

# **Semmax Financial Advisors, Inc.**

IARD #144978

## **Brochure**

**Dated 3/29/2021**

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This Brochure provides information about the qualifications and business practices of Semmax Financial Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at 877-856-0080 or email us at [compliance@semmax.com](mailto:compliance@semmax.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Semmax Financial Advisors, Inc. is also available on the SEC's website at [www.advisersinfo.sec.gov](http://www.advisersinfo.sec.gov).

References herein to Semmax Financial Advisors, Inc. 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**

This section of the Disclosure Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this Brochure on the SEC’s public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This version of our Brochure, dated March 29, 2021, is our annual updating amendment. We made the following material changes to our Brochure since our last annual update dated March 9, 2020:

- We updated our fee section to make clear that when applying asset-based fees, the more assets a client has in an advisory account, the more the client will typically pay in fees. We may therefore have an incentive to encourage clients to increase the assets in their account. Please see Item 5 for a full description of this conflict and how it is addressed.
- Semmax Financial’s representatives receive bonuses based on assets brought to either the firm or the firm’s insurance affiliate. This results in a conflict of interest because our representatives have a financial incentive to encourage you to place additional funds under our management or with our insurance affiliate. Semmax Financial and Semmax, Inc. mitigate this conflict by ensuring that regardless of whether a Semmax representative recommends an advisory or insurance product, the compensation received by the representative is based on the amount of assets invested with either entity. Please see Item 5 and Item 10 for a full description of this conflict and how it is addressed.

We may, at any time, update this Disclosure Brochure and send a copy to you with a summary of material changes, or send you only a summary of material changes that includes an offer to send you a copy of the full brochure [either by electronic means (email) or in hard copy form].

If you would like another copy of this Disclosure Brochure, please download it from the SEC website as indicated above, download it from the Semmax Financial website at [www.semmax.com](http://www.semmax.com) or contact our Chief Compliance Officer, Eric Mattinson at (336) 856-0080 or via email at [eric@semmax.com](mailto:eric@semmax.com).

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#### **Item 4      Advisory Business**

Semmax Financial Advisors, Inc. (“Semmax Financial” or the “Firm”) has been incorporated in North Carolina since 4/26/2007. Semmax Financial became registered as an investment adviser firm in August 2007. Semmax Financial is owned by John E. Tyner, Jr.

As discussed below, Semmax Financial offers to its clients (individuals, business entities, trusts, estates, and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial review services.

#### **Investment Advisory Services**

The client may engage Semmax Financial to provide discretionary and/or non-discretionary investment advisory services on a non-wrap fee basis. Semmax Financial does not participate in any wrap fee programs. The client engages Semmax Financial and selects individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, trade execution, custody, etc.). Generally, Semmax Financial’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Semmax Financial’s management (the “Advisory Fee”).

Semmax Financial’s annual Advisory Fee shall include investment advisory services, and may also include, to the extent specifically requested by the client, financial review services. In the event that the client requires extraordinary consulting services, Semmax Financial may be contracted to perform the agreed upon consultations for a fee, the dollar amount of which shall be set forth as part of the Financial Review Services Agreement with Semmax Financial.

#### **Financial Review and Consulting Services (Stand Alone)**

To the extent requested by a client, Semmax Financial may provide financial review or consulting services on a stand-alone basis. Semmax Financial offers services based on a negotiated fixed fee or on an hourly fee of up to \$300, based on the complexity and unique client needs. The fees for financial review services may be waived by Semmax Financial in certain circumstances. As the circumstances are specific to each financial review client relationship, the investment advisory representative will make the determination as to whether or not fees will be charged after initial consultations with the client.

Prior to engaging Semmax Financial to provide review or consulting services, clients are generally required to enter the Financial Review Services Agreement with Semmax Financial.

#### **Investment Services**

Semmax Financial does not limit our advice to particular securities, but in practice we usually recommend (or purchase with discretion) stocks, bonds, ETFs, and mutual funds. We offer advice on other products, including but not limited to the following: Exchange listed securities, securities that are traded over the counter, foreign issuers, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, variable life insurance, variable annuities, United States government securities, options on both securities and commodities, as well as real estate. We also recommend two private funds: the Fairway Masters Fund and the Semmax Fund. Both funds are managed by Fairway Asset Management, LLC. The Fairway Masters Fund and the Semmax Fund are similar in scope, but the latter is “white-labeled” for our firm. Semmax Financial uses fundamental, technical, and cyclical security analysis methods. The main sources of information include, but are not exclusive to: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, and filings with the SEC.

