



Item 1 Cover Page

# MOSAIC ADVISORS, LLC

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(713) 980-4100  
September 28, 2020

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:** There is one material change made to this Brochure since our prior annual amendment filing, dated June 20, 2020. Effective September 28, 2020, Mosaic Advisors moved its office and changed its mailing address to 3773 Richmond Ave, Suite 700, Houston, TX 77046 from its previous address of 4265 San Felipe St, Suite 760, Houston, TX 77027. **ANY QUESTIONS:** Mosaic Advisors’ Chief Compliance Officer, Carey Kesner, remains available to address any questions regarding this Brochure and the above-referenced disclosures.

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 business owners and families. 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 offers to provide financial planning services and wealth advisory services by managing investment advisory accounts. Mosaic Advisors offers to provide a number of specific advisory programs and services in the following areas:

- Financial Planning & Due Diligence services; and
- Plan Design & Implementation services; and
- Family Office services; and
- Investment Advisory services

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

### Financial Planning & Due Diligence Services

Mosaic Advisors offers comprehensive Financial Planning services that typically begins with a “Due Diligence Services” engagement. This service entails the collection, review, and analysis of data related to both personal/business financials, tax related items, as well personal/business legal documents. This planning service may encompass:

- |   |  |
|---|--|
| • Review / Outline Current Plan         | • Cash Flow Analysis                   |
| • Audit of Financial/Legal Documents    | • Income & Expense Modeling            |
| • Estate Planning                       | • Business Succession Planning         |
| • Asset Protection Planning             | • Buy / Sell Planning                  |
| • Charitable Planning                   | • Retirement Planning                  |
| • Asset Allocation Analysis             | • Life Insurance Analysis              |
| • Estate Distribution Analysis          | • Survivor Analysis                    |
| • Education Planning                    | • Family Stewardship & Legacy Planning |
| • Asset Direction & Continuity Planning | • Titling & Beneficiary Audit          |

**Please Note:** The scope of any financial planning and Due Diligence services to be provided depends upon the terms of the engagement, and the specific request and needs of the client.

The financial plan or Due Diligence analysis will generally 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 generally be requested to 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 our findings in accordance with your previously identified goals and objectives. We are also available to help with plan implementation should you choose.

### **Plan Design & Implementation Services**

After the delivery of your Due Diligence analysis, you may choose to continue the engagement with Mosaic by continuing with what we term “Plan Design & Implementation”. During this phase, we design, fine tune and stress test a comprehensive plan based upon your stated goals that specifically meet your family/business’ needs. This phase is considered a new engagement and will require executing a Plan Design & Implementation Services Agreement which outlines an ongoing annual or quarterly fee for these services. This fee will be determined by the scope of work to be performed and the complexity of your plan. After fine tuning the design of your customized plan, we will then collaborate with, and lead your professional team through the implementation of agreed upon planning steps and techniques.

### **Family Office Services**

Family Office is the most comprehensive service offered by Mosaic Advisors. Clients empower our firm to take the lead on many of the most important aspects of their financial and business lives, as well as family education/governance. This engagement allows us the opportunity to continue to enhance existing planning as well as to maintain what is already in place. Our goal is to distill the collective wisdom of the entire professional team into understandable, actionable information and then see that ideas are effectively implemented.

A Family Office Engagement generally includes some, or all, of the following services:

- Plan Design Services
  - We will continue provide guidance on key issues that we believe are important to your family’s long-term success. This service provides flexibility as additional wealth is created and family situations change. This ongoing review and analysis may require Mosaic to lead the implementation of agreed upon planning techniques / ideas.
- Plan Maintenance Services
  - Keeping a plan compliant over one’s lifetime requires a concerted effort. Our Plan Maintenance Service is designed to safeguard the efficacy of implemented techniques through team meetings, entity meetings and family meetings as well as monitoring money movements and asset location.
- Administrative Services
  - Administrative Services are intended to complement Plan Maintenance and generally fall under the umbrella of financial administration and record keeping. We will review, track, record, and provide a wide spectrum of services which may include:
    - Bookkeeping for non-operating entities
    - Financial Reporting
    - Bill Management

