



# FORMULAS<sup>TM</sup>

## USA Financial Formulas Corporation's Disclosure Brochure

This brochure provides important information about the qualifications and business practices of USA Financial Formulas Corporation ("Formulas"). If you have questions about the contents of this brochure, please contact our compliance department at (800)869-5994. The information contained in this document has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. This brochure was last revised on March 31, 2023.

Additional information about Formulas is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please consider carefully before becoming a client. Formulas is an SEC-registered investment adviser, SEC File No. 801-67442. SEC registration does not imply a certain level of skill or training.

6020 E. Fulton St. • Ada, MI 49301  
Office: 800-869-5994 • Fax: 888-869-9411 • [www.Formulas.com](http://www.Formulas.com) • [admin@Formulas.com](mailto:admin@Formulas.com)

## ITEM 2: MATERIAL CHANGES

Formulas' previous brochure update was March 31, 2023. Updates include the addition of two additional research partner relationships in Item 10. We also added additional information regarding the firm's responsibilities and approach to Best Execution in Item 12. Information was added regarding back office services provided to USA Financial Formulas through Amplify to Items 4 and 5.

Please read the remainder of this brochure for other important updates and disclosures related to these arrangements and for a general overview of how USA Financial Formulas operates. Also, you can find our Form CRS on our website at [www.portformulas.com/reg-bi](http://www.portformulas.com/reg-bi). The Form CRS Relationship Summary provides simplified disclosures and information related to how you can engage with our firm and what conflicts or disclosures you should be aware of when working with us. The website contains the expanded disclosure information that could not fit with Form CRS's page-limit confines.

You may also request a copy of our Brochure by contacting the compliance department at (800) 869-5994.

Additional information about our firm is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any individuals affiliated with us who are registered, or are required to be registered, as investment adviser representatives of the firm.

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## ITEM 4: ADVISORY BUSINESS

### Services

USA Financial Formulas Corporation (“USA Financial Formulas”) is a registered investment adviser with the Securities and Exchange Commission (“SEC”). We provide investment portfolio advice and supervisory services. We formed our business in 2007, with the primary objective of eliminating human emotion from the investing process. USA Financial Formulas is a wholly owned subsidiary of USA Financial Corporation (“USA Financial”). USA Financial is owned by Michael Walters and Brent Enders.

Our firm only manages client accounts on a discretionary basis. As of December 31, 2022, USA Financial Formulas had assets under management of approximately \$544,367,973. We connect with our clients through promoters or on third-party platforms. Typically, our promoters are associated with brokerage firms, as registered representatives, and/or other investment advisers, as investment adviser representatives. As a registered investment adviser, we adhere to a fiduciary standard and we are obligated to put your needs ahead of our own. This is an obligation we take seriously.

Our portfolios are called “Portformulas.” Each Portformula is different, and you should choose the Portformula that best suits your investment goals and objectives. It is important for you to understand that we do not tailor our investment advice to the needs of each particular client and our investment advice is limited to the accounts on our platform. We will not give investment advice on other products or other accounts you own.

As previously mentioned, USA Financial Formulas’ primary objective is to eliminate human emotion from the investing process. We do this by using a step-by-step, objective stock-selection process. We do not use money managers. We develop the stock selection criteria based on a particular portfolio’s objective, and then a formula selects only those equities that meet the qualification criteria, e.g., the stocks must have a specific price-per-earnings ratio or the stocks must be issued by a large cap company. Therefore, because of the nature of USA Financial Formulas, you cannot place certain restrictions on your account. For example, each Portformula model will hold only those equities that meet the qualification criteria. This also means that we will not intervene in the event of market fluctuations. However, you may place other reasonable restrictions on your account.

### Custodians

A custodian is a financial institution that can maintain possession of client funds or securities or can withdraw funds or securities from a client’s account. USA Financial Formulas does not perform these services, i.e., we do not retain possession of any funds or securities deposited into your USA Financial Formulas account and we do not have the ability to withdraw funds or securities from your account. We utilize two institutional custodians: TD Ameritrade (“TD”) and Axos (f/k/a E\*Trade Advisory Services and Trust Company of America). Clients are permitted to choose which custodian they want to use and can have accounts at more than one custodian, if they choose.

