

**Brochure**

**Form ADV Part 2A**

**Item 1 - Cover Page**



**CRD# 142793**

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**February 9, 2024**

This Brochure provides information about the qualifications and business practices of Mosaic Wealth Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (404) 405-8080 or [mhudgins@mosaicw.com](mailto:mhudgins@mosaicw.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Mosaic Wealth Management, LLC is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about Mosaic Wealth Management, LLC also is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

## **Item 2 - Material Changes**

This Brochure is prepared in the revised format required beginning in 2011. Registered Investment Advisers are required to use this format to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include providing a Summary of Material Changes (the "Summary") reflecting any material changes to our policies, practices, or conflicts of interest made since our last required "annual update" filing. In the event of any material changes, such Summary is provided to all clients within 120 days of our fiscal year-end. Our complete Brochure is available to clients at any time upon request.

The following material changes have been made since the firm last filed an annual update on February 28, 2023.

- An explanation is provided in Item 5 for how the firm's client account valuations may differ from custodial records.

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#### ***Item 4 - Advisory Business***

##### **General Information**

Mosaic Wealth Management, LLC ("MWM") was formed in 2007 and provides financial planning and portfolio management services to its clients.

Matthew J. Hudgins is the sole principal owner of MWM. Please see ***Brochure Supplement***, Exhibit A, for more information on Mr. Hudgins.

As of December 31, 2023, MWM managed \$167,071,271 on a discretionary basis, and no assets on a non-discretionary basis.

#### **SERVICES OFFERED**

At the outset of each client relationship, MWM spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and reviewing options for the client. Based on its reviews, MWM generally develops with each client:

- a financial outline for the client based on the client's financial circumstances and goals, and the client's risk tolerance level (the "Financial Profile" or "Profile"); and
- the client's investment objectives and guidelines (the "Investment Plan" or "Plan").

The Financial Profile is a reflection of the client's current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments MWM will make or recommend on behalf of the client to meet those goals. The Profile and the Plan are discussed regularly with each client but are not necessarily written documents.

With respect to any account for which MWM meets the definition of a fiduciary under Department of Labor rules, MWM acknowledges that both MWM and its Related Persons are acting as fiduciaries. Additional disclosure may be found elsewhere in this Brochure or in the written agreement between MWM and Client.

##### **Financial Planning**

MWM offers limited financial planning services to those clients in need of such service in conjunction with Portfolio Management services. MWM's limited financial planning services normally address areas such as general cash flow planning, retirement planning, and insurance analysis. The goal of this service is to assess the financial circumstances of the client to more effectively develop the client's Investment Plan. Financial planning is occasionally offered as a stand-alone service or for a separate fee but is typically provided in conjunction with the management of the portfolio.

##### **Portfolio Management**

As described above, at the beginning of a client relationship, MWM meets with the client, gathers information, and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by MWM based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, MWM will manage the client's investment portfolio on a discretionary or a non-discretionary basis. As a discretionary investment adviser, MWM will have the authority to supervise and direct the portfolio without prior consultation with the client. Under

a non-discretionary arrangement, clients must be contacted prior to the execution of any trade in the account(s) under management. This can result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on MWM in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ, and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of MWM.

## ***Item 5 - Fees and Compensation***

### **General Fee Information**

Fees paid to MWM are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third-party consultants. Please see ***Item 12 - Brokerage Practices*** for additional information. Fees paid to MWM are also separate and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, MWM and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

### **Portfolio Management Fees**

The annual fee schedule, based on a percentage of assets under management, is as follows:

First \$500,000	1.25%
Next \$2,500,000	1.00%
Over \$3,000,000	0.75%

Accordingly, as an example, if an account is valued at \$750,000, the first \$500,000 would be charged 1.25% annually, while the balance of \$250,000 would be assessed the lower fee of 1.00% per year.

The minimum account size is generally set at \$500,000. The minimum annual fee for a managed portfolio is \$6,250. MWM may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where MWM deems it appropriate under the circumstances.