- Maintain Global Balance Sheet
  - Communication and Coordination with Tax Professionals
  - Secure Digital Vault
  - Consolidated Reporting
  - Collection and Dissemination of Important Tax Documents
- Insurance Services
  - We will review, monitor, give guidance, and execute a range of insurance related issues which may include, but is not limited to:
    - Annual policy health checks with in-force illustrations for permanent life insurance policies
    - Crummey Letters for Trust-owned life insurance policies
    - New policy due diligence, design, and implementation
    - Property & Casualty Insurance Analysis (provided by third-party agent)
    - Quotes for health insurance (provided by third-party agent)
- Family Education Services
  - Family Educational and Governance is an important focus of our Family Office Services and typically include:
    - Family Meetings to review estate and / or business planning with spouses, children, and grandchildren
    - Financial Literacy meetings for spouses, children, and grandchildren to better educate them about investments and the investment management process
    - Financial planning and modeling for children / grandchildren
    - Meetings to involve children and grandchildren in Charitable Planning
- Business Planning Services
  - We will provide guidance and help execute a variety of strategies related to planning for a closely held business. These Business Planning Services may include, but are not limited to:
    - Business Succession / Transition
    - Alignment of Succession with Estate Plan
    - Buy / Sell and Key Man Planning
    - Review of Benefits Plans
    - Pre-transaction consulting
    - Internal and External Exit Planning
- Asset Management Services
  - Our Asset Management Service is broad and encompasses the review and analysis of both public and private investments, regardless of where the assets are held in custody. A general list of the Asset Management Services includes:
    - Design and communicate a global asset allocation strategy
    - Single point of contact with professional investment managers
    - Review, monitor, and benchmark performance of outside investment managers
    - Perform due diligence on new investment opportunities, both public and private
    - Aggregate fee analysis for all investment accounts
    - Cost basis and tax planning among investment advisors

- Maintain cash management program to meet liquidity needs
- Coordinate annual meetings with individual investment managers to review performance and strategy
- Provide alternatives to underperforming or non-aligned investment managers
- Recommend allocation for new investment dollars which aligns with risk-adjusted goals
- Direct investment management within Mosaic Model Portfolios

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 31, 2019, Mosaic Advisors had \$283,302,493 in assets under management, \$239,876,827 on a discretionary basis and \$43,425,666 on a non-discretionary basis.

### **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.

### **Miscellaneous**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Mosaic Advisors will generally provide financial planning, and related consulting services regarding non-investment related matters, such as tax and estate planning, insurance, etc. on a fee basis. Mosaic Advisors **does not** serve as an attorney or accountant, and no portion of our services should be construed as legal or accounting services. Accordingly, Mosaic Advisors **does not** prepare estate-planning documents or tax returns, To the extent requested by a client, we may recommend the services of other



professionals for non-investment implementation purpose (i.e. attorneys, accountants and insurance agents), including Mosaic Advisors' affiliated licensed insurance agency, Mosaic Insurance Agency, LLC ("Mosaic Insurance") - **see additional disclosure** at Item 10 below. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Mosaic Advisors or its representatives. If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to the engagement, the client agrees to seek recourse exclusively from and against the engaged professional. The recommendation by a Mosaic Advisors representative that a client purchase an insurance product from Mosaic Insurance presents a conflict of interest, as the receipt of insurance commissions provides an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance products from Mosaic Insurance. Clients can purchase insurance products recommended by Mosaic Advisors through other, non-affiliated insurance agencies. **ANY QUESTIONS: Mosaic Advisors' Chief Compliance Officer, Carey Kesner, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Retirement Rollovers.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Mosaic Advisors recommends that a client roll over their retirement plan assets into an account to be managed by Mosaic Advisors, such a recommendation creates a conflict of interest if Mosaic Advisors will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, Mosaic Advisors serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. **No client is under any obligation to rollover retirement plan assets to an account managed by Mosaic Advisors. Mosaic Advisors' Chief Compliance Officer, Carey Kesner, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**Independent Managers.** Mosaic Advisors may allocate (or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objectives. In such situations, the Independent Manager has the day-to-day responsibility for the active discretionary management of the allocated assets. Mosaic Advisors continues to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors that Mosaic Advisors shall consider in recommending Independent Managers include the client's designated investment objective(s), and the manager's management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by any Independent Manager is separate from, and in addition to, Mosaic Advisors' advisory fee as set forth in the fee schedule at Item 5 below.

