

Mainsail Asset Management, LLC

SEC File Number: 801 – 67485

ADV Part 2A, Firm Brochure

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This brochure provides information about the qualifications and business practices of Mainsail Asset Management, LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (205) 536-7776 or bill@investprudently.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.

Additional information about Mainsail Asset Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Mainsail Asset Management, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

Since the most recent Annual Amendment filing on February 22, 2021, this Disclosure Brochure has been revised as follows:

Registrant's Chief Compliance Officer, William H. Parsons, Jr., remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements.

Item 3 Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	8
Item 6	Performance-Based Fees and Side-by-Side Management	10
Item 7	Types of Clients.....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9	Disciplinary Information	14
Item 10	Other Financial Industry Activities and Affiliations	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	16
Item 12	Brokerage Practices	17
Item 13	Review of Accounts.....	20
Item 14	Client Referrals and Other Compensation	20
Item 15	Custody	20
Item 16	Investment Discretion.....	21
Item 17	Voting Client Securities.....	21
Item 18	Financial Information	22

Item 4 Advisory Business

- A. Mainsail Asset Management, LLC (the “Registrant”) is a limited liability company formed on August 5, 2003 in the state of Alabama. The Registrant became a Securities and Exchange Commission registered Investment Adviser Firm in January 2007. The Registrant is owned by William H. Parsons, Jr., the Registrant’s Managing Member.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

Services to Individuals

Individuals can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management, generally between 0.50% and 1.25%. Registrant’s annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, may also include financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services pursuant to a stand-alone Financial Planning Agreement (see below).

*In addition, in limited situations, the Registrant may determine to provide investment advisory services on a fixed annual retainer fee basis for a fee mutually agreed upon between the Registrant and the client. *See* Fee Dispersion discussion in Item 5 below.

Services to Businesses and Other Entities

Businesses, retirement plans, charitable organizations, or other entities can determine to engage the Registrant to provide discretionary and/or non-discretionary (generally participant directed retirement plans) investment advisory services on a *fee-only* basis. Registrant’s investment advisory fee for businesses and other entities is based upon various objective and subjective factors, including, but not limited to, the scope, complexity, and duration of the engagement. The fee may be based on a percentage of assets under management, or a fixed fee, or both. (*See* Fee Dispersion discussion in Item 5 below).

FINANCIAL PLANNING AND CONSULTING SERVICES

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) either inclusive of its advisory fee as set forth in Item 5 below, or on a stand-alone separate fee basis. For standalone financial planning and consulting engagements, Registrant’s fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination),

describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professionals. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided.

The Registrant does not provide ongoing monitoring of previously-provided financial planning recommendations, and the client is free to accept or reject any recommendations made by Registrant. Unless otherwise agreed, the client remains exclusively responsible for implementation of any accepted recommendations. It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives in order to request a re-evaluation of Registrant's previous recommendations and/or services.

RETIREMENT CONSULTING

The Registrant also provides retirement plan consulting/management services, pursuant to which it assists sponsors of self-directed retirement plans organized under the Employee Retirement Security Act of 1974 ("ERISA"). The terms and conditions of the engagement shall be set forth in a *Retirement Plan Consulting Agreement* between the Registrant and the plan sponsor.

To the extent that the plan sponsor engages the Registrant in an ERISA Section 3(21) capacity, the Registrant will assist with the selection and/or monitoring of investment options (generally open-end mutual funds and exchange traded funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. If the plan sponsor chooses to engage the Registrant in an ERISA Section 3(38) capacity, Registrant may provide the same services as described above, but may also: create specific asset allocation models that Registrant manages on a discretionary basis, which plan participants may choose in managing their individual retirement account; and/or modify the investment options made available to plan participants on a discretionary basis.

MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. To the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. The Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of Registrant's services should be construed as legal, accounting, or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation

to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives.

If the client engages any professional, recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional(s), and not Registrant, shall be responsible for the quality and competency of the services provided.