## **Seminars**

Semmax Financial occasionally provides educational seminars related to financial review, retirement planning, estate planning, and tax planning. Seminars are always offered on an impersonal basis and do not focus on the individual needs of participants.

## **Referral Services**

Semmax Financial does not currently refer clients to other Investment Advisers.

## **Miscellaneous Advisory Services Disclosure**

**IRA Rollover Considerations.** As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's/former employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our Firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than based solely on your needs. We manage this conflict of interest by always acting in the client's best interest and keeping documentation of our determination that the rollover recommendation is in the client's best interest. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our Firm.

Many employers permit former employees to keep their retirement assets in their company plan. Current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits.

An employee will typically have four options: 1) Leaving the funds in your employer's (former employer's) plan; 2) Moving the funds to a new employer's retirement plan; 3) Cashing out and taking a taxable distribution from the plan; 4) Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney. We will speak with your CPA and/or attorney if you authorize us to do so in connection with any rollover recommendation we make. Similarly, we may rely on information you obtain from your CPA or tax attorney and communicate to us prior to making any such recommendation.

**Non-Investment Consulting/Implementation Services.** If requested by the client, Semmax Financial may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Semmax Financial, nor any of its representatives, serves as an accountant or attorney, and no portion of Semmax Financial's services should be construed as same. To the extent requested by a client, Semmax Financial may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, etc.). The client is 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 from Semmax Financial.

**Trade Errors:** Semmax Financial has implemented procedures designed to prevent trade errors; however, trade errors in client's investment assets may occur. Consistent with our fiduciary duty, it is the policy of Semmax Financial to correct trade errors in a manner that is fair to the client. In all situations where the client does not cause the trade error, the client will be made whole. In cases where the client causes the

trade error, the client will be responsible for any loss resulting from the correction. Suitability of a trade error also factors into the resolution of the error.

**Client Obligations:** Each client of Semmax Financial is advised that it remains his/her/its responsibility to promptly notify Semmax Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Semmax Financial's previous recommendations and/or services.

Semmax Financial 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, Semmax Financial shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). Our clients grant discretion to Semmax Financial to select third-party managers for client assets, and to terminate such managers or reallocate assets between or among managers. The client may, at any time, impose reasonable restrictions, in writing, on Semmax Financial's services.

**Assets Under Management.** As of December 31, 2021, Semmax Financial had \$285,164,364 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

To the extent requested by a client, Semmax Financial may provide financial review or consulting services on a stand-alone basis. Semmax Financial offers services based on a negotiated fixed fee or on an hourly fee of up to \$300, based on the complexity and unique client needs. The fees for financial review services may be waived by the investment advisory representative in certain circumstances. As the circumstances are specific to each financial review client relationship, the investment advisory representative will make the determination as to whether or not fees will be charged after initial consultations with the client.

Semmax Financial does not charge fees for educational seminars to attendees.

### **Fee Basis**

Semmax Financial's annual Advisory Fee for discretionary investment advisory services is negotiable and may not exceed 1.50% of the total assets placed under Semmax Financial management/advisement. The Advisory Fee will be based on a percentage of assets under management.

The Advisory Fee structure for Semmax Financial is as follows:

Assets under Management	Annual Fee	Quarterly Fee
Up to \$2,000,000	1.50%	0.375%
\$2,000,001 - \$4,000,000	1.25%	0.3125%
Over \$4,000,000	1.00%	0.250%

Accounts within the same household may be combined for a reduced Advisory Fee. Typically, the more assets a client has in an advisory account, the more the client will pay in fees, and we may therefore have an incentive to encourage clients to increase the assets in their account. We mitigate this conflict of interest by ensuring that our recommendations are made in a client's best interests.

The Advisory Fee does not include brokerage fees that may be assessed by the custodial broker dealer, which will be paid by the client.