**Custodian Charges-Additional Fees:** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Mosaic Advisors generally recommends that Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge transaction fees for effecting securities transactions.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be used by Mosaic Advisors

independent of engaging Mosaic Advisors as an investment adviser. However, if a prospective client determines to do so, they will not receive Mosaic Advisors' initial and ongoing investment advisory services.

**Client Retirement Plan Assets.** If requested to do so, Mosaic Advisors may provide investment advisory services relative to the client's 401(k) plan assets. Mosaic Advisors is limited to making recommendations regarding the allocation of the assets among the investment alternatives available through the plan. Mosaic Advisors will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify Mosaic Advisors of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account.

**Portfolio Activity or Inactivity.** Mosaic Advisors will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, which may include but is not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, and changes in the client's investment objective. There may be periods of time, which may be substantial, when Mosaic Advisors determines that changes to a client's portfolio are not necessary. Notwithstanding, we will continue to charge fees on the value of the client's account.

**Non-Discretionary Service Limitations.** Clients that determine to engage Mosaic Advisors on a non-discretionary investment advisory basis must be willing to accept that Mosaic Advisors cannot affect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Mosaic Advisors would like to make a transaction for a client's account, and client is unavailable, Mosaic Advisors will be unable to affect the account transaction (as it would for its discretionary clients) without first obtaining the client's consent.

**Aggregate Reporting.** Mosaic Advisors may also provide periodic comprehensive reporting services that can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Mosaic Advisors (the "Excluded Assets"). **The client and/or his/her/its other advisors that maintain trading authority, and not Mosaic Advisors, shall be exclusively responsible for the investment performance of the Excluded Assets.** Unless otherwise specifically agreed to, in writing, Mosaic Advisors' service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if Mosaic Advisors is specifically engaged to monitor and/or allocate the assets within the client's 401(k) account maintained away at the custodian directed by the client's employer. As such, except with respect to the client's 401(k) account (if applicable), Mosaic Advisors does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client's designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Mosaic Advisors is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Mosaic Advisors shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Mosaic Advisors provide investment management services for the Excluded Assets, the client may engage Mosaic Advisors to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between Mosaic Advisors and the client.

**Client Obligations.** Mosaic Advisors will not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on the information in its possession. Clients are responsible for promptly notifying Mosaic Advisors if there is ever any change in their financial situation or investment objectives so that Mosaic Advisors can review, and if necessary, revise its previous recommendations or services.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Mosaic Advisors) will be profitable or equal any specific performance levels.

## **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 Plan Design and Implementation 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 areas that could negatively impact your ability to preserve or enhance your wealth. Fees for Due Diligence service are based upon complexity and are negotiable at our discretion, which can result in different fees being charged for families similar in makeup and objectives. In making a final decision on the fee negotiated, a number of factors are taken into consideration including the anticipated complexity of the services and the anticipated amount of work that will be involved.

Plan Design and Implementation Services are offered on a fixed-fee basis and are payable quarterly, based on the complexity of your net worth, estate value, complexion of assets, portfolio, planning goals, and family dynamics. Fees for such services are negotiable, which can result in different fees being charged for families similar in makeup and objectives. This fee is due as outlined in our Plan Design & Implementation Services Agreement, 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 based on 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

Tiered Fee Schedule		Annual Fee
\$0	- \$2,500,000	1.00%
\$2,500,001	- \$5,000,000	0.75%
\$5,000,001	- \$7,500,000	0.60%
\$7,500,001	- \$10,000,000	0.50%
\$10,000,001	- \$15,000,000	0.45%
\$15,000,001	- \$20,000,000	0.40%
\$20,000,001	- \$30,000,000	0.35%
\$30,000,001	- \$40,000,000	0.30%
\$40,000,001	- \$50,000,000	0.25%
\$50,000,001	- +	0.20%

Mosaic Advisors will allocate client assets consistent with the client's designated investment objective. However, we always seek to make recommendations in the client's best interests, and for new accounts we tend to recommend model portfolios.