Retirement Rollovers – No Obligation / Conflict of Interest: 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 the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee on the rolled over assets. If Registrant provides a recommendation as to whether a client should engage in a rollover or not, Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

Cash Positions. Registrant continues to treat cash as an asset class. As such, unless determined to the contrary by Registrant, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Registrant’s advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Registrant’s advisory fee could exceed the interest paid by the client’s money market fund.

Portfolio Trading Activity. Registrant has a fiduciary duty to provide services consistent with the client’s best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client’s financial circumstances, and changes in the client’s investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that trades within a client’s portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

Account Aggregation Platforms. Registrant may provide its clients with access to one or more online account aggregation platforms (collectively, the “Platforms”). The Platforms allows a client to view their complete asset allocation, including those assets that Registrant does not manage (the “Excluded Assets”). Registrant does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets.

Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Registrant, shall be exclusively responsible for such investment performance. The client may choose to engage Registrant to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Registrant and the client. The Platforms may also provide access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the Platforms without Registrant's assistance or oversight.

Use of Mutual Funds: While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publicly available mutual funds that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly available mutual funds without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. Registrant may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Registrant's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other designated professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating and revising Registrant's previous recommendations and/or services.

Private Investments. Registrant may also provide investment advice regarding affiliated and unaffiliated private investment funds and private placement equity securities. With regard to First Avenue Bridge Equity, LLC, First Avenue Funding, LLC and First Avenue Infrastructure, LLC (the "*affiliated funds*"), the Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to one or more of the *affiliated funds*. The terms and conditions for participation in the *affiliated private funds*, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in an *affiliated fund*.

Registrant's role relative to unaffiliated private investments shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund and/or private placement equity investor in an unaffiliated private fund, the amount of assets invested shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s) or private placement equity security.

Risks: Private investment funds and private placement equity securities generally involve various risk factors, including, but not limited to, potential for complete loss of principal,

liquidity constraints and lack of transparency, a complete discussion of which is set forth in each security's and/or fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investments do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment, and acknowledges and accepts the various risk factors that are associated with such an investment.

Fund Valuation: In the event that Registrant references private investments owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investments owned by the client shall reflect the most recent valuation provided by the sponsor. If no subsequent valuation post-purchase is provided by the sponsor, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date), or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the sponsor). If the valuation reflects initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than original purchase price. The client's advisory fee shall be based upon reflected private investment value(s).

Separate Account Managers. For clients that require an enhanced and/or specialized level of investment management services, Registrant may recommend a client allocate a portion of the client's investment assets among unaffiliated separate account managers ("Separate Account Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Separate Account Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant will continue to monitor such Separate Account Manager's investment activities on behalf of the client. The factors Registrant considers in recommending Separate Account Manager(s) include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Separate Account Manager(s) is separate from, and in addition to, Registrant's advisory fee as set forth in Item 5.

Disclosure Statement. A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV and Form CRS (Client Relationship Summary) shall be provided to each client (as applicable) prior to, or contemporaneously with, the execution of the applicable form of agreement between Registrant and the client.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2021, the Registrant had \$220,927,438 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

A.

INVESTMENT ADVISORY SERVICES

Services to Individuals

Individuals can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management as follows:

<u>Assets Under Management</u>	<u>% of Assets</u>
First \$0 - \$500,000	1.25%
Next \$500,001 - \$1,000,000	1.00%
Next \$1,000,001 - \$2,000,000	0.80%
Next \$2,000,001 - \$5,000,000	0.70%
Next \$5,000,001 - \$10,000,000	0.60%
\$10,000,001+	0.50%

Fee Dispersion: Registrant, in its sole discretion, may charge a lesser investment advisory fee and/or charge a fixed annual retainer fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, prior fee schedules, competition, negotiations with client, etc.). As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. Since the Registrant's representative shall receive a portion of the advisory fee charged to the client, a material conflict of interest arises, because an increase in the management fee paid by the client may result in increased compensation received by the Registrant's representative.