Clients may elect to have Semmax Financial's Advisory Fee deducted from their custodial account. Both the Semmax Financial Investment Advisory Agreement and the custodial/clearing agreement may authorize

the custodian to debit the account for the amount of the Semmax Financial Advisory Fee and to remit said Advisory Fee in compliance with regulatory procedures. In the event that Semmax Financial bills the client directly, billing will occur quarterly, and payment is due upon receipt of Semmax Financial's invoice.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, Semmax Financial shall generally recommend that Fidelity Investments, LLC ("Fidelity"), Millennium Trust Company, LLC ("Millennium Trust"), or TD Ameritrade, Inc. ("TD Ameritrade") serve as the broker-dealer/custodian for client investment management services. Broker-dealers such as Fidelity and TD Ameritrade charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions).

### **In Advance**

Semmax Financial's annual Advisory Fee shall be prorated and deducted from client accounts quarterly in advance.

Advisory Fees assessed in advance will be based upon the market value of the assets on the last business day of the previous quarter. For the initial billing period, the Advisory Fee is pro-rated for the remainder of the quarter.

Semmax Financial has the sole discretion to charge a lesser Advisory 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 clients, etc.).

The Investment Advisory Agreement between Semmax Financial 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. Semmax Financial will be entitled to a pro rata portion of the Advisory Fee for the days service was provided in the final quarter and will refund the pro-rated portion of Advisory Fees collected in advance based upon the number of days remaining in the quarter. Clients will be given a thirty (30) day written notice prior to any increase in Advisory Fees.

Neither Semmax Financial nor any of its investment adviser representatives receive compensation for the sale of securities.

Some Semmax Financial representatives are also licensed insurance agents in their individual capacities and receive commissions on insurance products, as discussed in Item 10. The recommendation by Semmax Financial investment adviser representatives for a client to purchase an insurance product presents a conflict of interest based upon the incentive of the representative to receive a commission on the insurance product. Semmax Financial manages this conflict of interest by ensuring that the issuing insurer reviews the potential sale of any products to determine adherence to insurance suitability standards. Advisory clients are not required to purchase insurance products or services recommended by the representative, nor are they required to purchase them through Semmax, Inc., an affiliate of Semmax Financial.

Semmax Financial's representatives are compensated via a base salary plus bonuses. Representatives receive bonuses based on new assets brought to the firm or its insurance affiliate, Semmax, Inc. This presents a conflict of interest in that our representatives have a financial incentive to encourage you to place additional funds under our management or with our insurance affiliate. Semmax Financial and Semmax, Inc. mitigate this conflict by ensuring that regardless of whether a Semmax representative recommends an advisory or insurance product, the compensation received by the representative is based on the amount of assets invested with either entity. This compensation structure is designed to encourage Semmax representatives to choose the product that most fits a particular client.

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

Neither Semmax Financial nor any supervised person of Semmax Financial accepts performance-based fees.

## **Item 7      Types of Clients**

Semmax Financial's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations. Semmax Financial does not have a minimum account size for opening or maintaining an account.

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

### **Methods of Analysis**

The following are methods of analysis that may be utilized in producing investment advice.

**Fundamental Value:** A method of evaluating a security by attempting to measure the intrinsic value of a security by examining related economic, financial, and other qualitative and quantitative factors. Fundamental value analysis attempts to study everything that can affect the security's value and individually specific factors. The goal of this analysis is to produce a value that an investor can compare with the security's current price. This form of analysis uses real data to evaluate a security's value. When used with additional research, we believe this method provides an element of protection against significant loss of value.

**Fundamental Growth:** A method of evaluating a security by attempting to measure the intrinsic growth potential of a security relative to the growth expectations already contained in the current price. The goal of this method is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with the security. In our opinion, when used with additional research, this method provides an element of protection against significant loss of value.

**Cyclical:** A method that analyzes the investments sensitivity to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. This method seeks to make its gains by buying the securities at the bottom of a business cycle, just before the turn around begins.

The main sources of information used by Semmax Financial in reference to its methods of analysis are primarily: Financial Newspapers and Magazines, Inspections of Corporate Activities, Research Materials prepared by others, Corporate Rating Services, Annual Reports, Prospectuses, Filings with the SEC.