USA Financial Formulas also can serve as a sub-adviser for Pershing accounts. Pershing is a clearing firm and custodian utilized by USA Financial Formulas’ affiliate, USA Financial Securities Corporation. Please see Other Industry Activities and Affiliations for additional details regarding this arrangement.

USA Financial Formulas also serves as a sub-adviser for USA Financial Exchange’s TAMP platform. More on this arrangement can be found in the Other Industry Activities and Affiliations section.

### USA Financial Formulas Accounts

We offer several different portfolio options – each one designed with a specific investment goal. For example, a model aims to capture the best performers listed on the S&P 500. The model’s investment selection pool is any stock that is listed on the S&P 500. From there, the Portformula narrows down the stocks based on several specific criteria, eventually buying only those stocks that meet the criteria.

As referenced above, each Portformula's criteria will dictate not only which investments to purchase, but how long each investment should be held, and when the investments will be sold because they no longer meet the investment criteria. Based upon each specific Portformula's investment criteria, it may be possible that no holdings will qualify for the Portformula during a given period of time. This may result in an account maintaining a full money-market or institutional-bond position, but generally only for a limited period of time.

Accounts are established with a minimum 1 percent cash position that may exceed 1 percent based on trading activity within your account. The remaining percentage is fully invested in the Portformula's holdings. You will always be able to identify your account's holdings. Your account holdings are updated, as necessary, by reapplying the formula and rebalancing the account to achieve original asset allocations. Detailed information regarding your Portformula's selection criteria and rebalancing schedule can be found in the Portformula's hypothetical.

If you decide to remove your funds from a Portformula or, if you do not wish to participate in market fluctuations, you may direct us to place your funds in our money market account. However, we do not recommend this as a long-term strategy because you will be charged the standard account fees while your funds are sitting in the money market account.

It is possible that, in the future, we may decide to change a Portformula's investment selection criteria based on economic research or other compelling considerations.

## Investment Discretion

As referenced in the section Advisory Business, above, USA Financial Formulas exercises investment discretion on all accounts. Investment discretion occurs when an investment adviser can determine which securities should be purchased or sold within a client's account. When you open an account with USA Financial Formulas you sign our Investment Management Agreement, which grants our firm limited discretionary authority. Pursuant to this limited discretionary authority, we are permitted to rebalance your account based on your Portformula's criteria and reapply your selected asset allocations, without first obtaining your consent.

Because portfolio holdings are selected based on a formulaic process and trading is done on an omnibus or block level, you will not be able to instruct us to buy or sell specific securities within your account.

## Portfolio Manager Information

### Client Information Provided to Portfolio Managers

USA Financial Formulas does not utilize traditional money managers, i.e., a single person who makes decisions as to a model's holdings. When USA Financial Formulas opens your account, we allocate your assets to the specific Portformula or Portformulas you selected. From there, the Portformula chooses holdings based on the objective, investment selection criteria. USA Financial Formulas' advice is impersonal – we keep human emotion out of the investing process.

### Client Contact With Portfolio Managers

USA Financial Formulas does not utilize portfolio managers. However, you may contact our firm at any time if you have questions regarding your account or USA Financial Formulas' investment strategies.

## Portfolio Manager Selection and Evaluation

As mentioned above, USA Financial Formulas does not use money managers. Our team creates and defines each Portformula’s overall investment objectives and the investment selection criteria. Once the investment-selection criteria are defined, however, we use that criteria to determine our investment recommendations – our proprietary, formulaic process applies the investment selection criteria to a universe of stocks or investment.

### Amplify Platform

USA Financial Formulas utilizes the Amplify Platform through which investment adviser firms and investment professionals engage Ashton Thomas, The Amplify program Sponsor, to provide back-office operational support services and/or gain access to and select from independent third-party managers available through the Amplify Platform.