Portfolio management fees are generally payable quarterly, in advance, and are calculated based on the value of the portfolio on the last day of the prior quarter. If management begins after the start of a quarter, fees will be prorated accordingly. With client authorization and unless other arrangements are made fees are normally debited directly from client account(s).

The value of billable quarterly assets may differ from the custodial statements due to many factors, including late posting of dividend and interest payments. However, the value of billable quarterly assets is based on the custodian's own information and is believed to be the more accurate method.

Please note that any discrepancies between the custodial statements and the billable quarterly assets will be resolved as soon as possible. The advisor will work with the custodian to ensure that all discrepancies are resolved in a timely manner.

Here's why the numbers may not match:

- Some mutual funds distribute dividends late – meaning dividends earned in the previous month arrive in the downloads after the month has ended with a trade date in the previous month. The PortfolioCenter market value includes these late dividends. Brokerage statements do not.
- The actual ending value has changed since the statement was printed. For instance, if a trade error, a corrected dividend or a refunded fee crosses the end of the month, the statement will not reflect the correction, but PortfolioCenter will.
- The number of decimal places used in prices may vary. Most statements use 2 digits after the decimal on their statements while PortfolioCenter can take the prices out to 4 digits after the decimal.
- PortfolioCenter always calculates the value based on the trade date while some statements calculate the value based on the settlement date. If a trade crosses the end of a month, the brokerage statement will omit it, while PortfolioCenter will include it.
- A few statements use the prices of the last Friday of the month to calculate their ending value. PortfolioCenter uses prices from the last business day of the month.
- A few statements round their share quantities to the nearest whole number even though fractional shares are held in the account. PortfolioCenter does not round share quantities.

Either MWM or the client may terminate their Investment Advisory Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to MWM from the client will be invoiced or deducted from the client's account prior to termination.

#### Fees Based on Clients' Use of Margin

For clients that use margin, the advisory fees are still based on the percentage of assets under management, regardless of the net value of the account. The following are two examples to illustrate how this work:

- a) Client A has \$2,000,000 of assets under management and takes out a \$200,000 margin loan to pay off a debt to a third party. So, while the loan is outstanding, the client could only access \$1,800,000 of their portfolio, but the Company is still managing the full \$2,000,000 and thus the advisory fee will be based on the full \$2,000,000 of assets under management.
- b) Client B has \$2,000,000 of assets under management and uses margin to purchase an additional \$200,000 of securities they want the Company to manage. The fee in this case will still be based on the \$2,000,000 of assets under management figure despite the client having borrowed from the custodian to purchase the additional \$200,000 of securities which takes their account value to \$2,200,000.

#### Wrap Programs Fees

MWM's fees are charged separately from and in addition to Wrap Program fees.

### Financial Planning Fees

MWM provides limited financial planning services to its clients. Fees for these services are individually negotiated at the time of the engagement for such services and are normally a fixed fee. Among other factors, the fee is typically based on the scope, term and complexity of the requested services. The planning fee is payable upfront at the time of the engagement. If the client engages MWM for portfolio management services within four months of entering into the planning agreement, the client will receive a credit of one half of the planning fee toward the first year's advisory fees.

### Project/Consulting Fees

MWM may engage in consulting work beyond financial planning with businesses seeking services on an ad hoc basis. Compensation for said activities will be mutually agreed upon in writing. The cost of said services will be impacted by the scope, term and complexity of the requested services. These fees will be paid at the beginning of the engagement. If said engagement extends beyond a quarter, the client will be billed quarterly going forward to avoid a situation where a client pays over \$1,200 more than 6 months in advance.

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

MWM does not have any performance-based fee arrangements. "Side-by-Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because MWM has no performance-based fee accounts, it has no side-by-side management.