### **Investment Strategies**

Semmax Financial utilizes numerous investment strategies to implement any investment advice given to clients. These strategies may include Long Term purchases (securities held at least a year), Short Term purchases (securities sold within a year), Trading (securities sold within 30 days), and Option Writing (including covered options, uncovered options or spreading strategies). Investments are made in equities, exchange-traded funds ("ETFs"), and pooled investment funds such as mutual funds or derivatives of any of the foregoing. The frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.



## **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, different types of investments involve varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss, including loss of original principal.

Because of the inherent risk of loss associated with investing, Semmax Financial is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market conditions or declines. There can be no assurance that any employed investment strategy will prove profitable or successful. In list of these risks/rewards, a client may direct Semmax Financial, in writing, not to employ any or all such strategies for their accounts.

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

*Management Risks.* While Semmax Financial manages client investment portfolios based on Semmax Financial's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying mutual funds and other securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Semmax Financial allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Semmax Financial's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, Semmax Financial may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* Semmax Financial will generally invest portions of client assets directly into equity investments, either individual stocks or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects. The price of specific securities could go up or down without real reason and may take some time to recover any lost value, or may never recover. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.

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

*Risks Related to Recommendation of Specific Types of Securities.* A portfolio may be comprised of stocks, bonds, preferred securities, publicly traded partnerships, ETFs, mutual funds, separately managed accounts, listed options on ETFs and stocks, cash or cash equivalents and select alternative investments. Among the risks are the following:

- *Mutual Fund Risk.* Mutual fund investing involves risk including the possible loss of principal. Non-diversified funds are more susceptible to financial, market and economic events affecting the particular issuers and industry sectors in which they invest and therefore may be more volatile or risky than less concentrated investments. There can be no assurance that any fund will be able to achieve its investment objective. For more information on a particular fund's associated risks, please refer to that fund's prospectus or equivalent disclosure document.
- *Large-Cap Stock Risk.* Investment strategies focusing on large-cap companies may underperform other equity investment strategies as large cap companies may not experience sustained periods of growth in the mature product markets in which they operate.
- *Small/Mid-Cap Stock Risk.* Investment strategies focusing on small- and mid-cap stocks involve more risk than strategies focused on larger more established companies because small- and mid-cap companies may have smaller revenue, narrower product lines, less management depth, small market share, fewer financial resources and less competitive strength.
- *Fixed-Income Risk.* Semmax Financial may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks, credit risks, or maturity risks. Economic and other market developments can adversely affect fixed-income securities markets in Canada, the United States, Europe and elsewhere. At times, participants in debt securities markets may develop concerns about the ability of certain issuers to make timely principal and interest payments, or they may develop concerns about the ability of financial institutions that make markets in certain debt securities to facilitate an orderly market, which may cause increased volatility in those debt securities and/or markets.
- *Risks of Investment in Futures, Options and Derivatives.* Such strategies present unique risks. For example, should interest or exchange rates or the prices of securities or financial indices move in an unexpected manner, the Firm may not achieve the desired benefits of the futures, options and derivatives or may realize losses. Thus, the client would be in a worse position than if such strategies had not been used. In addition, the correlation between movements in the price of the securities and securities hedged or used for cover will not be perfect and could produce unanticipated losses. The purchaser of a put or call option can lose all of the cost of the option (the premium). Most options expire "out of the money," meaning the purchaser will lose his or her premium on most options purchased. Selling puts and/or calls in a particular equity does not affect the downside risk of owning that equity, as described in "Equity Market Risks," above. There are additional significant risks involved in selling uncovered or "naked" puts or calls, that is, puts or calls on securities in which you as the client do not already own an underlying position in the security.
- *ETF Risk.* The returns from the types of securities in which an ETF invests may underperform returns from the various general securities markets or different asset classes. The securities in the underlying indexes (the "Underlying Indexes") may underperform fixed-income investments and stock market investments that track other markets, segments and sectors. Different types of

securities tend to go through cycles of out-performance and underperformance in comparison to the general securities markets