USA Financial Formulas is considered a Platform Member on the Amplify Platform. Platform Members may choose to receive certain back-office services, such as administrative, trading, and reporting services, and/or to select independent third-party managers to manage underlying client assets on a sub-advisory basis.

## ITEM 5: FEES AND COMPENSATION

Fees for portfolio and supervisory services, including most transactional charges, are charged as a percentage of assets under management, and are calculated, accrued and due monthly in arrears. The account management fees for portfolio advice and supervisory services are calculated and billed, as follows:

Account Value			AUM Formula Fee	Portfolio Fee	Platform Fee	Custody Fee	Combined Total Fee
\$35,000*	but less than	\$500,000	1.20%	1.20%	0.15%	0.10%	2.65%
\$500,000	but less than	\$1,000,000	1.08%	1.08%	0.15%	0.10%	2.41%
\$1,000,000	but less than	\$2,000,000	0.96%	0.96%	0.15%	0.10%	2.17%
\$2,000,000	but less than	\$3,000,000	0.84%	0.84%	0.15%	0.10%	1.93%
<i>Larger accounts may be negotiable based upon size.</i>			0.84%	0.72%	0.15%	0.10%	1.81%
			0.84%	0.60%	0.15%	0.10%	1.69%
			0.84%	0.48%	0.15%	0.10%	1.57%

Account management fees are based on the account’s fair market value as reported by our custodians as of the preceding month’s end. Our account management fees may be lower than this rate schedule, but only in limited circumstances. For example, in determining fees, rates, and minimums, we may aggregate related accounts and, for billing purposes, treat them like one account. This is done at our discretion and should not be considered the normal order of business. We may also reduce fees for employees and employees’ family members. A Portformula’s maximum fee may be lower than the fees listed, however, **none of USA Financial Formulas’ models will charge fees that exceed those referenced in the above fee schedule.** Specific fee schedules, if different, will be provided as part of the informational documents that are generated when you select a specific Portformula or combination of Portformulas.

The maximum annual fee you will pay, based on your account value, is reflected in the column labeled Combined Total Fee. The AUM Formula Fee is the portion of the combined total fee paid to USA Financial Formulas. The Portfolio Fee is the portion of the combined total fee that is paid to the solicitor. The combined total fee is calculated by adding the AUM Formula Fee, Portfolio Fee, Platform Fee, and Custody Fee.

USA Financial Formulas accounts may be linked together based on various factors considered by the representative to obtain a lower fee schedule. These factors could include the total size of a relationship in order to arrive at a negotiated fee for both the portfolio fee and management fee on your account. These negotiated fees are determined by the representative, so clients should check with their individual representative on negotiating the fees assigned to their accounts. However, accounts will not be linked together automatically and this is a negotiation between the client and the representative.

AXOS, TD, and Pershing handle the account billing. Each custodian bills account management fees monthly and will deduct the fees directly from your account. AXOS, TD, and Pershing are also responsible for sending you account statements. Your statements will show your account value and the fee charged. TD and Pershing send statements monthly; AXOS sends statements quarterly. You may object to the fee deduction by notifying us at the address or telephone number shown on each billing invoice or by notifying your custodian. Please keep in mind that in addition to the quarterly paper statements you receive, you also have 24-hour online access to your account and statements. Please review your account statements carefully and contact us if you have questions.

All clients may incur regulatory fees charged by the SEC to the sellers of equity securities that are exchange traded, and charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, and fees for transfers of securities. Adviser's Fee also does not include certain costs or charges imposed by third parties, including odd-lot differentials, exchanges fees, and transfer taxes mandated by law. Also, the Custodian may impose additional charges for special services elected by Client, including without limitation periodic distribution fees, electronic fund and wire transfer fees, certificate delivery fees, and reorganization fees.

USA Financial Formulas' model and investment strategies are only available through USA Financial Formulas direct or through its affiliate, USA Financial Exchange. However, it is possible that you could find other investment models that attempt to achieve the same investment objectives for lower cost elsewhere.

