

# **Mach-1 Financial Group, LLC**

CRD No. 298195

408 North Walton Boulevard  
Bentonville, AR 72712

Telephone: 479-876-2100

Email: david@mach-1financial.com

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Mach-1 Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at 479-876-2100. 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 with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Mach-1 Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated February 5, 2021 we have the following material changes to report:

- On September 1, 2021, we changed our legal formation from a Corporation (Inc.) to a Limited Liability Corporation (LLC). Changes were made throughout our brochure, to reflect this change in formation.
- We have amended Item 7, *Other Financial Industry Activities and Affiliations*, to disclose our affiliated insurance agency, David A Lee, Inc..
- We have amended Item 12, *Brokerage Practices*, to include disclosure about trade aggregation.
- We have amended Item 14, *Client Referrals and Other Compensation*, to disclose bonus funding our firm receives from AE Wealth Management, LLC ("AEWM") and its affiliates, connected to the sub-adviser services AEWM provides to us. This is a conflict of interest in that we have an economic incentive to recommend the sub-adviser services of AEWM to our clients.

We have also amended our disclosure brochure to include the following acknowledgement of fiduciary status as required by a recently adopted Department of Labor rule:

- When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries 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. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must i) meet a professional standard of care when making investment recommendations (give prudent advice); ii) never put our financial interests ahead of yours when making recommendations (give loyal advice); iii) avoid misleading statements about conflicts of interest, fees, and investments; iv) follow policies and procedures designed to ensure that we give advice that is in your best interest; v) charge no more than is reasonable for our services; and, vi) give you basic information about conflicts of interest. We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

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## Item 4 Advisory Business

### A. Mach-1 Financial Group

Mach-1 Financial Group, LLC ("Mach-1 Financial" and/or "the firm") is an Arkansas limited liability corporation directly owned by Mach-1 Holdings, Inc. and indirectly owned by David A. Lee as Trustee of The Lee Family Trust. The firm was first registered as an investment adviser in February 2020, and provides asset management services to high net-worth individuals, individuals, trusts, corporations, partnerships, and other legal entities. In September 2021, the firm changed its legal formation from an S corporation to a limited liability corporation.

### B. Advisory Services Offered

Mach-1 Financial is an independent investment advisory firm that may utilize one or more third party sub-advisers or managers ("Managers") for asset management services on a sub-advised basis. Managers provide various securities strategies ("Strategies") within their own wrap fee programs (the "Manager Wrap Programs"), and Mach-1 Financial determines which Manager Wrap Programs the client assets are to be invested in, and thereafter the Manager implements all trades necessary to cause such assets to be invested in the Strategies. Clients only have a direct relationship with Mach-1 Financial, and not any Manager, and therefore clients are considered clients of Mach-1 Financial. For the avoidance of doubt, Managers do not provide a client with any investment advice based on their individual circumstances. Managers do not have the ability to determine if any Strategy is appropriate for the need of any client. Each client must authorize the Managers to direct trades for clients' accounts at the custodian. The custodian will have custody of assets and execute transactions for the accounts. No Manager will have responsibility for the selection of or actions or inactions by any custodian.

When Mach-1 Financial allocates client funds in a Manager Wrap Program, the Manager will establish an account (the "Managed Accounts") with a custodian. Managers generally retain complete discretion to manage client assets in a Managed Account. By electing to allocate client assets to a Managed Account, Mach-1 Financial is granting the Manager limited authority to effect trades consistent with its direction. No Manager will have possession or custody of cash and/or securities in any Managed Accounts, nor any responsibility or liability for custody, which will remain solely with custodian. Managers will deliver their disclosure brochure for their Manager Wrap Programs (the "Manager Brochures") to each client.

Managers and their affiliates perform investment advisory and other services for other clients, and the Managers and their affiliates may buy, sell, or trade, or recommend any securities for its or their respective accounts in compliance with all applicable federal and state securities laws. The Managers and their affiliates may give advice and take action with respect to any of its other clients, which may differ from the advice given, the timing or nature of action taken, or recommendations provided to clients participating in a Manager Wrap Program. Managers and their affiliates may from time to time come into possession of confidential and privileged information ("Nonpublic Information") about clients and their assets and financial matters as a result of their other activities. Managers will not be free to divulge or act upon Nonpublic Information in connection with management of Managed Accounts.