In addition, there is no assurance that any investment will achieve its investment objective. The principal risks of investing in any mutual fund or ETF are market risk, diversification risk and style risk (growth investing risk and mid-cap company risk). To the extent that a mutual fund or ETF invests in foreign securities or debt securities, a fund would be subject to foreign exposure risk, interest rate risk and credit risk. A fund may invest in derivative instruments that carry derivative instruments risk. A principal risk is the risk that the value of equity securities may decline. Although a mutual fund or ETF may be a diversified fund, it may invest in securities of a limited number of issuers to achieve a potentially greater investment return than a fund that invests in a larger number of issuers. As a result, price movements of a single issuer's securities will have a greater impact on this fund's net asset value causing it to fluctuate more than that of a more widely diversified fund. These and other risk considerations are discussed in a fund's prospectus. Past performance of investments is no guarantee of future results.

*Currency Risk.* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Interest Rate Risk.* Movements in interest rates may directly cause prices of fixed income securities fluctuate. For example, rising interest rates can cause "high quality, relatively safe" fixed income investments to lose principal value.

*Credit Risk.* If debt obligations held by an account are downgraded by ratings agencies or go into default, or if management action, legislation or other government action reduces the ability of issuers to pay principal and interest when due, the value of those obligations may decline, and an account's value may be reduced. Because the ability of an issuer of a lower-rated or unrated obligation (including particularly "junk" or "high yield" bonds) to pay principal and interest when due is typically less certain than for an issuer of a higher-rated obligation, lower rated and unrated obligations are generally more vulnerable than higher-rated obligations to default, to ratings downgrades, and to liquidity risk.

*Purchasing Power Risk.* Purchasing power risk is the risk that an investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.

*Maturity Risk.* The value of bonds or notes may change from the time of issuance to the time of maturity. Generally speaking, maturity risk increases as the length of time until maturity increases.

*Liquidity Risk.* Liquidity is the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not. Some securities are highly liquid while others are highly illiquid. Illiquid investments carry more risk because it can be difficult to sell them

*Political Risk.* Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.

*Regulatory Risk.* Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.

*Investment Term Risks.* If the client requires a liquidation of their portfolio during a period in which the price of the security is low, the client will not realize as much value as they would have had the investment had the opportunity to regain its value, as investments frequently do, or had it been able to be reinvested in another security.

*Financial Risk.* Many investments contain interests in operating businesses. Excessive borrowing to finance a company's business operations decreases the risk of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

*Default Risk.* This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.

## **Item 9      Disciplinary Action**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of our management. There is no history of material legal or disciplinary events by Semmax Financial or our management persons.

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

Licensed Insurance Agents. The representatives of Semmax Financial in their individual capacities are also licensed insurance agents. Semmax Financial investment adviser representatives may offer certain insurance products through Semmax, Inc, an affiliate of Semmax Financial. Semmax Inc. was incorporated in North Carolina in Dec. 2003. The President and Owner of Semmax, Inc. is John E. Tyner, Jr. Any insurance product purchased through Semmax, Inc. usually involves a commission from the insurance provider.

Semmax Financial receives marketing materials from Advisors Excel, an insurance marketing organization focused on helping independent advisors increase their life insurance and annuity business. While much of this material benefits the business of Semmax, Inc. (see above), Semmax Financial also utilizes the marketing material in connection with its advisory business. Advisors Excel receives marketing compensation in connection with some of the insurance products purchased by our clients based on the recommendations of our representatives. Although the receipt of such marketing material is not conditioned upon any particular level of insurance business conducted by Semmax, Inc. with Advisors Excel, the receipt of such material is implicitly based upon a continuation of the relationship between the two firms.

Semmax Financial also receives a discount on information technology ("IT") services provided by Advisors Tech, an affiliate of Advisors Excel, based upon Semmax Financial's ongoing relationship with Advisors Excel.

The recommendation by Semmax Financial adviser representatives for a client to purchase an insurance product presents a conflict of interest based upon (1) the incentive of the representative to receive a commission on the insurance product, (2) the incentive of Semmax Financial to continue to receive marketing materials from Advisors Excel, or (3) the incentive of Semmax Financial to continue to receive discounted IT services from Advisors Tech. Semmax Financial manages this conflict of interest by ensuring that the issuing insurer reviews the potential sale of any products to determine adherence to insurance suitability standards. Semmax Financial and Semmax Inc. also mitigate this conflict by ensuring that regardless of whether a Semmax representative recommends an advisory or insurance product, the compensation received by the representative is based on the amount of assets invested with either entity. This compensation structure is designed to encourage Semmax representatives to choose the product that most fits a particular client. Advisory clients are not required to purchase insurance products or services recommended by the representative, nor are they required to purchase them through Semmax, Inc.

