to invest, in SCS's pooled investment vehicles. More information about Focus LLC can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

Mosaic Wealth believes this conflict is mitigated because of the following factors: (1) this arrangement is based on reasonable belief that investing a portion of Mosaic Wealth's clients' assets in SCS's investment vehicles is in the best interests of the clients; (2) SCS and its investment vehicles have met the due diligence and performance standards that we apply to outside, unaffiliated investment managers; (3) clients will invest in the pooled investment vehicles on a nondiscretionary basis through the completion of subscription documentation; (4) subject to redemption restrictions, Mosaic Wealth is willing and able to reallocate Mosaic Wealth client assets to other unaffiliated or affiliated investment vehicles, in part or in whole, if SCS's services become unsatisfactory in Mosaic Wealth's

judgment and at Mosaic Wealth's sole discretion; and (5) Mosaic Wealth has fully and fairly disclosed the material facts regarding this relationship to clients, including in this Brochure, and Mosaic Wealth clients who invest in SCS's pooled investment vehicles have given informed consent to those investments.

#### **Licensed Insurance Professionals**

Certain managers, members, and registered employees of Mosaic Wealth are licensed insurance agents and may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products of such carriers. Please also be advised that Mosaic Wealth strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with Mosaic Wealth's employing broker-dealer.]

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

As noted in Item 4, the Advisor may implement all or a portion of a client's investment portfolio with one or more third-party separate account managers. The Advisor does not receive any compensation, nor does this present a material conflict of interest. The Advisor will only earn its investment advisory fee as described in Item 5.A.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Mosaic Wealth has adopted policies and procedures designed to detect and prevent insider trading. In addition, Mosaic Wealth has adopted a Code of Ethics (the “Code”). Among other things, the Code includes written procedures governing the conduct of Mosaic Wealth's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Mosaic Wealth. Mosaic Wealth will send clients a copy of its Code of Ethics upon written request.

Mosaic Wealth has policies and procedures in place to ensure that the interests of its clients are given preference over those of Mosaic Wealth, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Mosaic Wealth does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory).

Mosaic Wealth recommends that certain of our clients invest in a private investment fund managed by an affiliated Focus partner firm. Please refer to Items 4, 5 and 10 for additional information.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

Mosaic Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Mosaic Wealth specifically prohibits. Mosaic Wealth has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the Advisor or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Mosaic Wealth's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Mosaic Wealth, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Mosaic Wealth clients. Mosaic Wealth will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Mosaic Wealth to place the clients' interests above those of Mosaic Wealth and its employees.



## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### Custodian Recommendations

Mosaic Wealth may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc., or Fidelity Institutional division of Fidelity Investments (hereinafter collectively referred to as “custodian”), FINRA-registered broker-dealers, members SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although Mosaic Wealth may recommend that clients establish accounts at the custodian, it is the client’s decision to custody assets with the custodian. Mosaic Wealth is independently owned and operated and not affiliated with custodian. For Mosaic Wealth client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Mosaic Wealth considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Mosaic Wealth, Mosaic Wealth will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Mosaic Wealth will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### How We Select Brokers/Custodians to Recommend

Mosaic Wealth seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that provide the most value given a particular client’s needs when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **Client's Custody and Brokerage Costs**

For client accounts that the Advisor maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging either transaction fees or custodian asset-based fees on trades that it executes or that settle into the custodian's accounts. For some accounts, the custodian may charge a percentage of the dollar amount of assets in the account in lieu of commissions. The custodian's commission rates and asset-based fees applicable to the Advisor's client accounts were negotiated based on the Advisor's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates and asset-based fees paid are lower than they would be if the Advisor had not made the commitment. In addition to commissions [or] asset-based fees], the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the Advisor has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the Advisor has the custodian execute most trades for the account.

#### **Soft Dollar Arrangements**

Mosaic Wealth does not utilize soft dollar arrangements. Mosaic Wealth does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **Institutional Trading and Custody Services**

The custodian provides Mosaic Wealth with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

**Other Products and Services**

Custodian also makes available to Mosaic Wealth other products and services that benefit Mosaic Wealth but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Mosaic Wealth's accounts, including accounts not maintained at custodian. The custodian may also make available to Mosaic Wealth software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Mosaic Wealth's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help Mosaic Wealth manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of Mosaic Wealth personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Mosaic Wealth may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Mosaic Wealth. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Mosaic Wealth.