### Rollover Recommendations

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries 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. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Mach-1 Financial will assist clients with selecting one or more Manager Wrap Programs. With respect to sub-advised services, clients select a category of risk based on an assessment of their individual risk tolerance and investment objectives, to which one or more Manager Wrap Programs are then correlated. We will recommend to or select for clients what portion of their assets may be invested which Manager Wrap Program and discuss the allocation of their assets among the portfolios. Clients may, other than for model portfolios constructed by a Manager, impose reasonable restrictions on the management of their accounts—for example, restricting the type or amount of security to be purchased in a Managed Account.

### **D. Wrap Fee Programs**

In addition to the Manager Wrap Programs, Mach-1 Financial offers its own wrap fee program in which it provides investment management services for one all-inclusive fee. Please refer to Appendix 1 of Part 2A: Mach-1 Financial Wrap Fee Program Brochure. Please see Item 5.A. of this Brochure for important disclosure regarding custodian investment programs.

### **E. Client Assets Under Management**

As of December 31, 2021, we provide continuous management services for \$272,649,449 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **A. Methods of Compensation and Fee Schedule**

Mach-1 Financial will charge an annual fee based upon a percentage of the market value of the assets in each Managed Account. Mach-1 Financial charges a maximum 1.95% on the value of portfolio assets under Mach-1 Financial's supervision (the "Mach-1 Fee"). Fees are negotiable. Managers' fees for their Manager Wrap Programs ("Wrap Fees"), which include all trading and custody costs in each Managed Account, will normally be deducted by Managers from Managed Accounts, from which they will remit to Mach-1 Financial its Mach-1 Fee, as reflected in each client's investment advisory agreement with the firm. Managers may impose a minimum portfolio size, minimum fee, or otherwise condition the firm's use of portfolios. Please refer to each Manager Brochure for specific information. As may be provided in a client's advisory agreement, a client may incur technology or other fees. Wrap

Fees may vary, and since Mach-1 Financial receives the difference between the Wrap Fees and its Mach-1 Fee, Mach-1 Financial has a conflict of interest in selecting Manager Wrap Programs for which it receives a higher net advisory fee than for Manager Wrap Programs with lower Wrap Fees.

Asset-based fees are always subject to the investment advisory agreement between the client and Mach-1 Financial. Such fees are payable monthly in arrears or as dictated by the sub-adviser's billing protocol. The fees are based on the market value of the assets in the Managed Account(s) on the last day of the immediately preceding month or the average daily balance dictated by the sub-adviser's billing protocol subject to the custodian having this capability. If the applicable custodian does not offer average daily pricing, then the Managers will continue to bill in arrears based upon the closing month's portfolio value. No adjustments for significant contributions or withdrawals will be made. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month.

**A.1.a. Important Disclosure - Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware.

**B. Client Payment of Fees**

Mach-1 Financial does not require the prepayment of its investment Mach-1 Fees. Managers are paid directly by clients, and the Managers in turn remit to Mach-1 Financial its Mach-1 Fees.

Clients authorize either Mach-1 or the Manager to direct each custodian to deduct all Wrap Fees and Mach-1 Fees directly from Managed Accounts and remit the same to the Manager, and therefrom the Managers will remit the Mach-1 Fee to Mach-1 Financial.

The custodian will deduct Mach-1 Fees and Wrap Fees directly from the client's Managed Accounts provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is encouraged to review the quarterly custodian statement to verify the accuracy of the Wrap Fee calculation, as the client's custodian will not verify the calculation.

Termination provisions may vary by Manager. Please refer to the Manager Brochures for specific information. Clients may terminate any advisory agreement any time as provided therein, or otherwise terminate that client's participation in any Manager Wrap Program; Mach-1 Financial or Managers may terminate their sub-advisory agreements at any time on 30 days' notice, or immediately in specified cases. Upon any such termination, client's assets will no longer be invested in the relevant portfolios.

**C. Additional Client Fees Charged**

Neither the Mach-1 Fee nor the imbedded Wrap Fees include charges to Managed Accounts by their investments, such as exchange-traded funds or mutual funds. In the case of an exchange-traded fund or mutual fund, fees and charges are disclosed in the respective fund's prospectus. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus.

