



**Item 1 Cover Page**

# MOSAIC ADVISORS, LLC

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This Brochure provides information about the qualifications and business practices of Mosaic Advisors, LLC [Mosaic Advisors, us, we or our]. When we use the words “you”, “your” and “client” we are referring to you as our client or our prospective client. We use the term “Associated Person” when referring to our officers, employees, and all individuals providing investment advice on behalf of Mosaic Advisors. If you have any questions about the contents of this Brochure, please contact Carey Kesner, Chief Compliance Officer, at (713) 980-4100 or [carey@mosaicadvisors.com](mailto:carey@mosaicadvisors.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Mosaic Advisors is a registered investment adviser. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Mosaic Advisors, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Mosaic Advisors as your adviser.

Additional information about Mosaic Advisors (CRD # 164913) is available Securities and Exchange Commission’s (“SEC”) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated or registered with, and or required to be registered, as investment adviser representatives of Mosaic Advisors.

## **Item 2 Material Changes**

Please note that the changes and modifications to this Brochure that are set forth below reflect all of the “material changes” made to this brochure since our last delivery or posting of the Brochure on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Material Changes:**

- Item 4 – Advisory Business: The firm amended description of Services Offered
- Item 5 – Fees : Fee range has been updated for Financial Planning Fees

We will provide new clients with a Brochure before or at the time we enter into an advisory relationship. We will deliver to our clients, within 120 days of the end of each fiscal year, a free, updated Brochure that either includes or is accompanied by a summary of material changes. Alternatively, we may deliver a summary of material changes that includes an offer to provide a copy of the updated Brochure and information on how our clients may obtain the Brochure.

Currently, our Brochure may be requested by contacting Carey Kesner, Chief Compliance Officer at (713) 980-4100 or [carey@mosaicadvisors.com](mailto:carey@mosaicadvisors.com) or visiting our website at [www.mosaicadvisors.com](http://www.mosaicadvisors.com).

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## Item 4 Advisory Business

### Overview

Mosaic Advisors is an Investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940 (the “Advisers Act”) that specializes in comprehensive wealth management services for successful families, business owners and corporate executives. Mosaic Advisors is located in Houston, Texas and was founded in 2012.

### Ownership

Mosaic Advisors, LLC is owned by Mosaic Wealth Partners, LLC. The members and owners of Mosaic Wealth Partners are Jay Goldberg, Brandon Henry and Carey Kesner.

### Services Offered

Mosaic Advisors provides financial and business planning services and also wealth advisory services by managing investment advisory accounts. Mosaic Advisors provides a number of specific advisory programs and services in the following areas:

- Financial planning services; and
- Business planning services; and
- Investment advisory services; and
- Family Office Services

Each service involves different custodial and administrative services and fee arrangements.

### Financial Planning

Mosaic Advisors provides comprehensive financial planning which may encompass:

- Estate Planning
- Asset Protection Planning
- Audit of Current Documents
- Stock Option Analysis
- Concentrated Stock Analysis
- Education Planning
- Charitable Planning
- Life Insurance Analysis
- Review / Outline Current Plan
- Cash Flow Analysis
- Income & Expense Modeling
- Business Succession Planning
- Asset Allocation Analysis
- Retirement Planning
- Asset Direction & Continuity Planning
- Survivor Analysis
- Family Stewardship & Legacy Planning
- Titling Audit

The financial plan will be summarized in a written document reflecting your personal and business objectives and may include recommendations and potential action items intended to help you achieve your stated goals.

To assist us in creating your plan, you or your professional advisors (e.g., Accountant, Attorney, Banker, CFO) will provide us with financial, business, and personal data necessary to prepare the plan. This data is gathered through a review of existing documents, completion of written forms, and interviews with us. We will analyze the information provided, evaluate your ability to meet individual objectives, make observations, and identify problems or recommendations for your consideration. On the basis of the data provided and your plan objectives, we will prepare and present a plan in accordance with your previously identified goals and objectives. We are also available to help with plan implementation should you choose.