**Additional Compensation Received from Custodians**

Mosaic Wealth may participate in institutional customer programs sponsored by broker-dealers or custodians. Mosaic Wealth may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Mosaic Wealth's participation in such programs and the investment advice it gives to its clients, although Mosaic Wealth receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving Mosaic Wealth participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Mosaic Wealth by third-party vendors

The custodian may also pay for business consulting and professional services received by Mosaic Wealth's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Mosaic Wealth's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Mosaic Wealth but may not benefit its client accounts. These products or services may assist Mosaic Wealth in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Mosaic Wealth manage and further develop its business enterprise. The benefits received by Mosaic Wealth or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Mosaic Wealth also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Mosaic Wealth to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Mosaic Wealth will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Mosaic Wealth's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Mosaic Wealth's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Mosaic Wealth endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Mosaic Wealth or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Mosaic Wealth's recommendation of broker-dealers for custody and brokerage services.

**The Advisor's Interest in Custodian's Services**

The availability of these services from the custodian benefits the Advisor because the Advisor does not have to produce or purchase them. The Advisor does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. Custodian's services may give the Advisor an incentive to recommend that clients maintain their accounts with the custodian based on the Advisor's interest in receiving the custodian's services that benefit the Advisor's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The Advisor believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the Advisor.

**Brokerage for Client Referrals**

Mosaic Wealth does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

**Directed Brokerage****Mosaic Wealth Recommendations**

Mosaic Wealth typically recommends Fidelity or Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

**Client-Directed Brokerage**

Occasionally, clients may direct Mosaic Wealth to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Mosaic Wealth derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Mosaic Wealth loses the ability to aggregate trades with other Mosaic Wealth advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

**B. Aggregating Securities Transactions for Client Accounts****Best Execution**

Mosaic Wealth may recommend that clients establish brokerage accounts with Fidelity or Schwab to maintain custody of clients' assets and to effect trades for their accounts. Such accounts will be prime broker eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's current custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. Fidelity or Schwab charges a "trade away" fee which is charged against the client account for each trade away occurrence. Other custodians have

their own policies concerning prime broker accounts and trade away fees. Clients are directed to consult their current custodian for their policies and fees.

Mosaic Wealth, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of such securities, the executing broker, and the commission rates to be paid to effect such transactions. Mosaic Wealth recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Mosaic Wealth will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Mosaic Wealth seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Mosaic Wealth's knowledge, these custodians provide high-quality execution, and Mosaic Wealth's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Mosaic Wealth believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Security Allocation**

Since Mosaic Wealth may be managing accounts with similar investment objectives, Mosaic Wealth may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Mosaic Wealth in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Mosaic Wealth's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Mosaic Wealth will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Mosaic Wealth's advice to certain clients and entities and the action of Mosaic Wealth for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Mosaic Wealth with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Mosaic Wealth to or on behalf of other clients.

### **Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Mosaic Wealth believes that a larger size block trade would lead to best overall price for the security being transacted.

### **Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Mosaic Wealth acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Mosaic Wealth determines that such arrangements are no longer in the best interest of its clients.

### **Trade Errors**

From time to time, Mosaic Wealth may make an error in submitting a trade order on the client's behalf. When this occurs, Mosaic Wealth may place a correcting trade with the broker-dealer. If an investment gain results from the correcting trade, the gain will remain

in client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for client to retain the gain, or Mosaic Wealth confers with client and client decides to forego the gain (e.g., due to tax reasons).

If the gain does not remain in client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Mosaic Wealth will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in client's account, they may be "netted."

If the gain does not remain in client's account and Fidelity is the custodian, any gains are given to charity. If there are any losses, Mosaic Wealth will cover the loss.



**Item 13: Review of Accounts****A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Securities in client accounts are monitored on a regular and ongoing basis by the Chief Investment Officer, or a Principal of Mosaic Wealth. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

For those clients that engage for investment consulting services as part of its wealth management services, such reviews are conducted on an "as needed" basis.

All clients are encouraged to discuss their needs, goals, and objectives with Mosaic Wealth and to keep Mosaic Wealth informed of any changes thereto. Mosaic Wealth contacts ongoing advisory 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.

**B. Review of Client Accounts on Non-Periodic Basis**

In addition to the investment monitoring noted in Item 13.A. above, each client account shall be reviewed at least annually. Reviews may be conducted more frequently at the client's request. Accounts may be reviewed as a result of major changes in economic conditions, known changes in the client's financial situation, and/or large deposits or withdrawals in the client's account[s]. The client is encouraged to notify Mosaic Wealth if changes occur in the client's personal financial situation that might adversely affect the client's investment plan. Additional reviews may be triggered by material market, economic or political events.

Mosaic Wealth may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Mosaic Wealth formulates investment advice.

**C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Mosaic Wealth.

The Advisor may also provide clients with periodic reports regarding their holdings, allocations, and performance.