**D. External Compensation for the Sale of Insurance or Investments to Clients**

Mach-1 Financial's advisory professionals are compensated primarily through a salary and bonus structure and through asset-based fees generated from client accounts. Mach-1 Financial's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

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

Mach-1 Financial does not charge performance-based fees.

## Item 7 Types of Clients

Mach-1 Financial is an independent investment management firm providing asset management services to various types of clients including individuals, trusts, corporations, partnerships, and other legal entities.

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

### A. Methods of Analysis and Investment Strategies

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.**

#### A.1 Third-Party Managers

Mach-1 Financial will recommend one or more appropriate third-party Managers for all or a portion of the client's portfolio. Managers will typically manage assets for clients in the Manager Wrap Programs who commit a minimum amount of assets - a factor that Mach-1 Financial will take into account when recommending Manager Wrap Programs to clients. A description of the criteria used in formulating an investment recommendation to invest in Manager Wrap Programs is set forth below. Mach-1 Financial has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform trading
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

Mach-1 Financial may utilize additional independent third parties to assist it in recommending and monitoring advisers to clients as appropriate under the circumstances.

Mach-1 Financial reviews certain quantitative and qualitative criteria related to Managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of an adviser evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the adviser's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the adviser's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending Managers include the investment objectives and/or management style and philosophy of an adviser; a Manager's consistency of investment style; and employee turnover and efficiency and capacity.

Managers' quantitative and qualitative criteria are reviewed by Mach-1 Financial on a quarterly basis or such other interval as appropriate under the circumstances. In addition, Managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift.

Account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or Managers utilized. Mach-1 Financial will endeavor to obtain equal treatment for its clients with Managers, but cannot assure equal treatment.

Mach-1 Financial will regularly review the activities of Managers utilized for the client. Clients that participate in Manager Wrap Programs should first review and understand the Manager Brochures, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest.

#### **A.2. Important Disclosure - Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please see Item 5.A. of this Brochure for detailed information.

#### **A.3. Material Risks of Investment Instruments**

Please refer to the Manager Brochures for information on material risks of investment instruments.

#### **B. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

### **Item 9 Disciplinary Information**

#### **A. Criminal or Civil Actions**

There is nothing to report on this item.

#### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

#### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

#### **A. Broker-Dealer or Representative Registration**

Neither Mach-1 Financial nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

#### **B. Futures or Commodity Registration**

Neither Mach-1 Financial nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.



## **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

### **C.1. AE Wealth Management, LLC**

AE Wealth Management, LLC provides certain back office support and may serve as either a sub-adviser or wrap fee sponsor for strategies selected or recommended by Mach-1 Financial.

### **C.2. Sub-Advisory Relationships**

Mach-1 Financial offers its own proprietary Wrap Fee Program and has also entered into agreements with independent third-party managers whereby the third-party managers will serve as sub-adviser to Mach-1 Financial and offer various portfolio strategies or Manager Wrap Programs to clients. Clients are not obligated to utilize such third-party sub-advisory services. Although Mach-1 Financial identifies third-party managers that are in the best interest of the clients, please be advised that there is an economic incentive to recommend the wrap fee program that engages Managers that have lower management fees and lower portfolio turnover.

### **C.3. Insurance Sales**

We are affiliated with David A Lee, Inc., a licensed insurance agency, through common control and ownership. Therefore, persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons, and/or David A Lee, Inc., will earn commission-based compensation for selling insurance products, including insurance products they sell to you, and thus a conflict of interest exists. Insurance commissions earned by these persons are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm. Mach-1 Financial strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

## **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Mach-1 Financial does not receive any additional remuneration from advisers, investment managers, or other service providers that it recommends to clients. However, the firm engages sub-advisers to manage Mach-1 Financial client accounts. The compensation arrangements are described in Item 5.A and Item 14.B.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Mach-1 Financial has adopted policies and procedures designed to detect and prevent insider trading. In addition, Mach-1 Financial has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Mach-1 Financial's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Mach-1 Financial. Mach-1 Financial will send clients a copy of its Code of Ethics upon written request.