### **Ongoing Annual Plan Management & Maintenance**

After the delivery of your original plan, you may choose to engage us to perform plan updates and / or provide ongoing “plan maintenance and management” such as team meetings, foundation meetings, partnership meetings, family legacy meetings, or other similar types of meetings. This will require executing a new financial planning engagement letter which outlines an ongoing annual fee for these services. The potential fee will be determined by the scope of work to be performed and the complexity of your plan.

### **Family Office Services**

Upon a client’s request, Mosaic Advisors may provide other services to assist its clients, such as bookkeeping, financial reporting, account reconciliation, collection and scanning of mail, payroll and expense reports for household employees. The scope of the engagement is defined individually. All Family Office Services and the fees for these services shall be rendered pursuant to a written agreement describing the scope of services to be rendered and the fees to be charged, and must be signed by the parties.

### **Investment Advisory Services**

Mosaic Advisors provides investment advisory and consulting services to individuals, trusts, estates and charitable organizations. Investment advice and portfolio management services are provided on a continuing basis including the appropriate allocation of managed assets among cash, stocks, mutual funds and bonds. This selection of specific securities will provide proper diversification and help to meet the client’s stated investment objectives, although you may impose restrictions on us with respect to investing in certain securities or types and classes of securities. These portfolio management services include the following services:

- Portfolio management services for individuals
- Portfolio management services for private and public companies
- Portfolio management services for trusts
- Portfolio management services for endowments and foundations
- Portfolio management services for Registered Investment Advisors
- Portfolio management for institutional clients (other than investment companies)

### **Assets under Management**

As of December 2016, Mosaic Advisors has \$159,128,157 in assets under management, \$93,330,681 on a discretionary basis and \$65,797,476 on a non-discretionary basis.

### **Third Party Relationships**

Other third parties would include broker-dealers, investment companies, mutual funds, banking institutions, insurance agencies, accounting firms, law firms, real estate brokers, pension consultants, valuation firms, and other investment advisors.

### **Education**

All personnel of Mosaic Advisors are expected to have education and business backgrounds that enable them to perform their respective responsibilities effectively. In assigning responsibilities, we consider academic background (including studies in college and graduate schools, as well as degrees earned), industry training, licenses and certifications. Work experience in a related field, such as investments, commodities, insurance, financial planning, banking or accounting, is also considered. No formal, specific standards have been set, but appropriate education and experience are required. See ADV Form Part 2B for additional information.

## **Item 5 Fees and Compensation**

### **Type of Compensation**

#### **Financial Planning Fees**

Financial planning fees are typically broken into two distinct services – Due Diligence Service and Financial Planning Services. Our Due Diligence Service is a stand-alone offering and provides a thorough look of your financial and business life. This approach affords valuable insights into the inner workings of your financial/business plan and puts into context the which could negatively impact your ability to preserve or enhance your wealth. Fees for this service range from \$5,000 to \$25,000. Financial Planning services are offered on a fixed price project basis. Fees for such services are negotiable, and range from \$10,000 to \$100,000, based on the complexity of your portfolio, estate value, complexion of assets, net worth, planning goals and family dynamics. This fee is due as outlined in our Financial Planning Engagement letter, or before the financial planning process begins, unless otherwise agreed to in writing. The fee shall be fully earned and non-refundable upon delivery of the initial written plan.

Additionally, our compensation for planning services does not include any legal, tax, valuation, or other professional services fees, which may be necessary to implement your financial plan. Licensed tax, legal and valuation advisors may be required for ultimate implementation and these fees are separate and apart from our Engagement agreement and payable directly to each respective vendor. Our advice is not ongoing, and may terminate upon delivery of the financial plan to you.

#### **Investment Advisory Fees**

Mosaic Advisors is compensated by a percentage of assets under management. Based upon the billing platform utilized, the advisory fee is payable either quarterly, in advance or in arrears, or monthly in arrears. For accounts billed in arrears, the advisory fee will be a percentage of the average daily market value of all assets in the Account during the respective billing period. With respect to accounts that are billed quarterly in advance, the advisory fee will be based upon a percentage of the value of all assets in the Account on the last business day of the previous quarter. In any partial calendar quarter or month, the advisory fee will be prorated based on the number of days that the account was open during the respective period. Our fees are negotiable at our discretion, which can result in different fees being charged for accounts similar in makeup and objectives. In making a final decision on the fee negotiated and the billing platform utilized, a number of factors are taken into consideration, including other accounts related to, or affiliated with you, the securities held in the investment portfolio, investment objectives, the total assets under management on an aggregate basis and other factors that are deemed at the time to be relevant. The fee schedule range is generally set forth below for all Model Portfolios and all Equity Income Portfolios.