## Research Partner Models

USA Financial Formulas and its affiliate, USA Financial Exchange (collectively, "USA Financial" for this discussion), utilize various third parties that provide research and marketing-support services. The services of these research partners are available via models created by USA Financial but driven by the research partner's data, signals, and investment philosophy.

Specifically, USA Financial relies on JUST Capital, W.E. Sherman & Company, LLC, and Value Line to provide data and inform decisions around various models. For additional information regarding our research partner relationships, see [Item 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS AND OTHER CONFLICTS OF INTEREST](#), below.

USA Financial's JUST Capital Series models – whether the account is through USA Financial Formulas or USA Financial Exchange – is **50 basis points, or 0.50%**, of the total assets in the JUST Capital Series account.

Sherman and Value Line models also do not participate on the standard fee schedule, indicated above. **The total fee charged for Sherman and Value Line models is 70 basis points or 0.7% of the total assets in the account** whether the account is through USA Financial Formulas or USA Financial Exchange.

## Account Service Fees

AXOS's service fees are assessed on transaction activities and services outside standard asset custody and trading. The Account Service Fees are charged to you should you utilize any of the services, as follows:

ACCOUNT SERVICE FEE DESCRIPTION	FEE ASSESSED
Check Distribution	No Fee
Outgoing Transfer/Account Closing Fee	\$75
Outgoing Wired Funds	No Fee
ACH on Demand or Systematic	No Fee
Returned Check	\$25 per occurrence
Cancelled Check	No fee
Next Day Mail Service	\$20 per request
Paper Statements	Monthly – No Fee
SoloK Annual Maintenance Fee	\$50 quarterly
SoloK Loan Fee	\$100 per loan

These fees vary by custodian, and it is possible you will experience different fees for accounts held at Pershing or TD. These fees may also change based upon the ability of USA Financial Formulas to negotiate better pricing, or various possible periodic price increases from the custodian.

## Additional Trading Information

USA Financial Formulas' standard trading session occurs on or near the first trading day of the month. We will, however, conduct weekly trading for new accounts so that you do not have to wait until the following month to invest. When you open your new account, you can instruct USA Financial Formulas to trade your account on the next available weekly trading session – if you do not select this option, your account will not be traded until the following month's routine trading session. USA Financial Formulas accounts participate in monthly trading; therefore, the costs are shared by many accounts. The number of accounts trading on any given week will be significantly less, therefore, the costs will be higher.

Occasionally, USA Financial Formulas may need to conduct corrective trading after settlement to fix account debits. USA Financial Formulas maintains at least 1 percent cash balance in every account. Rarely, market fluctuations can result in an account's cash balance dropping below the required threshold. If that occurs, USA Financial Formulas must execute trades proportionately in the affected accounts so that the cash balances are properly restored. If this occurs in your account, our correction will not alter your actual holdings, simply the number of shares held. You will, however, be charged additional trading costs.

Please note that because fees are pulled from the cash portion of your account, if a situation arises where fees are owed to USA Financial Formulas or the custodian and your account does not have enough cash to cover the fees, USA Financial Formulas will place trades in your account in order to free up cash.

All end-of-month withdrawal or liquidation transactions conducted in the ordinary course of managing your account are executed without a ticket charge. The custodian will provide notice of these charges.

We may, from time to time, amend our fees and billing procedures. Changes will become effective after 30 days prior written notice. Our fees are not based on the financial performance or capital gains or losses experienced by your account.

USA Financial Formulas' fees are based on ongoing product development, investment criteria implementation, and account monitoring. Lower fees for comparable services (bundled or unbundled) may be available from other sources. However, we believe that based on our detailed selection criteria and significant trading volume, it would be difficult and costly to implement our investment strategies on your own.



### Amplify Platform

A portion of the management fee charged to your account is allocated to pay for the back office services discussed in Item 4 on the Amplify Platform. Ashton Thomas/Amplify charges a "Platform Fee" based upon the services selected and the amount of assets placed on the Amplify Platform.