Mach-1 Financial has policies and procedures in place to ensure that the interests of its clients are given preference over those of Mach-1 Financial, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

## **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Mach-1 Financial does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Mach-1 Financial does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

## **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Mach-1 Financial, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Mach-1 Financial specifically prohibits. Mach-1 Financial has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Mach-1 Financial's procedures when purchasing or selling the same securities purchased or sold for the client.

## **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Mach-1 Financial, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Mach-1 Financial clients. Mach-1 Financial will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Mach-1 Financial to place the clients' interests above those of Mach-1 Financial and its employees. The possibility exists that due to circumstances beyond the control of Mach1 Financial, same-day trade requests submitted prior to cut-off will not be executed on the same day.

## **Item 12 Brokerage Practices**

### **A. Factors Used to Select Broker-Dealers for Client Transactions**

Mach-1 Financial participates in the institutional customer program of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA (the "Custodian"). TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution,

clearance, and settlement of transactions. Mach-1 Financial receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Items 12 and 14 of this Brochure).

Mach-1 Financial considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker dealers or custodians to advisory clients.

#### **A.1.a. Soft Dollar Arrangements**

Mach-1 Financial does not have any soft dollar arrangements.

#### **A.1.b. Institutional Trading and Custody Services**

The Custodians provide Mach-1 Financial with access to its institutional trading and custody services, which are typically not available to the Custodians' retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular Custodian. The Custodians' brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.c. Other Products and Services**

Custodians also make available to Mach-1 Financial other products and services that benefit Mach-1 Financial but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Mach-1 Financial's accounts, including accounts not maintained at Custodians.

The Custodians may also make available to Mach-1 Financial software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Mach-1 Financial's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The Custodians may also offer other services intended to help Mach-1 Financial manage and further develop its business enterprise. These services may include

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

The Custodians may also provide other benefits such as educational events or occasional business entertainment of Mach-1 Financial personnel. In evaluating whether to recommend that clients custody their assets at the Custodians, Mach-1 Financial may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the Custodians, which may create a potential conflict of interest.

#### **A.1.d. Independent Third Parties**

The Custodians may make available, arrange, and/or pay third-party vendors for the types of services rendered to Mach-1 Financial. The Custodians may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Mach-1 Financial.

### **A.1.e. Additional Compensation Received from Custodians**

Mach-1 Financial participate in institutional customer programs sponsored by broker dealers or custodians. Mach-1 Financial recommends these broker dealers or custodians to clients for custody and brokerage services. There is no direct link between Mach-1 Financial's participation in such programs and the investment advice it gives to its clients, although Mach-1 Financial receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits include all or some of the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Mach-1 Financial 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

Mach-1 Financial also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Mach-1 Financial to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Mach-1 Financial will typically receive benefits similar to those listed above.

As part of its fiduciary duties to clients, Mach-1 Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Mach-1 Financial or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Mach-1 Financial's recommendation of broker-dealers for custody and brokerage services.

### **A.2. Brokerage for Client Referrals**

Mach-1 Financial does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **A.3. Directed Brokerage**

#### **A.3.a. Mach-1 Financial Recommendations**

Mach-1 Financial typically recommends TD Ameritrade as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf. Not all advisers require their clients to direct brokerage and as such we may not be able to achieve the most favorable execution of client transactions. This practice may cost clients more money. However, as noted below you may, on occasion, direct us to use other broker-dealers of your own choosing.

#### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Mach-1 Financial to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Mach-1 Financial derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Mach-1 Financial loses the ability to aggregate trades with other Mach-1 Financial advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregated Trades**

Transactions for each client will be effected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. If you participate in our wrap fee program described above, you will not pay any portion of the transaction costs in addition to the program fee. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

We combine multiple orders for shares of the same securities purchased for discretionary accounts; however, we may not combine orders for any non-discretionary accounts, where applicable. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm, unless you participate in our wrap fee program.

## **Item 13 Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by Mach-1 Financial's Manager. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, changes in macro-economic climate, or for any reason deemed appropriate by Mach-1 Financial or the client.

### **B. Review of Client Accounts on Non-Periodic Basis**

Mach-1 Financial may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Mach-1 Financial formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

Mach-1 Financial does not provide any performance or other reports to third-party investment advisers or any subscribing sub-adviser firm. To the extent Mach-1 Financial may manage an individual client account, the client will receive no less frequently than quarterly a statement from the custodian indicating holdings, transactions, and cash balance. The custodian is the official record of the client's account.