## Discretionary Accounts

Model Portfolio			Equity Income		
Tiered Fee Schedule	Annual Fee		Tiered Fee Schedule	Annual Fee	
\$0 - \$2,500,000	1.00%		\$0 - \$2,500,000	1.10%	
\$2,500,001 - \$5,000,000	0.75%		\$2,500,001 - \$5,000,000	1.00%	
\$5,000,001 - \$7,500,000	0.60%		\$5,000,001 - \$7,500,000	0.90%	
\$7,500,001 - \$10,000,000	0.50%		\$7,500,001 - \$10,000,000	0.80%	
\$10,000,001 - \$15,000,000	0.45%		\$10,000,001 - \$15,000,000	0.80%	
\$15,000,001 - \$20,000,000	0.40%		\$15,000,001 - \$20,000,000	0.70%	
\$20,000,001 - \$30,000,000	0.35%		\$20,000,001 - \$30,000,000	0.65%	
\$30,000,001 - \$40,000,000	0.30%		\$30,000,001 - \$40,000,000	0.60%	
\$40,000,001 - \$50,000,000	0.25%		\$40,000,001 - \$50,000,000	0.55%	
\$50,000,001 - +	0.20%		\$50,000,001 - +	0.50%	

## Non-Discretionary Accounts

In general, the annual Advisory Fee for Non-Discretionary Accounts range from 0.10% to 1% of the asset value. The ultimate Advisory Fee negotiated for non-discretionary accounts is based upon a number of factors, including the anticipated transaction activity, other accounts related to, or affiliated with you, the securities held in the investment portfolio, investment objectives and goals, the total assets under management on an aggregate basis and other factors that are deemed at the time to be relevant.

## Family Office Fees

Family Office services are offered on a fixed price project basis. Fees for such services are negotiable, and range from \$1,000 to \$25,000 per quarter. Fees are set at a negotiated rate depending on the anticipated complexity of the services and the anticipated amount of work that will be involved. This fee is due upon execution of our Family Office Engagement Letter.

Additionally, our compensation for Family Office services is for administrative services and does not include any legal, tax, valuation, or other professional services fees, which may be necessary to complete the services outlined above. Licensed tax and legal advisors may be required for ultimate implementation and these fees are separate and apart from our Engagement agreement and payable directly to each respective vendor.

## Transaction Costs

Clients may incur certain charges imposed by custodians, brokers, third party investment managers and other third parties such as fees charged by managers, brokerage commissions, transaction fees, other related costs and expenses, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. See also Item 12 - Brokerage Practices and Item 14 - Referral Arrangements and Other Compensation for a description of additional compensation received indirectly

by persons associated with Mosaic Advisors.

### **Termination**

The relationship between parties may be terminated by either party upon 30 days' written notice.

Financial Planning: Upon termination, we will determine, in good faith, an amount equal to the unearned fees, if any, and shall promptly refund such amount to you. "Unearned fees" means the portion of any fees that we determine are attributable to services that had not been performed by us prior to receipt of notice of termination from you.

In the event of termination of an investment management relationship that bills in advance, Client will be entitled to a prorated refund of any pre-paid advisory fee based on the number of days remaining in the quarter after the termination date.

Notwithstanding the above, if the appropriate disclosure statement was not delivered to the client at least forty-eight (48) hours prior to the client entering into any written or oral advisory agreement with us, then you have the right to terminate the relationship, without penalty, within five business days after entering into the agreement.

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

Mosaic Advisors does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) nor do we engage in side-by-side management.

