

## Item 1: Cover Page

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# **Topsail Wealth Management, LLC**

Form ADV Part 2A

## **Investment Adviser Brochure**

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(980) 308-9901

October 29, 2024

<https://topsailwealthmanagement.com/>

This brochure (the “**Brochure**”) provides information about the qualifications and business practices of Topsail Wealth Management, LLC (“**Topsail**,” “**Adviser**,” or “**Firm**”). If you have any questions about the contents of this Brochure, please contact Matthew P. Snipes, Chief Compliance Officer, at (980) 308-9902 and/or [matthew\\_snipes@topsailwm.com](mailto:matthew_snipes@topsailwm.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number. Topsail Wealth Management, LLC’s CRD Number is 331098.

## Item 2: Summary of Material Changes

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This Brochure dated October 29, 2024, replaces the September 4, 2024, version of the, Form ADV Part 2A filing for Topsail Wealth Management, LLC. This item of the brochure summarizes the material changes that have occurred since Topsail Wealth Management's initial filing of this brochure. Since the initial filing, the following sections have been updated:

Item 1 – Cover Page.

Item 4 – Advisory Business.

Item 5 – Fees and Compensation.

At any time, you may view the current Disclosure Brochure online at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 331098. You may also request a copy of this Disclosure Brochure at any time, by contacting us at (980) 308-9902. Topsail Wealth Management will provide a copy of its current brochure at any time without charge.

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## Item 4: Advisory Business

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### Firm Description

Topsail Wealth Management, LLC, a North Carolina limited liability company, was formed in April 2022. Matthew P. Snipes is Founder, Chief Executive Officer, Chief Compliance Officer (the “CCO”), and principal owner of the firm.

### Advisory Services

Topsail was founded to provide high-net worth and ultra-high-net worth families with comprehensive wealth management services. The Adviser focuses on the entire wealth enterprise of each family with customized service to help our family clients make informed decisions. Topsail tailors its service offering to meet the needs of each client it serves. Based upon the direction of the client, the Adviser helps coordinate and implement strategies across the following wealth management areas: financial planning, investment advisory, tax planning, and estate planning. When working with clients, the Adviser will utilize a priorities-based approach that enables the family to make informed decisions and work towards agreed-upon goals and objectives.

### Investment Advisory Services

As described above, the Adviser provides investment advice to clients based on the individual needs, objectives, and risk tolerance of the client. Through discussions, interviews, and questionnaires, Topsail will assist clients in determining their investment objectives. This may include creating an Investment Policy Statement (“IPS”), financial plan, or making other recommendations based on the client’s objectives, risk tolerance, liquidity needs, tax considerations and any other issues related to the client’s financial situation. Topsail will meet with clients periodically to update this information when requested by the client or when determined to be necessary or advisable by the Adviser based on changes to the client’s financial or other circumstances.

Topsail will design customized, strategic asset allocations and provide a framework for the management and oversight of the portfolio. Implementation of the client’s investment strategy is typically through a diversified portfolio comprised of both passive and active strategies. Portfolios may include domestic and foreign equities, fixed income, mutual funds, and exchange traded funds. We will provide ongoing (monthly or quarterly, based upon client request) consolidated reporting and meet with you periodically to discuss the performance of your investments and update your financial information.

Clients may impose certain written restrictions on the Adviser in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions

imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by considering each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ, and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of the Adviser.

## **Wrap Programs**

Topsail Wealth Management is the sponsor of a wrap fee program. Due to the nature of the wrap fee program, all clients who are custodied at Altruist Financial, LLC ("**Altruist**") and Charles Schwab & Co., Inc. ("**Schwab**") are entered into it automatically, and as such, there is no difference between how wrap fee accounts and other accounts are managed. Advisory fees are not higher due to the wrap fee program and Topsail's advisory fee encompasses the wrap program.