### ***Item 7 - Types of Clients***

MWM serves individuals, trusts, pension plans, and estates. With some exceptions, the minimum account size eligible for conventional investment advisory services is \$500,000, and the annual minimum fee charged is \$6,250. Under certain circumstances and in its sole discretion, MWM may negotiate such minimums.

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

#### Methods of Analysis

Each client has a unique blend of investments, but a typical portfolio may include domestic and international stocks, mutual funds, or exchange traded funds, individual bonds or bond mutual funds, absolute return strategies, real estate, and commodities. MWM continually searches for alternative or partnership-type investment opportunities and may present them to clients if suitable.

In selecting individual stocks for an account, MWM generally applies traditional fundamental analysis including, without limitation, the following factors:

- Financial strength ratios
- Price-to-earnings ratios
- Dividend yields; and
- Growth rate-to-price earnings ratios

MWM will incorporate other methods of analysis, such as:

**Charting Analysis** – involves gathering and processing price and volume information for a particular security. MWM’s charting analysis includes, without limitation:

- mathematical analysis
- graphing charts and estimations of future price movements based on perceived patterns and trends

**Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

**Cyclical Analysis** – is a type of technical analysis that involves evaluating recurring price patterns and trends.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, without limitation, past performance, fee structure, portfolio manager, fund sponsor, overall ratings for safety and returns, and other factors. Institutional shares will be used when possible.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. MWM will generally evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

**Investment Strategies:**

MWM’s strategic approach is to invest each portfolio in accordance with the Plan that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client’s individual circumstances.

**Long Term Purchases** – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Short Term Purchases** – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities’ short-term price fluctuations.

**Short Sales** – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

**Margin Transactions** – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

**Options Trading/Writing:** a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.



### Risk of Loss

While MWM seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While MWM manages client investment portfolios based on MWM's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that MWM allocates client assets to individual securities and/or asset classes that are adversely affected by unanticipated market movements, and the risk that MWM's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, MWM may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* MWM may invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* MWM may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* MWM may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value

of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Short-term Purchases Risks.* While MWM generally purchase securities with the intent to hold them for more than a year, it may on occasion determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

*Options Risk.* A small investment in options could have a potentially large impact on an investor's performance. The use of options involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that a hedging technique will fail if changes in the value of a derivative held by an investor do not correlate with the securities being hedged.

*Short Selling Risk.* When an investor makes a short sale, the investor will often borrow the security sold short and deliver the security to the broker-dealer through which the investor made the short sale as collateral for the investor's obligation to deliver the security upon conclusion of the investment. In connection with short sales of securities, the investor may pay a fee to borrow securities or maintain an arrangement with a broker to borrow securities and is often obligated to pay over any accrued interest and dividends on such borrowed securities. At the conclusion of the investment, the investor will purchase an amount of the security sold short for delivery to the broker-dealer or pay an equivalent amount in cash to close out the trade. If the price of the security sold short increases between the time of the short sale and the time that the investor closes out the trade, the investor will incur a loss; conversely, if the price declines, the investor will realize a capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Accordingly, it is possible that a client selling short may lose more than the initial amount invested in the short sale, and the amount of such loss is theoretically unlimited.

*Margin Risk.* Mosaic does not use margin as an investment strategy. However, clients may elect to borrow funds against their investment portfolio. When securities are purchased, they may be paid for in full or the client may borrow part of the purchase price from the account custodian. If a client borrows part of the purchase price, the client is engaging in margin transactions and there is risk involved with this. The securities held in a margin account are collateral for the custodian that loaned the client money. If those securities decline in value, then the value of the collateral supporting the client's loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in the client's account. The brokerage firm may issue a margin call and/or sell other assets in the client's account to accomplish this. It is important that clients fully understand the risks involved in trading securities on margin, including but not limited to:

- It is possible to lose more funds than is deposited into a margin account
- The account custodian can force the sale of assets in the account
- The account custodian can sell assets in the account without contacting the client first
- The account holder is not entitled to choose which assets in a margin account may be sold to meet a margin call
- The account custodian can increase its "house" maintenance margin requirements at any time without advance written notice; and
- The account holder is not entitled to an extension of time on a margin call