The fees charged to USA Financial Formulas for participation on the Amplify platform are on a decreasing schedule. This means that the more assets that USA Financial Formulas places on the platform, the less overall percentage is charged to USA Financial Formulas for participation on the platform.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

USA Financial Formulas does not charge performance fees – that is, fees based on a share of capital gains or capital appreciation of the assets in your account.

Side-by-side management occurs when an investment adviser manages both performance-based fee and accounts non-performance-based fee accounts at the same time. Side-by-side management can result in conflicts of interest because there is an incentive to direct clients to performance-based fee accounts because the firm will, most likely, receive more fees. However, because USA Financial Formulas does not charge performance fees, we do not engage in side-by-side management and have no conflicts of interest as a result.

## ITEM 7: TYPES OF CLIENTS

USA Financial Formulas provides investment advice to individuals, trusts, and corporations. Additionally, the majority of USA Financial Formulas' clients are moderate to aggressive investors capable of sustaining losses in their investment accounts. **Conservative, risk-averse clients should seriously consider the risks involved before investing with USA Financial Formulas.**

### Account Minimums

The firm requires a minimum account size of \$35,000 for Axos and TD accounts and a \$50,000 minimum for Pershing accounts. Exceptions may be made, solely in our discretion, based on a variety of factors, including but not limited to, prior or anticipated investment activity and family or employment relationships. We may also, in our discretion, aggregate related accounts in the same household in determining whether the account minimum has been met. Minimums may be negotiated depending on your personal circumstances. Furthermore, we also require that clients invest at least \$15,000 in each model.

### ERISA Accounts

USA Financial Formulas may have clients that are trusts governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). We will not have any responsibility with respect to the administration of the employee benefit plan or its periodic reporting. We do not maintain bonding coverage described by Section 412 of ERISA because we do not have actual or constructive custody or possession of any client's assets. Our Investment Management Agreement does not permit us to transfer assets into any person's name or account other than your own. We believe that, under these circumstances, bonding may not be required based upon the nature of our services to be rendered and the limitations on our authority in the Investment Management Agreement, but each employee benefit plan trustee must make that determination for itself under ERISA. If there is any doubt, existing bonding arrangements for a plan's trustees may provide coverage if the bonding company is advised in writing in advance of our investment management services. Bonding coverage is the plan trustee(s)'s responsibility, though we will try to help in any way we can upon your request.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

### Methods of Analysis

As referenced above, USA Financial Formulas' team creates and defines each Portformula's overall investment objectives and the investment selection criteria. Once the investment-selection criteria is defined, however, we use that criteria to determine our investment recommendations – our proprietary, formulaic process applies the investment selection criteria to a universe of stocks or investment.

### Investment Strategies

USA Financial Formulas' investment strategies are varied.

The most important thing to understand is that USA Financial Formulas' investment strategies generally utilize equities. Equities are risky and if you invest with USA Financial Formulas, you need to be able to bear the risk of loss associated with an equity-laden investment strategy.

Additionally, attempting to eliminate human intervention from the investing process carries unique risks. Our RAM Score tool tracks market and economic indicators to determine the risk of recession. If the RAM Score tool detects a probable recession, it will move your assets out of the market. Similarly, once the RAM Score feature detects a probable bull market, it moves your assets back into the market. However, **there is no tool that can predict market performance with any certainty**. Thus, your Portformula could be invested in the market during a significant decline, resulting in losses, or out of the market during a period of growth, causing you to miss out on market gains.

USA Financial Formulas' investment strategies also involve frequent trading. Accounts are traded on a monthly basis. Because we trade on an omnibus or block level, we can keep trading costs low, however, you may pay more in transaction costs than you would if we did not engage in frequent trading. Also, frequent trading can result in tax consequences. Please be sure to speak with a tax professional regarding any potential tax implications.

### Account Restrictions

USA Financial Formulas applies a carefully crafted formula to determine which securities should be held in clients' accounts. We do this in an attempt to eliminate human emotion from the investing process – our fundamental investment philosophy is founded on the premise that emotion can equate to unwise investment decisions. Therefore, using opinion or bias to change the securities chosen by the formula is antithetical to our investment philosophy.