## Item 14 Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

#### A.1. Third-Party Managers

Mach-1 Financial may from time to time receive additional economic benefits from third-party managers in the form of sponsorship or subsidizing of events held by Mach-1 Financial. Although receipt of such sponsorship is not predicated upon specific quotas, the sponsorship by such third-parties is typically made by those sponsors to whom referrals have been made or it is anticipated referrals will be made. This creates a conflict of interest in that there is an incentive to recommend third-party managers based on the receipt of such sponsorship instead of what is the in best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

#### A.2 TD Ameritrade Institutional Customer Program

As disclosed above under *Item 12 Brokerage Practices*, we participate in TD Ameritrade's Institutional Customer Program ("Institutional Program") and we may recommend TD Ameritrade to clients for custodial and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that is typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to aggregated 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 our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our Associated Persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm but may not benefit our Client accounts. These products or services may assist us in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our Firm or our Associated Persons through participation in the programs do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our Associated Persons in and of themselves creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

#### A.3 AE Wealth Management, LLC

Mach-1 Financial has entered into an agreement with AE Wealth Management, LLC ("AEWM") and its affiliates, whereby AEWM provides bonus funding to our firm in the form of a forgivable loan representing an unvested advance on fees we will generate pursuant to a sub-advisory agreement with AEWM. As part of this agreement, our firm has agreed to use AEWM's sub-advisory, administrative, technical, and support services for at least a certain period of time. This arrangement creates a conflict of interest in that we have a financial incentive to recommend AEWM's sub-advisory services to our

clients. Notwithstanding our agreement with AEWM, we have reasonable belief that AEWM provides quality services based on several factors, including, but not limited to, the ability to provide professional services, reputation, experience and financial stability.

### **B. Advisory Firm Payments for Client Referrals**

Mach-1 Financial has a relationship with the sponsor of a third-party website devoted to financial topics. Mach-1 Financial pays the website sponsor a fee in exchange for services on the website. From time to time, potential clients may be referred to Mach-1 Financial through the website. The fee paid to the website is not contingent upon whether or not the client ultimately becomes a client of Mach-1 Financial. When a client is obtained from the website, the arrangement will be disclosed in writing to the client through a disclosure document signed by the client prior to or at the time a relationship is established with the firm.

## **Item 15 Custody**

Mach-1 Financial is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our Mach-1 Fees directly from the client's Managed Accounts. The custodian maintains actual custody of clients' assets.
- Mach-1 Financial, or persons associated with our firm, may affect asset transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party asset transfers has access to the client's assets, and therefore has limited custody of the client's assets in any related accounts.

Based on an SEC no-action letter, Mach-1 Financial is not required to obtain a surprise annual audit as would otherwise be required by reason of having custody, as long as we meet the following criteria:

1. Client provides a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. Client authorizes Mach-1 Financial in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Client's qualified custodian verifies client's authorization (e.g., signature review) and provides a transfer of funds notice to client promptly after each transfer;
4. Client can terminate or change the instruction;
5. Mach-1 Financial has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. Mach-1 Financial maintains records showing that the third party is not a related party to us nor located at the same address as us; and
7. Client's qualified custodian sends client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Mach-1 Financial hereby confirms that it meets the above criteria.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the Managed Account balance(s) shown on their account

statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

## **Item 16 Investment Discretion**

Clients may grant a limited power of attorney to Mach-1 with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Mach-1 will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, Mach-1 may be granted discretionary authority for the retention of independent third-party sub-advisers. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

## **Item 17 Voting Client Securities**

Mach-1 Financial does not take discretion with respect to voting proxies on behalf of its clients. Mach-1 Financial will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Mach-1 Financial supervised and/or managed assets. In no event will Mach-1 Financial take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Mach-1 Financial will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Mach-1 Financial has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Mach-1 Financial also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Mach-1 Financial has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Mach-1 Financial receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18 Financial Information**

### **A. Balance Sheet**

Mach-1 Financial does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Mach-1 Financial does not have any financial issues that would impair its ability to provide services to clients.



**C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.

**Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.