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

We offer financial planning services to the following types of clients:

- Individuals
- Families
- Trusts
- Retirement Plans
- Family Offices
- Registered Investment Advisors
- Corporate Executives
- Entrepreneurs
- High Net Worth Individuals
- High Net Worth Families
- Estates
- Public Companies
- Private Companies
- Multi Family Offices
- Private Foundations
- Public Charities

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

Investing in securities involves risk of loss that clients should be prepared to bear.

In preparing financial plans and acting as a solicitor for third party managers, Mosaic Advisors measures investment goals, risk tolerance and time horizon through an interview process and various questionnaires in an effort to determine investment strategies or financial planning techniques that is best suited to fit the Client's needs. After Mosaic Advisors evaluates the Client's financial needs we will design investment and risk management programs to assist the Client to achieve their financial goals.

### **Analysis Methods**

Security analysis methods utilized by Mosaic Advisors may include the following:

#### **Charting**

Charting analysis seeks to identify resistance and support reference prices for decisions to buy (price hits the support) or sell (price hits the resistance). Through charting, the analysis seeks to identify price patterns and market trends in financial markets. Charting may apply to long-term investing or be used as a market-timing strategy, depending on the time-frame of the price charts.

#### **Fundamental**

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business's financial statements and health, management and competitive advantages, and competitors and markets.

#### **Technical**

Technical analysis maintains that all information is already reflected in the stock price. Technical analysis is a discipline for forecasting the direction of prices through the study of past market data, primarily price and volume. Generally, technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns.

#### **Cyclical**

Cyclical analysis generally targets cyclical stocks for purchase of equity securities when the ratio of price-to-earnings (P/E Ratio) is low, and sell them when the P/E Ratio is high (i.e. when earnings are peaking). The P/E Ratio is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share.

### **Sources of Information**

The main sources of information that Mosaic Advisors uses to analyze these investment strategies is:

- Financial News Papers and Magazines
- Bloomberg Professional
- Annual Reports and Prospectuses
- Company Press Releases
- World Wide Web
- Research materials prepared by others
- Morningstar
- Corporate rating services
- SEC Filings

## **Investment Strategies**

The investment strategies utilized by third party investment managers Mosaic Advisors uses to implement any investment advice given to clients includes the following:

- Long term Purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Option writing, including covered options, uncovered options or spreading strategies
- Utilization of Alternative Investments (e.g., hedge funds and private equity)

## **Investment Strategy Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Our investment philosophy seeks to keep the risk of loss central to all decision making. Investors face the following investment risks:

### **General Risks**

#### **Lack of Diversification**

Portfolio investments may be concentrated and diversification may be limited. There are no limits with respect to position sizes. Any assets or combination of assets that can be held in a securities account can be purchased or sold.

#### **Interest Rate Fluctuation**

The prices of securities in which we may invest are sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs of borrowed securities and leveraged investments.

#### **Long term Purchases (securities held at least a year)**

#### **Liquidity**

The portfolio will be invested in liquid and illiquid securities. You should be aware however liquid securities may become less liquid during the holding period.

#### **Short term purchases (securities sold within a year)**

#### **Market Risks**

The success of a significant portion of the program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program may decline, including due to other market participants developing similar programs or techniques.

#### **Trading (securities sold within 30 days)**

#### **Market Risks**

The success of a significant portion of a trading program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There

can be no assurance that the trading program will be able to predict accurately these price movements. Additionally, over time, the effectiveness of the trading program may decline, including due to other market participants developing similar programs or techniques.

### **Trading is Speculative**

There are risks involved in trading securities. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument markets and such intervention (as well as other factors) may cause these markets to move rapidly.

### **Utilization of Alternative Investments**

Alternative investment products, including hedge funds, commodity hedged accounts and managed futures, involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager.

### **Item 9 Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Mosaic Advisors or the integrity of Mosaic Advisors' management. Mosaic Advisors has no information which is applicable to this Item.

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

Mosaic Advisors and principals of the firm may refer clients to other third parties, which could include banking institutions, valuation firms, accounting firms, law firms, real estate brokers, and pension consultants. Mosaic Advisors or our associated persons would not receive any compensation for such referrals.