## Non-Discretionary Accounts

In general, the annual Advisory Fee for Non-Discretionary Accounts range from 0.10% to 1.00% 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 fee basis. Family Office Services fees are calculated as a percentage of your family's Global Net Assets, which is agreed upon by all parties at the outset of the engagement and each year following, as outlined in our Family Office Services Agreement. Family Office Fees are payable quarterly in advance. Our fees are negotiable at our discretion, which can result in different fees being charged for families similar in makeup, objectives, and global net assets. In making a final decision on the fee negotiated and the billing platform utilized, a number of factors are taken into consideration including the anticipated complexity of the services and the anticipated amount of work that will be involved. This fee is due as outlined in our Family Office Services Agreement.

Additionally, our compensation for Family Office services 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 services 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 and are in addition to the fees charged by us. See 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 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.

### **Fee Differentials for Combined Services**

If the client determines to engage us to provide a combination of investment advisory, planning/consulting services and/or administrative services, Mosaic's annual fee shall vary based upon various objective and subjective factors, including the total amount of assets placed under management/advisement, the complexity of the engagement, the level and scope of the overall investment advisory, planning/consulting and/or administrative services to be rendered. Because we generally price our combined services engagements based upon these factors, similarly situated clients pay diverse fees, and the services to be provided by Mosaic to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

### **Stand-alone Investment Advisory Services**

If the client determines to engage Mosaic to provide investment advisory services on a stand-alone fee basis, Mosaic may charge a lesser investment advisory fee than that reflected in its fee schedules above, or charge a flat fee based upon various criteria. As result, similarly situated clients could pay different fees and similar advisory services may be available from other investment advisers for similar or lower fees.

## **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:

- High Net Worth Individuals
- High Net Worth Families
- Private Companies
- Entrepreneurs
- Family Offices
- Registered Investment Advisors
- Private Foundations
- Corporate Executives
- Trusts
- Estates
- Multi Family Offices
- Public Companies
- Retirement Plans
- 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
- YCharts
- Annual Reports and Prospectuses
- Company Press Releases
- World Wide Web
- Research materials prepared by others
- Morningstar
- Corporate rating services
- SEC Filings

## Investment Strategies

Mosaic Advisors uses the following investment strategies when managing client assets and/or providing investment advice:

- Long term Purchases which are investments held at least a year.
- Short term purchases which are investments sold within a year.
- Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time. Mosaic may use option writing sparingly from time-to-time.

## Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal. Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through my investment management program.

## Market Risk

Either the stock market as a whole or the value of an individual company as a result of moves in the overall market goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

## Equity (Stock) Market Risk

Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.



### **Company Risk**

When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

### **Fixed Income Risk**

When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

### **Options Risk**

Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

### **Exchange Traded Funds**

An exchange traded fund ("ETF") is a type of investment company that is traded on an exchange and invests primarily in a basket of securities including in a particular market index. ETFs typically seek to provide investment results that, before fees and expenses, generally correspond to the price and yield performance of the underlying benchmark index. Investing in an ETF exposes you to risks of the ETF's holdings in direct proportion to the allocation of assets that comprise the ETF. However, ETFs may not fully replicate the construction of their benchmark index, resulting in performance that differs from expectations. In addition, ETFs trade at a discount or premium to their underlying net asset value ("NAV"). As a result, investors purchasing an ETF at a premium may underperform the ETF NAV, while the redemption of shares may result in the ETF trading at a discount to NAV.