In the event Registrant enters into fixed retainer fee arrangement with the client, the client's annual fee may exceed the amounts reflected in the above fee schedule.

Services to Businesses and Other Entities

Registrant's investment advisory fee for businesses and other entities is based upon various objective and subjective factors, including, but not limited to, the scope, complexity, and duration of the engagement. The fee may be based on a percentage of assets under management, or a fixed fee, or both. ***See*** Fee Dispersion disclosure above.

FINANCIAL PLANNING AND CONSULTING SERVICES

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

RETIREMENT CONSULTING

The Registrant also provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. Registrant's investment advisory fee for Retirement Consulting services is based upon various objective and subjective factors, including, but not limited to, the scope, complexity, and duration of the engagement. The fee may be based on a percentage of assets under management, or a fixed fee, or both. *See* Fee Dispersion disclosure above.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that TD Ameritrade ("*Ameritrade*"), Interactive Brokers, LLC ("*Interactive*"), or Charles Schwab ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Ameritrade/Interactive/Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions and, as such, clients will generally incur transaction fees in connection with account trading activity, in accordance with the brokerage commission/transaction fee schedule of the applicable broker-dealer/custodian. In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

When in the reasonable determination of the Registrant that it would be beneficial for the client, individual equity and/or fixed income transactions may be executed through broker-dealers other than the account custodian. In that event, the client will generally incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "trade-away" and/or prime broker fee charged by the account custodian.

- D. Registrant's annual investment advisory fee shall be prorated and generally paid quarterly (a limited number of clients pay monthly), in arrears, based upon the market value of the assets on the last business day of the previous quarter (excluding fixed annual retainer engagements as discussed above). The Registrant does not require an annual minimum fee or asset level for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, for those clients billed in arrears, the Registrant shall debit the account for the pro-rated portion of the unpaid advisory fee based

upon the number of days services were provided during the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, high net worth individuals, pension and profit-sharing plans, business entities, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services.

Although Registrant does not require an annual minimum fee or asset level, Registrant may charge a fixed annual retainer fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, prior fee schedules, competition, negotiations with client, etc.). As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

Since the Registrant's representative shall receive a portion of the advisory fee charged to the client, a material conflict of interest arises, because an increase in the management fee paid by the client may result in increased compensation received by the Registrant's representative.

In the event Registrant enters into fixed retainer fee arrangement with the client, the client's annual fee may exceed the amounts reflected in the fee schedule at Item 5 above.

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
 - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)

- Short Term Purchases (securities sold within a year)
- Margin Transactions (use of borrowed assets to purchase financial instruments)

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 the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Registrant's clients may have access to margin. Use of margin has a high level of inherent risk. (*See discussion below*).

Margin. Registrant does not recommend the use of margin as an investment strategy. Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

However, Registrant may recommend that a client establish a margin account with the client's broker-dealer/custodian or their affiliated banks (each, a "Lender") to access margin for financial planning and cash flow management purposes. For example, Registrant may deem it advisable for a client to borrow money on margin to pay bills or other expenses such as financing the purchase, construction, or maintenance of a real estate project.

The terms and conditions of each margin loan are contained in a separate agreement between the client and the Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential

obligation to post collateral or repay the margin loan if the Lender determines that the value of collateralized securities is no longer sufficient to support the value of the loan; the risk that the Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the Lender may terminate the margin loan at any time. Before agreeing to participate in a margin loan program, clients should carefully review the applicable margin loan agreement and all risk disclosures provided by the Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing "margin calls" and liquidating securities and other assets in the client's accounts.

To the extent that a client authorizes the use of margin, and the proceeds of any margin loan are used to purchase securities that are managed by Registrant in the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to Registrant. Accordingly, Registrant does not use margin for investment purposes, and the decision as to whether to employ margin is left totally to the discretion of client.

Options Strategies. The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio.

Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for their accounts.

For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>

Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, IL 60606.