#### **Insurance Agency**

Mosaic Insurance Agency, LLC is licensed as an insurance agency and provides analysis of and recommends the purchase and sale of certain insurance products. This licensing is in addition to our registration as a registered investment advisor and broker-dealer. Our firm may receive compensation or other forms of compensation in connection with such sales. The firm may devote less than 25 % of their time to this activity. Clients are not obligated to use us as their insurance agency or agent or to use any recommended insurance company for any recommended insurance transaction. See Client Referrals and Other Compensation for a discussion of the conflict of interest and compensation related to these relationships.

## **Item 11 Code of Ethics, Participation or Interest in Client Trading**

### **General**

Mosaic Advisors has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Mosaic Advisors must acknowledge the terms of the Code of Ethics annually, or as amended.

### **Personal Trading**

Mosaic Advisors and our related persons may purchase and sell securities for their own account. To prevent conflicts of interest, all employees of Mosaic Advisors must comply with our Code of Ethics, which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons.

Mosaic Advisors' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Carey Kesner.

### **Insider Information**

The Code of Ethics impose certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by any officer, partner, or associated person of Mosaic Advisors.

## **Item 12 Brokerage Practices**

### **General**

#### **The Custodian and Brokers We Use**

Mosaic Advisors does not maintain custody of your assets that we manage (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We require that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we require that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab, then we cannot manage your account. Not all advisors require their clients to use a particular

broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph.

### **How We Select Brokers/Custodians**

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- 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 your account)
- 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 (see “Products and Services Available to Us from Schwab”)

### **Your Custody and Brokerage Costs**

For our clients’ accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission-based fees applicable to our client accounts were negotiated based on our commitment to transition clients’ assets to accounts at Schwab (“Client Transition Commitment”). The Client Transition Commitment benefits you because the overall commissions you pay are lower than they would be if we had not made the commitment. In addition to commission-based fees Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage - trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. Here is a more detailed description of Schwab’s support services:

### **Services that Benefit You**

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab



include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

### **Services that May Not Directly Benefit You**

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

### **Services that Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. The Client Transition Commitment gives us an incentive to require that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see "How We Select Brokers/Custodians" and not Schwab's services that benefit only us, and as such, we believe that we have mitigated such potential conflict of interest.

### **Third Party Broker-Dealers**

While third-party money managers may utilize non-affiliated broker-dealers for advisory accounts when circumstances, such as the receipt of research and other services to be provided by a broker-dealer, warrant it, we do not utilize third-party broker-dealers unless directed by you.

### **Client Directed**

Clients may instruct us to direct all or a portion of the securities transactions for its account to a specified



broker or dealer. We will treat the client direction as a decision by the client to retain the discretion that otherwise would have in selecting a broker-dealer to effect transactions and in negotiating transaction fees generally for the client's account. The client who directs us to use a specific broker may pay higher or lower transaction fees such as commissions, commission equivalents, mark-ups, mark-downs, dealer spreads, credits or otherwise, and may receive less or more favorable execution services than if the client did not direct transactions to a particular broker.

Any instruction or limitation relating to the selection of broker-dealers must be in writing. Because client-directed trades often cannot be aggregated with non-directed trades, such designations may adversely affect Mosaic Advisors' ability to obtain volume discounts on aggregated orders or to obtain best price and execution by effecting certain transactions directly with the market maker.

### **Soft Dollar Arrangements**

Mosaic Advisors does not engage in any soft dollar arrangements.

## **Item 13 Review of Accounts**

### **Account Review**

Carey Kesner or his designee will review all accounts on an annual basis and compare each investment on a transaction basis to insure that each transaction is: (i) suitable to the respective client's investment objectives; (ii) meets that client's quality standards; and (iii) to make sure that their investment objectives are still pertinent to the managed account arrangement. More frequent reviews can be triggered by material changes in variables such as the client's individual circumstances or the market economic or political environment.

### **Reports**

Each client will receive a performance report regarding its investments on a quarterly basis or as agreed with the client. If a review of a client's account warrants, a report will be issued on an as-needed basis. Clients should receive at least quarterly brokerage transaction confirmations and statements from the custodian of the account that holds or maintains client investments.