### **ETF and Mutual Fund Risk**

When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

### **Alternative Investment Risk**

Alternative investments may be recommended in specific circumstances. These investments are susceptible to many of the same risks as other securities, but also include risks such as liquidity, transparency and tax.

### **Management Risk**

Your investment with Mosaic Advisors varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.



## **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. Mosaic Insurance Agency LLC is owned 100% by Mosaic Wealth Partners, LLC and may receive compensation or other forms of compensation in connection with such sales. Licensed personnel devote less than 25 % of their time to this activity. Clients are not obligated to use Mosaic Insurance Agency or any of its agents 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**

In the event that the client requests that Mosaic Advisors recommend a broker-dealer/custodian for execution and/or custodial services, Mosaic Advisors generally recommends that investment advisory accounts be maintained at Schwab. Prior to engaging Mosaic Advisors to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Mosaic Advisors setting forth the terms and conditions under which Mosaic Advisors shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Mosaic Advisors considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with Mosaic Advisors, financial strength, reputation, execution capabilities, pricing, research, and service. Although the transaction fees paid by Mosaic Advisors' clients shall comply with Mosaic Advisors' duty to seek best execution, a client may pay a transaction fee that is higher than another qualified broker-dealer might charge to affect the same transaction where Mosaic Advisors determines, in good faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, transaction rates, and responsiveness. Accordingly, although Mosaic Advisors will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions. Unless services are provided in conjunction with a wrap program, transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Mosaic Advisors' investment advisory fee.

### **Non-Soft Dollar Research and Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Mosaic Advisors can receive from Schwab (or another broker-dealer/custodian, investment manager, platform sponsor, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Mosaic Advisors to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by Mosaic Advisors can be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by Mosaic Advisors in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist Mosaic Advisors in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Mosaic Advisors and/or its representatives.

Mosaic Advisors' clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by Mosaic Advisors to Schwab, or any other any entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**ANY QUESTIONS: Mosaic Advisors' Chief Compliance Officer, Carey Kesner, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.**

### **Directed Brokerage**

As indicated above, Mosaic Advisors generally recommends that its clients utilize the brokerage and custodial services provided by Schwab. The Firm may accept directed brokerage arrangements (when a client requires that account transactions be affected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Firm will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Mosaic Advisors. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs Mosaic Advisors to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Mosaic Advisors. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

### **Order Aggregation**

Transactions for each client account generally will be affected independently, unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. Firm may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Firm's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Firm shall not receive any additional compensation or remuneration as a result of such aggregation.

## **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**

As indicated at Item 12 above, Mosaic Advisors receives from Schwab free or discounted support services and products.

Mosaic Advisors does not compensate unaffiliated individuals or entities for client introductions.

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

Certain personnel of Mosaic Advisors are licensed with Mosaic Insurance Agency. To the extent insurance products are offered to advisory clients of Mosaic Advisors, Mosaic Insurance Agency will be paid a commission by the insurance company who issues the policy. This creates a conflict of interest as there is an incentive to recommend insurance products based on the compensation received, rather than on the client's needs. Notwithstanding such conflict of interest, Mosaic Advisors addresses this conflict of interest by utilizing insurance products only where it is the best interest of clients, and after consultation with the client.

#### **Item 15 Custody**

Mosaic Advisors shall have the ability to deduct its advisory fee from the client's custodial account on a quarterly basis. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., Schwab, etc.) at least quarterly. To the extent that Mosaic Advisors provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Mosaic Advisors with the account statements received from the account custodian. The account custodian does not verify the accuracy of Mosaic Advisors' advisory fee calculation.

Mosaic Advisors has received from certain clients standing letters of authorization that permit it to instruct the account's custodian to transfer funds to other accounts. Mosaic Advisors is deemed to have custody of those client funds where it has the ability to transfer funds to a third party, but consistent with guidance issued by the SEC, these accounts are not subject to a surprise examination.

#### **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.

Mosaic Advisors will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof.

### **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).

**Any Questions:** Mosaic Advisors' Chief Compliance Officer, Carey Kesner, remains available to address any questions regarding this Part 2A.