The benefits under a wrap fee program depend, in part, upon the size of the account, the costs associated with managing the account, and the frequency or type of securities transactions executed in the account. For example, a wrap fee program may not be suitable for all accounts, including but not limited to accounts holding primarily, and for any substantial period of time, cash or cash equivalent investments, fixed income securities or no-transaction-fee mutual funds, or any other type of security that can be traded without commissions or other transaction fees. In order to evaluate whether a wrap fee arrangement is appropriate for you, you should compare the agreed-upon Topsail advisory fee and any other costs associated with participating in our Wrap Fee Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and execution costs, and custodial services comparable to those provided under the Wrap Fee Program.

**Conflict of Interest.** When managing a client's account on a wrap fee basis, we receive as compensation for our investment advisory services, the balance of the total wrap [or program] fee you pay after custodial, trading and other management costs (including execution and transaction fees) have been deducted. Accordingly, we have a conflict of interest because we have a financial incentive to maximize our compensation by seeking to reduce or minimize the total costs incurred in your account(s) subject to a wrap fee.

Schwab and Altruists generally do not charge commissions [or transaction fees] for online trades of U.S. exchange-listed securities (including U.S. exchange-listed ETFs), and no-transaction-fee ("NTF") funds. This means that, in most cases, when we buy these types of securities, we can do so without paying any commissions to Schwab or Altruist. We encourage you to review your custodian's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately.

Topsail addresses these conflicts of interest by maintaining policies and procedures requiring that the Firm act in the best interest of clients, reasonably supervising advisory activities, providing its advisors with training, and disclosing these conflicts so that you can make informed decisions.

### **Wealth Management and Estate Planning Services**

Topsail offers wealth management and estate planning services which includes tax planning, consultations with the client's tax and legal professionals and assisting with building clients' knowledge of the estate planning process and family office services. Topsail will provide services and written reports related to the following areas:

- Financial planning
- Estate/trust/gift planning and review
- Life insurance summary and review
- Property and casualty insurance summary and review
- Debt review
- Cash projections and net worth planning
- Tax Planning
- Bookkeeping services
- Facilitation of banking and lending through independent partners<sup>1</sup>

### **Separate Account Managers**

When appropriate the Adviser may utilize one or more Separate Account Managers (each, a “**Manager**”). Having access to various Managers offers a variety of manager styles and offers clients the opportunity to utilize more than one Manager, if necessary, to meet the needs and investment objectives of the client. The Adviser will recommend a Manager(s) it deems most appropriate for the client. Factors that the Adviser considers in recommending Managers generally includes the client's stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research. If the client approves, then the client appoints the Manager to manage the account and grants the Manager discretionary authority to manage the portfolio. Topsail will maintain access to the account and have the ability to effect other transactions in addition to the Manager's. Topsail will monitor the approach and performance of the Manager(s), and assist the client in understanding the investments, and provide guidance to the client, including whether or not the client should continue with the Manager. In limited circumstances, the client will select one or more Managers recommended by the Adviser and enter into separate agreements with such Managers.

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<sup>1</sup> Topsail does not receive any additional compensation from these independent partners.

## Other Services Offered

Topsail also provides limited services other than services discussed above. These services include bookkeeping services, or enhanced reporting services through QuickBooks, and trustee services.

## Regulatory Assets Under Management

As of August 15, 2024, the Firm managed approximately \$875,692,224 in regulatory assets under management on a discretionary basis and \$0 on a non-discretionary basis.

## Item 5: Fees and Compensation

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### Investment Advisory Fees

Topsail's offers fee-only advisory services. The Firm charges either an annual, flat advisory fee or charges an advisory fee based on a client's assets under management. Annual asset-based advisory fees are calculated based on a tiered annual fee schedule. Each segment of a client's assets under management will generally follow the fee schedule below:

#### Minimum schedule: Relationships with less than \$3 million in AUM:

Minimum annual fee: Lesser of \$9,000, or 1%.

