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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17(a) of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Mosaic Capital Securities LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

15165 Ventura Blvd., Suite 425  
(No. and Street)

Sherman Oaks CA 91403  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Craig L. Miller (818) 728-7510  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Gumbiner, Savett, Finkel, Fingleson & Rose, Inc.  
(Name - if individual, state last, first, middle name)

1723 Cloverfield Blvd. Santa Monica CA 90404  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED  
MAY 20 2002  
P THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (05-01)

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A

OATH OR AFFIRMATION

I, Craig L. Miller, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mosaic Capital Securities LLC, as of March 15, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Craig Miller  
Signature

Financial Principal  
Title

x Deborah Marshall  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ cash flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

MOSAIC CAPITAL SECURITIES LLC  
FINANCIAL REPORT  
For the year ended December 31, 2001

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GUMBINER, SAVETT, FINKEL, FINGLESON & ROSE, INC.  
CERTIFIED PUBLIC ACCOUNTANTS  
Santa Monica, California

Independent Auditors' Report

To the Member  
Mosaic Capital Securities LLC  
Sherman Oaks, California

We have audited the accompanying statement of financial condition of Mosaic Capital Securities LLC as of December 31, 2001 and the related statements of operations, changes in member's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mosaic Capital Securities LLC as of December 31, 2001 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 7 and 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gumbiner, Savett, Finkel, Fingleton & Rose, Inc.*  
March 15, 2002

MOSAIC CAPITAL SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2001

## ASSETS

Cash \$ 6,079

TOTAL ASSETS \$ 6,079

## LIABILITIES AND MEMBER'S EQUITY

LIABILITIES \$ -

MEMBER'S EQUITY 6,079

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 6,079

The accompanying notes are an integral part of this statement.

MOSAIC CAPITAL SECURITIES LLC  
STATEMENT OF OPERATIONS  
For the year ended December 31, 2001

REVENUES	\$ -
OPERATING EXPENSES	<u>1,265</u>
NET LOSS	\$ <u><u>(1,265)</u></u>

The accompanying notes are an integral part of this statement.

MOSAIC CAPITAL SECURITIES LLC  
STATEMENT OF CHANGES IN MEMBER'S EQUITY  
For the year ended December 31, 2001

BALANCE, January 1, 2001	\$ 7,344
Net loss	<u>(1,265)</u>
BALANCE, December 31, 2001	<u>\$ 6,079</u>

The accompanying notes are an integral part of this statement.

MOSAIC CAPITAL SECURITIES LLC  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2001

## CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$ <u>(1,265)</u>
NET DECREASE IN CASH	(1,265)
CASH - BEGINNING OF YEAR	<u>7,344</u>
CASH - END OF YEAR	\$ <u><u>6,079</u></u>

The accompanying notes are an integral part of this statement.

MOSAIC CAPITAL SECURITIES LLC  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2001

Mosaic Capital Securities LLC (the "Company") is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers Inc. The Company provides investment-banking services to companies seeking to raise capital or acquire or divest operations. The Company became registered during 2001 and had no investment banking transactions.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Customer accounts:

The Company does not hold funds, securities or carry accounts for customers. In the opinion of management, the Company has complied with the exemptive provisions of rule 15c3-3 of the Securities and Exchange Commission throughout the year ended December 31, 2001.

Income taxes:

The Company is treated as a partnership for federal income tax purposes. Consequently, all tax effects of the Company's income or losses are passed through to its member.

**NOTE 2: MANAGEMENT, RENT AND OTHER SERVICES**

For the year ended December 31, 2001, the Company was provided services by its member at no charge. In addition, costs incurred on behalf of the Company by its member will not be reimbursed.

**NOTE 3: NET CAPITAL REQUIREMENT AND OTHER REGULATIONS**

As a registered broker and dealer in securities and as a member of the National Association of Securities Dealers, Inc., the Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission. This rule prohibits a broker and dealer from engaging in securities transactions when its "aggregated indebtedness" exceeds 15 times its "net capital" as those terms are defined in the rule. At December 31, 2001, the Company's net capital, as defined, was \$6,079, which was \$1,079 in excess of the required minimum net capital of \$5,000.

MOSAIC CAPITAL SECURITIES LLC  
COMPUTATION OF NET CAPITAL REQUIREMENTS UNDER RULE 15c3-1 (a) (2)  
December 31, 2001

Total member's equity from the statement of financial position	\$ 6,079
Deduct non-allowable assets	<u>-</u>
Net capital before haircuts	6,079
Haircuts on securities pursuant to Rule 15c3-1(f)	<u>-</u>
Net capital	\$ <u><u>6,079</u></u>

There were no material differences between the audited and unaudited computations of net capital under rule 15c3-1 (a) (2)

See accompanying independent auditor's report.

MOSAIC CAPITAL SECURITIES LLC  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
December 31, 2001

Registrant relies on an exemption from Rule 15c3-3 since the business is limited to that of corporate financing activities including public and private financing, mergers and acquisitions, and has not otherwise held funds or securities for, or owed money or securities to, any customers.

See accompanying independent auditor's report.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5**

To the Member  
Mosaic Capital Securities LLC  
Sherman Oaks, California

In planning and performing our audit of the financial statements and supplemental schedules of Mosaic Capital Securities LLC (the "Company") for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c-3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgment by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used by anyone other than these specified parties.

*Gumbiner, Savett, Finkel, Fingleson & Rose, Inc.*  
Gumbiner, Savett, Finkel, Fingleson & Rose, Inc.

March 15, 2002

MOSAIC CAPITAL SECURITIES LLC

FINANCIAL REPORT

For the year ended

December 31, 2001