Affiliated Insurance Agency. John E. Tyner, Jr. who is the President and Owner of Semmax Financial, is also the President and owner of Semmax, Inc. Semmax, Inc. provides insurance related products to its clients and prospective clients. Semmax, Inc. also refers clients of Semmax Financial to Legacy Estate

Services, an unaffiliated estate planning firm which contracts directly with attorneys to provide standard estate planning services at reduced rates. Semmax, Inc. receives compensation from Legacy Estate Services for these recommendations, as well as the provision of other services including notarization, witnessing and delivery of the legal documents once the attorney has prepared them. The receipt of this compensation presents a conflict of interest in that Semmax, Inc. has an incentive to refer clients to Legacy Estate Services so that it can receive compensation. We manage this conflict of interest by disclosing this compensation to all clients prior to making any such referral recommendations.

Affiliated Tax Agency. John E. Tyner, Jr., who is the President and Owner of Semmax Financial is also the President and Owner of Semmax Tax, Inc (“Semmax Tax”). Semmax Tax is a North Carolina corporation founded in 2011 and serves to provide tax services for clients. John E. Tyner, Jr. receives compensation from Semmax Tax. Clients of Semmax Financial are not required to use the services of Semmax Tax. This affiliation can create a conflict of interest. Semmax Financial manages this conflict of interest by carefully reviewing any recommendation to purchase a tax product to assure that the product is in the client’s best interest.

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

Semmax Financial maintains an investment policy relative to personal securities transactions. This investment policy is part of Semmax Financial’s overall Code of Ethics. This Code of Ethics serves to establish a standard of business conduct for all Semmax Financial representatives and “Access Persons.” “Access Persons” include advisers, their assistants, compliance personnel, and senior management. The Semmax Financial Code of Ethics is based on the guiding principle that the interests of the client are our top priority. Semmax Financial’s officers, directors, advisers, and other employees have a fiduciary duty to their clients and must diligently perform that duty to maintain the complete trust and confidence of our clients.

In accordance with the Insider Trading and Securities Fraud Enforcement Act of 1988, Semmax Financial maintains and enforces written procedures designed to prevent the misuse of material nonpublic information by Semmax Financial or any person associated with Semmax Financial.

Semmax Financial and/or representatives of Semmax Financial may buy or sell securities that are also recommended to clients. This practice may create a situation where Semmax Financial and/or representatives of Semmax Financial are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Semmax Financial has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of Semmax Financial’s Access Persons.

Access Persons are given a copy of the Code of Ethics. Within one week of reception of the Code of Ethics, they are to indicate in writing that they have read the Code and agree to its provisions. They are required to review the Code annually and acknowledge in writing by March 31 that their personal investing has complied with the requirements. All Access Persons must report their personal securities transactions to Semmax Financial. This activity includes any activity in any account where the person has a monetary interest. This activity applies to the buying and selling of equities, bonds, closed end mutual funds, options, futures, and private placements. All Access Persons must provide Semmax Financial with a current list of their brokerage accounts on an annual basis. All Access Persons must report their personal transactions to Semmax Financial. This is accomplished by the receipt of the Quarterly Transaction Report which is due by the thirtieth (30<sup>th</sup>) day of the month following a calendar quarter.

Upon request, Semmax Financial will provide a copy of its Code of Ethics to any client or prospective client.

## Item 12 Brokerage Practices

**Recommended Brokerage:** In the event that the client requests that Semmax Financial recommend a broker-dealer/custodian for execution and/or custodial services, Semmax Financial generally recommends that investment management accounts be maintained at Fidelity Investments, TD Ameritrade, or Millennium Trust. Prior to engaging Semmax Financial to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Semmax Financial setting forth the terms and conditions under which Semmax Financial shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Semmax Financial considers in recommending Fidelity, TD Ameritrade, Millennium Trust, or any other broker-dealer/custodian to clients include historical relationship with Semmax Financial, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Semmax Financial clients shall comply with Semmax Financial's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Semmax Financial determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. 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 Semmax Financial 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, Semmax Financial's Advisory Fee. Semmax Financial'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.