*Example calculation:*

*AUM less than or equal to \$900,000 in AUM = 1%*

*\$900,000 to \$3,000,000 = \$9,000*

#### Tiered schedule: Relationships exceeding \$3 million in AUM:

0.30% on the first \$5 million (up to \$5 million in assets)

0.20% on the next \$5 million (up to \$10 million in assets)

0.10% on the next \$15 million (up to \$25 million in assets)

0.05% on the assets over \$25 million

*Example for a client with \$15 million*

*0.30% on the first \$5 million = \$15,000*

*0.20% on the next \$5 million = \$10,000*

*0.10% on the next \$15 million = \$5,000*

*0.05% on the assets over \$25 million = \$0*

*For a total advisory fee of \$30,000*

While Topsail reserves the right to negotiate a lower annual fee schedule, client relationships with less than \$3 million in asset under management are subject to the minimum fee schedule; the tiered schedule only applies when assets exceed \$3 million.

Client facts, circumstances and needs are considered in determining a negotiated Advisory Fee schedule. We may group multiple accounts of a client (or group of related clients) together for Advisory Fee billing purposes. Factors considered in determining the Advisory Fees charged include but are not limited to the complexity of the client's portfolio; assets to be placed under management; anticipated future assets; related accounts; portfolio style; account composition; or other special circumstances or requirements. Advisory fees are detailed in each client's advisory agreement between the Adviser and each client.

Clients pay the Advisory Fee quarterly in advance. The Advisory Fee is deducted directly from each client's account, if authorized by the client. Otherwise, clients are invoiced for their quarterly Advisory Fee. If an account is opened after the start of a quarter, Advisory Fees will be prorated accordingly. Subsequently, the quarterly Advisory Fee is based on the value of the assets in the account(s) on the last business day of the previous calendar quarter. If the investment advisory agreement is terminated before the end of the calendar quarter in which an Advisory Fee has been paid, the Adviser will provide a refund of the unearned portion of the Advisory Fee to the client based on the number of days in the quarter prior to the termination date into an account established through Topsail and its relationships with third party custodians, or by check if the Firm no longer has access to the custodial account.

In addition to the Advisory Fee, there are additional costs and expenses imposed by companies other than the Adviser and may include, but may not be limited to, mutual fund and exchange-traded fund ("ETF") management fees and expenses, brokerage fees paid to clear transactions, mark-ups/mark-downs on fixed income trades, annual fees paid for custodial services, spreads paid to market makers, fees for trades executed away from the custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These charges are separate and distinct from the fees paid for investment advisory services or other services provided to clients. If clients are custodied and traded through Schwab or Altruist, Topsail covers the trading fees for clients. Please refer to Topsail's Appendix 1 Brochure Supplement (Item 4).

### **Wealth Management and Estate Planning Fees**

As described in Item 4 above, Topsail also offers other wealth management and estate planning services, including financial planning, to clients. Fees for these services are determined according to the scope and complexity of the client's circumstances and stated objectives. Once Topsail and the client agree upon the fee, one-quarter of the fee is due at the time an agreement for these types of services is signed and the remaining fee will be prorated and charged on a monthly or quarterly basis, in advance, unless otherwise stated in the agreement.



## **Separate Account Manager Fees**

When a Separate Account Manager is utilized, the Manager's fees will either be included in the Advisory Fee charged by Topsail or billed to the client separately by the Manager.

## **Fees for Other Services Offered**

Minimum fees for bookkeeping services are \$250 per month. Fees for trustee services are available for a minimum fee of \$10,000 per year. Bookkeeping and trustee services and fees are stated in the client's services agreement. Fees are billed directly to the client. These charges are separate and distinct from the fees paid for investment advisory services.

## **Fee Billing Methods**

Topsail will bill you directly for services provided, or you may authorize us to have your fees deducted directly from your account. This authorization will be included in the advisory agreement, or other services agreement, and custodian account opening documents that you will execute to engage our services, as applicable.

Your custodian will provide you with statements that show the amount of any fees paid directly to Topsail. Your custodian does not verify the accuracy of our fee calculations.