Margin accounts are available to clients who wish to use them. The decision to use margin is solely the client's choice. Margin accounts must maintain a certain margin ratio at all times. If the account value falls below this limit, the client receives a margin call. A margin call is a demand for a deposit of more cash or a sale of securities in the account to bring the account value back within the limits. Clients who choose to use margin should carefully review the margin agreement before signing it. The agreement outlines that borrowing money from a broker-dealer through a margin account allows investors to increase their purchasing and trading power but comes with a periodic interest rate that the investor must pay to keep it active.

It is important to note that if margin funds are used, the advisor still bills on the total assets under management, not the "net" assets after subtracting the negative margin balance.

Clients should be aware that a conflict of interest arises when margin is used for outside purposes, such as home improvement, purchasing a home, etc. In this scenario, MWM would still bill the client on the total assets under advisory, not the net after the margin balance. This means that the client would pay the same amount of fees as before the margin was taken out of the account.

#### ***Item 9 - Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of MWM or the integrity of MWM's management. MWM has no disciplinary events to report.

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

Matthew Hudgins, MWM's President, also owns and operates Parliament Capital LLC, a business coaching and consulting firm. Parliament Capital LLC serves a client base of business owners and its mission is to teach individuals how to run a business more efficiently and to maximize profits. Mr. Hudgins generally does not recommend these business coaching and consulting services to MWM advisory clients; however, clients of Parliament Capital LLC may decide to become a client of MWM. Parliament Capital LLC provides its services for separate and typical compensation.

Hudgins also owns Dental Independence Services, LLC, a business consulting firm. This entity has neither clients nor revenue and is scheduled to be closed in the near term. Hudgins also partnered with Open Door Dental, LLC where he owns a 20% ownership stake. This is a dental consulting practice designed to assist firms in gaining efficiencies and profits through consulting and negotiated group discounts. Hudgins' role is that of a business strategist/adviser, where he engages in consulting and negotiating group discounts. No MWM clients are involved in any capacity with Open Door Dental, LLC and no effort is made to solicit MWM to become involved with this outside activity.

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

##### **Code of Ethics and Personal Trading**

MWM has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. MWM's Code has several goals. First, the Code is designed to assist MWM in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, MWM owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with MWM (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for MWM's associated persons. Under the Code's Professional Standards, MWM expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, MWM associated persons are not to take inappropriate advantage of their positions in relation to MWM clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, MWM's associated persons may invest in the same securities recommended to clients. Under its Code, MWM has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

As outlined above, MWM has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of any identified potential trading conflicts of interest, MWM's goal is to place client interests first.

Consistent with the foregoing, MWM maintains policies regarding participation in initial public offerings ("IPOs") and private placements in order to comply with applicable laws and avoid conflicts with client transactions.

Finally, if associated persons trade with client accounts (i.e., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with MWM's written policy.

### ***Item 12 - Brokerage Practices***

#### Best Execution and Benefits of Brokerage Selection

When given discretion to select the brokerage firm that will execute orders in client accounts, MWM seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, MWM may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third-party research (or any combination) and may be used in servicing any or all of MWM's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

MWM recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of clients' assets. MWM will also effect trades for client accounts at Schwab, or may in some instances, consistent with

MWM's duty of best execution and specific agreement with each client, elect to execute trades elsewhere. Although MWM may recommend that clients establish accounts at Schwab, it is ultimately the client's decision to custody assets with Schwab. MWM is independently owned and operated and is not affiliated with Schwab.

Schwab Advisor Services provides MWM with access to its institutional trading, custody, reporting and related services, which are typically not available to Schwab retail investors. Schwab also makes available various support services. Some of those services help MWM manage or administer our clients' accounts while others help MWM manage and grow our business. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them. These services are not soft dollar arrangements but are part of the institutional platform offered by Schwab. Schwab'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.