**Research and Additional Benefits:** Although not a material consideration when determining whether to recommend that a client utilize services of a particular broker-dealer/custodian, Semmax Financial receives support services and/or products without cost (or at a discount) from Fidelity, TD Ameritrade, or Millennium Trust, some of which assist Semmax Financial to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Semmax Financial from Fidelity are 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 Semmax Financial in furtherance of its investment advisory business operations. Fidelity also provides a remote check deposit program for Semmax Financial, a service which is contingent upon the Firm's clients holding at least \$15 million in assets under management with Fidelity. This minimum AUM requirement creates a conflict of interest in that it incentivizes Semmax Financial to recommend Fidelity as the client's custodian.

Millennium Trust may grant online account access to clients or Semmax Financial through the Millennium Trust website. The website can be configured to allow the user to place trades as well as execute certain other account related services online, or set up as a view-only access mode.

TD Ameritrade offers services to independent investment advisers through its Institutional Program which include the custody of securities, trade execution, clearance, and settlement of transactions. Semmax Financial receives some benefits from TD Ameritrade through its participation in the program. These benefits include various technological tools, items, and products that assist Semmax Financial in managing and servicing its clients' accounts. In addition, TD Ameritrade provides discounts on products or services such as compliance, marketing, technology, and practice management products or services provided by

third-party vendors or other benefits. These program benefits do not depend on the amount of brokerage transactions Semmax Financial directs to TD Ameritrade.

Semmax Financial also receives marketing materials from Advisors Excel in connection with insurance sales and receives discounted IT services from Advisors Tech due to the relationship with Advisors Excel, as described in Item 10 above.

As indicated above, certain support services and/or products received may assist Semmax Financial in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Semmax Financial to manage and further develop its business enterprises.

The SEC has defined “soft dollar” practices as arrangements under which products or services, other than execution of securities transactions, are obtained by an investment adviser firm or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. Semmax Financial receives the benefits from Fidelity, TD Ameritrade, and Millennium Trust described above in connection with client securities transactions.

Semmax Financial clients do not pay more for investment transactions effected and/or assets maintained at Fidelity, TD Ameritrade or Millennium Trust as a result of this arrangement. There is no corresponding commitment made by Semmax Financial to Fidelity, TD Ameritrade, Millennium Trust 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.

Nevertheless, receipt of the benefits described in this section from Fidelity, TD Ameritrade, and Millennium Trust creates a conflict of interest in that it incentivizes Semmax Financial to recommend these broker-dealers/custodians over others. Semmax Financial manages that conflict of interest by ensuring the recommendation is in the best interest of the client and conducting a best execution analysis to assure that the total costs to the client are reasonable in relation to the value of the services provided.

**Directed Brokerage:** The client may direct Semmax Financial to use a particular broker-dealer (subject to Semmax Financial’s right to decline and/or terminate the engagement) to execute some or all transactions for the client’s accounts. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Semmax Financial 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 Semmax Financial. As a result, clients 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 Semmax Financial 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 Semmax Financial.

In the event that the transactions for a client’s accounts are effected through a broker-dealer that refers investment management clients to Semmax Financial, a conflict of interest exists if the accounts incur higher commission or transaction costs than the accounts would otherwise have incurred had the client determined to effect account transactions through alternative clearing arrangements that may have been available through Semmax Financial.

**Aggregation of Orders:** Semmax Financial does not aggregate client orders.

**Cross Transactions:** When advantageous to the parties involved, Semmax Financial may implement cross transactions between two investment advisory clients of Semmax Financial. Prior to implementing a cross transaction in a client’s account, the client will provide standing authorization allowing Semmax Financial

to implement such transactions. This authorization is obtained after full written disclosure of the agency cross transactions. Each client involved is to receive written confirmation at or before the completion of the transaction including the nature of the transaction, the date of the transaction, offering the time the transaction took place. Semmax Financial does not receive any compensation for such cross trades.