### **Trade Errors**

In the event of a trade error in your account, our policy is to attempt to correct trading errors as soon as they are discovered; however, Mosaic may not be responsible for poor executions or trading errors committed by the brokers with which it transacts, unless such errors resulted from Mosaic Advisor's negligence, fraud or willful misconduct. Notwithstanding the above, based on the circumstances, corrective actions may include:

- canceling the trade; and/or
- adjusting an allocation; and/or
- reimbursement to the account

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

### **Client Referrals**

There may be occasions when we pay a percentage of the fee we receive from clients that have been referred to us to the person making the referral (a "solicitor"). In such cases, you will receive a separate

written disclosure statement from the solicitor before you open your account with us that will explain, among other things, the nature of our affiliation with the solicitor (if any) and a description of the compensation the solicitor will receive from us.

### **Other Compensation - Brokerage & Investment Advisory**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Other Compensation - Insurance Company**

Associates of Mosaic Advisors are registered agents with Mosaic Insurance Agency to the extent insurance products are offered to advisory clients of Mosaic Advisors, the supervised persons will be paid a commission by the insurance company who issues the policy. This creates a conflict of interest as there is an incentive for them to recommend insurance products based on the compensation received, rather than on the client’s needs. Notwithstanding such conflict of interest, Mosaic Advisors addresses its fiduciary duty by utilizing insurance products only where it is the best interest of clients, and after consultation with the client.

## **Item 15 Custody**

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab’s account statements to the periodic account statements you will receive from us.

## **Item 16 Investment Discretion**

### **Discretionary Authority**

We usually receive discretionary authority from you at the outset of an advisory relationship. That discretionary authority allows us to make determinations regarding the securities that are to be bought and sold, as well as the quantities of such securities.

### **Documentation of Discretion**

Discretionary authority is provided in our contract with each client. Additionally, we maintain a Limited Power of Attorney for all our discretionary accounts for the purpose of directing and or effecting investments, for the direct payment of fees and or the payment of commissions, custodial fees and or other charges incurred by the managed account.

### **Discretionary Management**

In all cases, however, such our discretion is to be exercised in a manner consistent with the stated investment objectives for the particular account. Thus, when selecting securities and determining amounts,

we observe the investment policies, limitations and restrictions of the clients for which it advises. Additionally, in many cases, the discretion is subject to mutually agreed upon investment guidelines relative to the client's portfolio. Investment guidelines and restrictions must be provided to Mosaic Advisors in writing.

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

As a matter of firm policy and practice, Mosaic Advisors does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

### **Item 18 Financial Information**

We are required to provide you with certain financial information or disclosures about financial conditions which would impede our ability to provide the advisory services described herein. Mosaic Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding, nor do we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we have no additional material financial disclosures to make.

### **Item 19 Other Information**

#### **Summary Privacy Policy**

At Mosaic Advisors, we do not disclose nonpublic personal information about our individual clients or former clients except as permitted by law. We restrict access to nonpublic personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.

#### **Business Continuity Plan**

Mosaic Advisors has developed a Business Continuity Plan to address how we will respond to events that may disrupt its business. Since timing and impact of disasters is unpredictable, we will have to be flexible in responding to the events as they occur. This plan is designed to permit us to resume operations as quickly as possible, given the scope and severity of the significant business disruption. The Business Continuity Plan covers data backup and recovery, mission critical systems financial and operational assessments, alternative communications, alternate business locations, bank and counter-party impact, regulatory reporting and the assurance of prompt access to funds and securities for our customers.

Varying Disruptions – Significant business disruptions can vary in their scope, such as emergencies affecting only a single building housing Mosaic Advisors, the business district where we are located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only us or a building housing us, we will transfer our operations to an emergency-ready local site, moving a select group of trained employees and expecting



to recover and resume business within four hours. In a disruption affecting our business district, city, or region, we will move appropriate staff to a site outside of the affected area to be able to communicate with the custodian on behalf of our clients. In either situation, we plan to continue in business, transferring operations to our clearing firm, if necessary.

If you have questions about our Business Continuity Plan, please feel free to contact Carey Kesner, Chief Compliance Officer at (713) 980-4100 or at [carey@mosaicadvisors.com](mailto:carey@mosaicadvisors.com).