## **Other Fees and Expenses**

Clients are advised that if securities transferred into the client's account are sold, there may be transaction costs, fees assessed at the mutual fund level (i.e., contingent deferred sales charge), and/or potential tax ramifications. While Topsail will cover the transaction fees charged by Schwab or Altruist, there are account maintenance fees, or other fees, charged by those custodians. Client accounts will be charged transactions-related fees if the account is held a custodian other than Schwab or Altruist.

Please see *Item 12 - Brokerage Practices*, in this brochure which further describes the factors that Topsail considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions), if applicable.

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

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Neither the Adviser nor any of its officers or investment adviser representatives accept performance-based fees. "Side by Side Management" refers to a situation in which the same firm manages accounts that are charged on a performance fee basis and at the same time manages accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee.

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

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### **Types of Clients**

Topsail provides advisory services primarily to high-net-worth individuals and their families, including their trusts, estates, and retirement accounts. We also provide services to corporations, business entities and family foundations.

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

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### **Methods of Analysis and Investment Strategies**

Adviser's investment process begins with determining the appropriate strategic asset allocation for each client. Asset allocation involves translating the client's circumstances, objectives, and constraints into an appropriate portfolio for achieving the client's goals within the client's tolerance for risk. Asset class targets will be defined by the following asset classes: Equity, Fixed Income, Alternative Investments, and Cash Equivalents. After asset allocation is determined, the next step in our process is to determine the specific investments that will be used to implement the targeted allocations.

Topsail's methodology is based on research conducted in-house, research obtained from public and private sources, and independent models. The approach is focused on meeting long-term financial objectives. Topsail seeks success in its investment recommendations by maintaining a broadly diversified portfolio, rather than attempting to predict which investments will provide a certain level of performance at any given time. Topsail portfolios invest in a variety of market sectors and asset classes.

Topsail's investment strategies follow a disciplined, long-term approach that prioritizes managing risk through appropriate asset allocation and diversification. The firm's methodology uses a strategic approach by focusing on the mix of asset classes that align with the client's personalized financial goals. Once an asset allocation is determined, Topsail recommends specific investments to balance the client's portfolio to the prescribed asset allocation and sub-allocation.

Portfolio decisions rely on information provided by the client such as rate of savings, percentage of income needed in retirement, portfolio withdrawals, tax rates, taxable capital gains and losses, college costs, and market returns, to develop an investment strategy tailored to each client's individual needs.

Mutual funds and ETFs are evaluated and selected based on a variety of factors, including, as applicable and without limitation, portfolio management team philosophy, investment selection process, past adherence to stated process, past performance, internal fee structure, strength and reputation of fund sponsor, overall ratings for safety and returns, portfolio manager, consistency of performance, and other factors.

Fixed income investments may be used to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. The Adviser may evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

### **Investment Strategies**

The Adviser's strategic approach is to invest each portfolio based on the individual needs, goals and objectives and risk tolerance of the client and employing a long-term approach which means that securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

### **Risk of Loss**

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

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

*Economic Conditions.* Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws may adversely affect the business prospects or perceived prospects of companies. While the Adviser or a Manager performs due diligence on the companies in whose securities it invests, economic conditions are not within the control of the Adviser, or the Manager and no assurances can be given that the Adviser or the Manager will anticipate adverse developments.

*Risks of Investments in Mutual Funds and ETFs.* As described above, the Adviser and any Managers may invest client portfolios in mutual funds and exchange-traded funds ("**ETFs**"). These types investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the sectors or markets in which they invest. In addition, the funds' success will be related to the skills of the funds' investment managers and their performance in managing their funds. These funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended.

*Equity Market Risks.* The Adviser and any Managers will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investment funds have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear

markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

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

## **Item 9: Disciplinary Information**

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

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

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Adviser's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Adviser's management persons are not registered, nor do any management persons have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading Adviser, or an associated person of the foregoing entities. Adviser receives no additional compensation directly or indirectly from the third-party investment managers it recommends or engages to manage portions of your portfolios.