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

Semmax Financial offers in person reviews of advisory accounts annually, although some clients prefer a telephone consultation or do not wish to have a review every year. These reviews examine the performance of the advisory accounts and also compare them to the objectives stated by the client in the investment advisory agreement. The reviews of advisory accounts are done by the Investment Adviser Representatives of Semmax Financial. Any notification to Semmax Financial or its representatives by the client in reference to a change in life status (employment, retirement, marital status, etc.) will be reason for an automatic review of advisory accounts for said client. Advisory clients of Semmax Financial receive account statements no less than quarterly for managed accounts. These statements are provided by the custodian. Clients receive confirmations on transactions in accounts from the custodian, along with an additional statement for the month in which a transaction occurs. In addition, the Firm periodically reviews advisory accounts to ensure that they are consistent with the investment objectives selected by the client.

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

As referenced in Item 12 above, Semmax Financial receives indirect economic benefits from Fidelity, TD Ameritrade, and Millennium Trust. Semmax Financial, without cost (and/or at a discount), receives support services and/or products from Fidelity, TD Ameritrade and Millennium Trust (as more thoroughly described in Item 12), which creates an incentive for Semmax Financial to recommend that clients utilize these broker-dealers/custodians over others. Semmax Financial manages this conflict of interest by ensuring the recommendation is in the best interest of the client and conducting a best execution analysis to assure that the total costs to the client are reasonable to the value of the services provided. Semmax Financial clients do not pay more for investment transactions effected and/or assets maintained at Fidelity, TD Ameritrade, or Millennium Trust as a result of these arrangements. There is no corresponding commitment made by Semmax Financial to Fidelity, TD Ameritrade, Millennium Trust, or any other entity to invest any specific amount or percentage of client assets in any specified mutual fund, securities or other investment products as a result of the above arrangement.

If a client is introduced to Semmax Financial by a registered solicitor of Semmax Financial, such solicitor may receive a referral fee. Such solicitor arrangement is to be done in accordance with 17 CFR § 275.206(4)-3. Semmax Financial will have a written policy in reference to such a registered solicitor arrangement. If the client is introduced to Semmax Financial by the solicitor, the solicitor shall disclose the nature of his/her/its relationship, and shall provide each prospective client with a copy of Semmax Financial's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Semmax Financial and the solicitor, including the compensation to be received by the solicitor from Semmax Financial. Semmax Financial currently does not offer cash referral payments to clients who refer individuals who become clients of Semmax Financial.

### **Item 15      Custody**

Other than as described below, Semmax Financial does not maintain custody of client funds and securities. Semmax Financial shall have the ability to have its Advisory Fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, written transaction confirmation notices and regular written summary statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. This statement shall disclose to the client on the amount of the fee, the client's assets



upon which the fee was based and the specific manner in which the fee was calculated. The account custodian does not verify the accuracy of Semmax Financial's Advisory Fee calculation.

Our Firm has custody of client funds or securities due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. This authority is granted to us by the client through the use of a standing letter of authorization ("LOA") established by the client with his or her qualified custodian. The standing LOA authorizes our Firm to disburse funds to one or more third parties specifically designated by the client pursuant to the terms of the LOA, and can be changed or revoked by the client at any time. We have implemented procedures to comply with the requirements outlined by the SEC in its February 21, 2017 No-Action Letter to the Investment Adviser Association. Further, we require that a qualified custodian hold client assets. Information about the custodian that we recommend is fully described in the Brokerage Practices section (Item 12).

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

The client can determine to engage Semmax Financial to provide investment advisory services on a discretionary basis. The client will be required to sign the Investment Advisory Agreement which grants Semmax Financial 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 Semmax Financial on a discretionary basis may, at any time, impose reasonable restrictions, in writing, on Semmax Financial's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, etc.).

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

Semmax Financial does not vote proxies on behalf of clients. All proxy materials on behalf of a client's accounts are to be sent directly to the client or a designated representative of the client, who is responsible for voting the proxy. Semmax Financial may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy. However, the final decision of how to vote the proxy rests with the client.

#### **Item 18 Financial Information**

Semmax Financial does not solicit fees of more than \$1,200 per client, six months or more in advance.

Semmax Financial 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.

Semmax Financial has not been the subject of a bankruptcy petition.