For MWM client accounts maintained in its custody, Schwab 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 Schwab or that settle into Schwab accounts. Schwab Advisor Services also makes available to MWM other products and services that benefit MWM 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 MWM accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist MWM in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide pricing and other market data; (iv) facilitate payment of MWM's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help MWM manage and further develop its business enterprise. These services may include: (i) technology, compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to MWM. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to MWM. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of MWM personnel. In evaluating whether to recommend that clients custody their assets at Schwab, MWM 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 on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### Directed Brokerage

MWM does not generally allow directed brokerage accounts.

#### Aggregated Trade Policy

MWM typically directs trading in individual client accounts as and when trades are appropriate based on the client's Investment Plan, without regard to activity in other client accounts. However, from time to time, MWM may aggregate trades together for multiple client accounts, most often when these accounts are being directed to sell the same securities. If such an aggregated trade is not completely filled, MWM will allocate shares received (in an aggregated purchase) or sold (in an aggregated sale) across participating accounts on a pro rata or other fair basis; provided, however,

that any participating accounts that are owned by MWM or its officers, directors, or employees will be excluded first.

### ***Item 13 - Review of Accounts***

Managed portfolios are reviewed at least quarterly but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by MWM. These factors generally include but are not limited to, the following: change in general client circumstances (marriage, divorce, retirement); or economic, political or market conditions. Matthew Hudgins, MWM's President, reviews all accounts.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. In addition, MWM provides at least an annual report for each managed portfolio. This written report normally includes a summary of portfolio holdings and performance results. Additional reports are available at the request of the client.

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

As noted above, MWM receives an economic benefit from Schwab in the form of support products and services it makes available to MWM and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described in ***(Item 12 - Brokerage Practices)***. The availability of Schwab's products and services to MWM is based solely on our participation in the program, and not on the provision of any particular investment advice.

From time to time, MWM may enter into arrangements with third parties ("Promoters") to identify and refer potential clients to MWM. Consistent with legal requirements under the Investment Advisers Act of 1940, as amended, MWM enters into written agreements with Promoters under which, among other things, Promoters are required to disclose their compensation arrangements to prospective clients before they enter into an agreement with MWM.

### ***Item 15 - Custody***

Schwab is the custodian of nearly all client accounts at MWM. From time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify MWM of any questions or concerns. Clients are also asked to promptly notify MWM if the custodian fails to provide statements on each account held.

From time to time and in accordance with MWM's agreement with clients, MWM will provide additional reports. Clients are urged to compare the account balances, transactions and other information reflected on these reports to the information shown on their brokerage account statements to ensure accuracy. At times, there may be small differences due to the timing of dividend reporting, pending trades, and other similar issues.

#### ***Item 16 - Investment Discretion***

As described in ***Item 4 - Advisory Business***, MWM will accept clients on either a discretionary or non-discretionary basis. For *discretionary accounts*, a Limited Power of Attorney ("LPOA") is executed by the client, giving MWM the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and the withdrawal of advisory fees directly from the account. MWM then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with MWM and the requirements of the client's custodian.

For *non-discretionary accounts*, the client also generally executes an LPOA, which allows MWM to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the investment advisory agreement between MWM and the client, MWM does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to MWM's agreement with the client and the requirements of the client's custodian.

#### ***Item 17 - Voting Client Securities***

As a policy and in accordance with MWM's agreement, MWM does not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client. Clients may contact MWM with questions relating to proxy matters; however, MWM does not generally perform detailed research regarding proxy voting options.

#### ***Item 18 - Financial Information***

MWM does not require nor solicit prepayment of more than \$1200 in fees per client, six months or more in advance, and therefore has no disclosure required for this item.

#### ***Item 19 - Requirements for State-Registered Advisers***

This section is not applicable because the firm is registered with the Securities and Exchange Commission.