- C. Currently, the Registrant primarily allocates client investment assets among various mutual funds and exchange traded funds, on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

The Registrant may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its mutual fund asset allocation programs (i.e. Aggressive, Moderately Aggressive, Moderate, and Conservative) as designated on the

Investment Advisory Agreement. Registrant's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Registrant's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Registrant's management of client assets:

1. Initial Interview – at the opening of the account, the Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly the Registrant shall notify the client to advise the Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, the Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – the Registrant shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain mutual funds;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Registrant believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant's annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant's annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses).

Registrant's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

Interval and Closed-End Funds. When consistent with a client's investment objectives, Registrant may allocate investment assets to "interval funds." Investment companies structured as "interval funds" are generally designed for long-term investors that do not

require daily liquidity. Shares in interval funds typically do not trade on the secondary market. Instead, their shares are subject to periodic redemption offers by the fund at a price based on net asset value. Thus, if Registrant determined that the fund was no longer performing or if the client ever determined to transfer its account, the fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the fund could be substantially different (positive or negative) than the fund value on the date that the sale was requested. Interval funds investing in securities of companies with smaller market capitalizations, derivatives, or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk.

Closed-end funds generally do not continually offer their shares for sale. Rather, they sell a fixed number of shares at one time, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. The specific risk factors related to closed-end funds vary depending upon the structure of each fund. Shares of closed-end funds frequently trade at a premium or discount relative to their net asset value ("NAV"). If Registrant purchases shares of a closed-end fund at a discount to its NAV, there can be no assurance that the discount will decrease, and it is possible that the discount may increase and affect whether the client will realize a gain or loss on the investment. Many closed-end funds invest using borrowed money to seek higher returns. This triggers greater risk and could cause the share price to fluctuate accordingly, especially because the closed-end fund will also have to pay interest or dividends on its leverage, effectively reducing the return value. Many closed-end funds also choose to distribute a fixed percentage of net assets regardless of the fund's actual interest income and capital gains. Consequently, distributions by a closed-end fund may include a return of capital, which would reduce the fund's net asset value and its earnings capacity. Closed-end funds may invest in a greater amount of illiquid securities than open-end mutual funds. Investments in illiquid securities pose risks related to uncertainty in valuations, volatile market prices, and limitations on resale that may have an adverse effect on the ability of the fund to dispose of the securities promptly or at reasonable prices. Finally, closed-end funds carry liquidity risks, which exists when particular investments are difficult to purchase and sell, possibly preventing Registrant from selling out of such illiquid securities at an advantageous price.

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Mainsail Business Valuations, LLC**. Registrant is related to Mainsail Business Valuations, LLC ("MBV") by common ownership and control. MBV provides valuation

services to businesses spanning a variety of industries, including professional services, hospitality, business services, manufacturing, consumer, insurance, and distribution. The recommendation by Registrant that a client utilize the services of MBV presents a conflict of interest, as the recommendation may be made on the basis of compensation to be received, rather than on a particular client's need. The client is free to accept or reject any recommendation made by Registrant or its representatives.

Private Investment Vehicles. Registrant is also related to certain private investment vehicles, and investment in these private investment vehicles may be recommended to certain of Registrant's clients, when consistent with that client's risk tolerance and investment objectives. Further details regarding the entity(ies), risk factors, and conflicts of interest are provided to clients prior to their first investment.

Private Investment Vehicle Risk Factors:

Private investment vehicles generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each investment's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investments do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment, and acknowledges and accepts the various risk factors that are associated with such an investment.

Conflicts of Interest.

Certain of Registrant's associated persons maintain ownership interests in private investment vehicles that are also recommended to Registrant's clients. This can include private investment vehicles that collect performance-based compensation. Associated persons who maintain an ownership interest in such private investments have a conflict of interest in recommending the private investments to clients, as the recommendation could be made on the basis of preserving or enhancing the value of the associated person's investment, rather than on a particular client's need. Because Registrant's associated persons can receive an additional economic benefit from private investment vehicles that collect performance-based compensation, the recommendation that a client become an investor in such a private investment vehicle presents a further conflict of interest.