## Item 14: Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

#### Participation in Institutional Advisor Platform (Fidelity)

Mosaic Wealth has established an institutional relationship with Fidelity to assist the Advisor in managing client account[s]. Access to the Fidelity Institutional platform is provided at no charge to the Advisor. The Advisor receives access to software and related support without cost because the Advisor renders investment management services to clients that maintain assets at Fidelity. The software and related systems support may benefit the Advisor, but not its clients directly. In fulfilling its duties to its clients, the Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits from a custodian creates a conflict of interest since these benefits may influence the Advisor's recommendation of this custodian over one that does not furnish similar software, systems support, or services.

Additionally, the Advisor may receive the following benefits from Fidelity: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. The Advisor will also receive credits from Fidelity that can be used toward qualifying third-party service providers used in connection with the initial set up of the Advisor's research technology, software platforms, as well as offsetting client transfer/close out fees for the Denver office.

#### Participation in Institutional Advisor Platform (Schwab)

Mosaic Wealth has also established an institutional relationship with Schwab through its "Schwab Advisor Services" unit, a division of Schwab dedicated to serving independent advisory firms like Mosaic Wealth. As a registered investment advisor participating on the Schwab Advisor Services platform, Mosaic Wealth receives access to software and related support without cost because the Advisor renders investment management services to clients that maintain assets at Schwab. Services provided by Schwab Advisor Services benefit the Advisor and many, but not all services provided by Schwab will benefit clients. In fulfilling its duties to its clients, the Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits from a custodian creates a conflict of interest since these benefits may influence the Advisor's recommendation of this custodian over one that does not furnish similar software, systems support, or services.

Services that Benefit the Client – Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client's funds and securities. Through Schwab, the Advisor may be able to access certain investments and asset classes that the client would not be able to obtain directly or

through other sources. Further, the Advisor may be able to invest in certain mutual funds and other investments without having to adhere to investment minimums that might be required if the client were to directly access the investments.

Services that May Indirectly Benefit the Client – Schwab provides participating advisors with access to technology, research, discounts and other services. In addition, the Advisor receives duplicate statements for client accounts, the ability to deduct advisory fees, trading tools, and back-office support services as part of its relationship with Schwab. These services are intended to assist the Advisor in effectively managing accounts for its clients but may not directly benefit all clients.

Services that May Only Benefit the Advisor – Schwab also offers other services to Mosaic Wealth that may not benefit the client, including educational conferences and events, consulting services, and discounts for various service providers. Access to these services creates a financial incentive for the Advisor to recommend Schwab, which results in a conflict of interest. Mosaic Wealth believes, however, that the selection of Schwab as custodian is in the best interests of its clients.

### **Referrals to Other Investment Advisors**

When deemed to be in the client's best interest, Mosaic Wealth may refer clients to other investment advisors. In such arrangements, Mosaic Wealth has a conflict of interest in that Mosaic Wealth will receive a portion of the other investment advisor's fee collected from the client for the referral of the client and the ongoing relationship management support provided by Mosaic Wealth. Mosaic Wealth will provide each solicited client with a promoter disclosure and the other investment advisor's Form ADV Part 2A Disclosure Brochure. Clients are under no obligation to engage the services of other investment advisors.

### **Focus Financial Partners**

Mosaic Wealth's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Mosaic Wealth, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Mosaic Wealth. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Mosaic Wealth. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Mosaic Wealth to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Mosaic Wealth. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entity has provided conference sponsorship to Focus from January 1, 2023, to March 1, 2024:

Orion Advisor Technology, LLC  
Fidelity Brokerage Services LLC  
Fidelity Institutional Asset Management LLC  
TriState Capital Bank  
StoneCastle Network, LLC  
Charles Schwab & Co., Inc.

**B. Advisory Firm Payments for Client Referrals**

Mosaic Wealth does not pay for client referrals.

## Item 15: Custody

Mosaic Wealth is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The Advisor has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

An investment adviser representative of Mosaic Wealth serves in a finance and treasury capacity for an advisory client of Mosaic Wealth. As such, Mosaic Wealth is deemed to have

custody of client assets and therefore subject to a surprise annual audit by an independent certified public accounting firm.

**Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Mosaic Wealth with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Mosaic Wealth will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the executing broker to be used, and the amount of commissions to be paid. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, Mosaic Wealth may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

## Item 17: Voting Client Securities

Mosaic Wealth does not take discretion with respect to voting proxies on behalf of its clients. All proxy material will be forwarded to the client by the client's custodian for the client's review and action. Clients may contact the Advisor with questions regarding proxies they have received.

Mosaic Wealth will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Mosaic Wealth supervised and/or managed assets. In no event will Mosaic Wealth take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Mosaic Wealth will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Mosaic Wealth has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Mosaic Wealth also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Mosaic Wealth has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Mosaic Wealth receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.



## Item 18: Financial Information

### **A. Balance Sheet**

Mosaic Wealth does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Mosaic Wealth does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.