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

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

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

The Code sets forth guidelines for professional standards for the Adviser's associated persons (managers, officers, and employees). Under the Code's Professional Standards, the Adviser

expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Adviser associated persons are not to take inappropriate advantage of their positions in relation to Adviser clients.

The Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, the Adviser's associated persons may invest in the same securities recommended to clients. This may create a conflict of interest because associated persons of the Adviser may invest in securities ahead of or to the exclusion of the Adviser clients. Under its Code, the Adviser has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, including prohibiting trading by an associated person in any security within a certain period before any client account trades or considers trading the same security and the creation of a restricted securities list, reporting and review of personal trading activities and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations. Topsail will provide a copy of the Firm's Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

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

The Code contains policies regarding participation in initial public offerings ("IPOs") and private placements to comply with applicable laws and avoid conflicts with client transactions. If an associated person wishes to participate in an IPO or invest in a private placement, he/she must submit a pre-clearance request and obtain the approval of the CCO.

## **Item 12: Brokerage Practices**

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### **Best Execution and Benefits of Brokerage Selection**

When given discretion to select the brokerage firm that will execute orders in client accounts, the Adviser seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and fees charged. As mentioned in *Item 5 – Fees and Compensation* of this Brochure, Topsail will cover any transaction fees charged by Schwab or Altruist, however there may be transaction fees charged to the client account if the account is held a custodian other than Schwab or Altruist.

### **Directed Brokerage**

Clients may direct the Adviser to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for

negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangement that the Adviser has with Schwab and Altruist is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of alternative service providers may in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s). By directing the Adviser to use a specific broker or dealer, clients who are subject to ERISA confirm and agree with the Adviser that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

### **Aggregated Trade Policy**

The Adviser generally performs customized investment management services for various clients and does not typically aggregate trades. Should there be an instance when portfolio transactions are executed as part of concurrent authorizations to purchase or sell the same security for more than one client account, the Firm will effect and aggregated trades only when we believe that to do so will be in the best interest of the affected accounts with the objective being to allocate the executions in a manner which is deemed equitable to the accounts involved.

## **Item 13: Review of Accounts**

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### **Reviews**

Managed portfolios are reviewed on a regular basis and at least quarterly by Matthew Snipes, who owns the Firm and serves as CEO and CCO. Additional reviews are conducted upon client request. Other factors that could trigger a review include receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by the Adviser, such as a change in client circumstances or, economic, political or market conditions.

## **Reporting**

Topsail also prepares and provides account reports to clients at least quarterly. From time to time and in accordance with the Adviser's investment advisory agreement with clients, the Adviser will provide additional reports. These reports are in addition to the account statements provide by custodians.

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

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Topsail receives referrals from an unaffiliated CPA firm. Topsail does not compensate the firm for these referrals. Additionally, we do not receive any other compensation for advisory services from other parties who are not clients.

### **Item 15: Custody**

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Client assets are maintained at a qualified custodian in accounts registered to clients. The custodian sends account statements directly to clients at least quarterly and clients should carefully review those custodian statements. Topsail also provides clients account statements which includes a statement urging clients to compare the custodian account statements they receive with those they receive from Topsail.

### **Item 16: Investment Discretion**

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As described in *Item 4 - Advisory Business*, Topsail will manage the client's investment portfolio on a discretionary or a non-discretionary basis pursuant to an investment advisory agreement with the client. As a discretionary investment adviser, the Adviser will have the authority to supervise and direct the portfolio without prior consultation with the client.

Clients who choose a non-discretionary arrangement must be contacted prior to the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Discretionary authority is covered in each client's investment advisory agreement.

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

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The Adviser will not accept authority to vote client securities. The custodian of the client's assets will send all proxies directly to the client, so that the client may vote the proxies. Clients may contact the Adviser with questions relating to proxy procedures and proposals; however, the Adviser generally does not research particular proxy proposals.

## **Item 18: Financial Information**

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The Adviser 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.

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance; and therefore, is not required to provide a balance sheet to clients.