Additional conflicts of interest exist when the Registrant recommends clients invest in First Avenue Funding, LLC ("FAF") for the following reasons:

- Certain of Registrant's associated persons render services to FAF for compensation,
- Certain of Registrant's associated persons sit on FAF's Board of Directors, and
- Certain of Registrant's family members maintain ownership interests and voting rights in FAF, in addition to the ownership interests described above that are maintained by Registrant's associated persons directly

No client is under any obligation to become an investor in the private investments. More details regarding conflicts of interest will be provided to any prospective investor prior to their first investment.

Private Investment Vehicle Valuation.

In the event that the Registrant references private investments owned by the client on any supplemental account reports, the values for all private investment vehicles will generally reflect the most recent value. The current value of any private investment could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed in Item 10 above, the Registrant may recommend, on a non-discretionary basis, that qualified clients allocate a portion of their investment assets to certain related private investment vehicles. To the extent that Registrant's individual advisory clients qualify, and determine that an investment is appropriate given their investment objective(s) and financial situation, they may participate in such private investment offerings. The terms and conditions for participation, including management and/or incentive fees, conflicts of interest, risk factors, and liquidity constraints, are disclosed to the investor prior to the initial investment. Please see Item 10 above for further details.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at

least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Ameritrade*, *Interactive*, and/or *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Ameritrade*, *Interactive*, and/or *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/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, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Ameritrade Institutional Customer Program

Registrant participates in *Ameritrade's* Institutional Customer Program (the "*Program*") and Registrant may recommend *Ameritrade* to clients for custody and brokerage services. There is no direct link between Registrant's participation in the *Program* and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the *Program* that are not typically available to *Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and

confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing research, technology, and practice management products or services provided to Registrant by third party vendors. *Ameritrade* may also have paid for business consulting and professional services received by Registrant. Some of the products and services made available by *Ameritrade* through the *Program* may benefit Registrant but may not benefit its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *Ameritrade*. Other services made available by *Ameritrade* are intended to help Registrant manage and further develop its business enterprise. *Ameritrade* may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Registrant's representatives to attend conferences or meetings relating to the *Program* or to *Ameritrade's* advisor custody and brokerage services generally. The benefits received by Registrant or its representatives through participation in the *Program* do not depend on the amount of brokerage transactions directed to *Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives in and of itself creates a conflict of interest and may indirectly influence Registrant's recommendation of *Ameritrade* for custody and brokerage services.

The Registrant's Chief Compliance Officer, William H. Parsons, Jr., remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest such arrangement creates.

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, Registrant can receive from *Ameritrade*, *Interactive*, or *Schwab* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by the Registrant may 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, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

Certain of the above support services and/or products assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

There is no corresponding commitment made by the Registrant to *Ameritrade, Interactive, Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, William H. Parsons, Jr., remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest such arrangement creates.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected 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 Registrant 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 Registrant. As a result, 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.

In the event that the client directs Registrant 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 Registrant. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

The Registrant's Chief Compliance Officer, William H. Parsons, Jr., remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant'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. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12 above, the Registrant receives economic benefits from *Ameritrade*, *Interactive*, and *Schwab*, including support services and/or products without cost (and/or at a discount).

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

The Registrant's Chief Compliance Officer, William H. Parsons, Jr., remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest any such arrangement creates.

- B. The Registrant does not compensate, directly or indirectly, any person, other than its employees for client introductions.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

The Registrant engages in other practices and services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of the practices and services subject the affected account(s) to an annual audit requirement in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. In addition, certain clients have signed asset transfer authorizations which permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to "third parties." These arrangements are also reflected at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding custody-related issues.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose reasonable restrictions, in writing, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

The Registrant's Chief Compliance Officer, William H. Parsons, Jr., remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.