That being said, you are permitted to impose **reasonable** restrictions on the management of your account. Whether a particular restriction is reasonable depends on an analysis of the relevant facts and circumstances. For example, the exclusion of an individual stock due to conflicts of interest would appear to be reasonable under ordinary facts and circumstances. In the adopting release for Rule 3a-4, however, the SEC noted that programs do not need to permit clients to direct the manager to purchase specific securities or types of securities. The SEC also noted that the restrictions imposed by a client could be unreasonable in the aggregate, even if each restriction is reasonable when considered separately. In addition, restrictions could be unreasonable if a client changes them or imposes new restrictions with excessive frequency. Therefore, USA Financial Formulas will permit you to impose reasonable account restrictions if they are reasonable in light of the relevant facts and circumstances. However, clients cannot direct USA Financial Formulas to purchase specific securities.

If your restrictions are unreasonable, USA Financial Formulas will contact you and give you an opportunity to restate the restriction more reasonably. If you are unable or unwilling to modify an unreasonable restriction, you will be removed from the program.

Given that decisions based on human emotion and/or general human intervention fly in the face of USA Financial Formulas' investment philosophy and advice, if you choose to request a reasonable restriction, you will be asked to complete USA Financial

Formulas' Reasonable Restrictions Disclosure form. This form will document your desired restriction and acknowledge that the request is outside of USA Financial Formulas' standard investment advice. Please note that because restrictions fall outside of USA Financial Formulas' investment advice, USA Financial Formulas is not responsible for performance that differs from other similarly situated client accounts based on the requested restriction.

USA Financial Formulas identifies which securities will be held in the clients' accounts on or around the first of the month, prior to our standard, beginning-of-the-month trading. As a result, we will screen the clients' account to ensure that the reasonable restriction is honored. If a restricted position trades into the client's account, USA Financial Formulas will take necessary measures to ensure that the position is removed.

## Risk of Loss

USA Financial Formulas' investment strategies utilize securities, primarily equities. Investing in securities involves risk, including but not limited to, loss of principal, loss of investment gains and missed growth opportunities. Before investing you must determine whether you are financially capable of withstanding these losses, which could be significant.

## ITEM 9: DISCIPLINARY INFORMATION

Neither USA Financial Formulas nor its owners, officers, or directors have ever been involved in a material, disciplinary action.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES, AFFILIATIONS, AND OTHER CONFLICTS OF INTEREST

### Other Financial Industry Activities

USA Financial Formulas' only business activity is operating as a registered investment adviser.

### Other Financial Industry Affiliations

USA Financial Formulas is a wholly owned subsidiary of USA Financial. USA Financial Corporation also owns other companies: USA Financial Insurance Services Corporation ("USAF Insurance"), USA Financial Securities Corporation ("USAF Securities"), USA Financial Marketing Corporation ("USAF Marketing"), USA Financial Exchange Corporation ("Exchange"), and USA Financial Protocol Corporation ("USAF Protocol"). USAF Insurance wholesales fixed insurance products to independent insurance agents. USAF Securities is an SEC-registered broker-dealer and registered investment adviser. USA Financial Marketing develops and distributes marketing and technology solutions for financial professionals and investors. USA Financial Exchange is an SEC-registered investment adviser offering advisory platform services to financial advisers and registered investment advisers. USA Financial Protocol Provides business consulting and branding services to financial advisers.

Michael Walters is the chief executive officer of USA Financial Insurance Services, USA Financial Securities, USA Financial Exchange, USA Financial Protocol, and USA Financial Marketing. Brent D. Enders is the president.

Our success depends on continued corporate and individual relationships with various broker-dealers, investment advisers, and banking institutions. Through these contacts, we obtain promoters, and our relationship with promoters is how we develop a client base. Additionally, we have custodial agreements with AXOS and TD, and we serve as a subadviser on Pershing accounts as well as Axos accounts through USA Financial Exchange. Only financial advisers registered with USA Financial Securities will have access to USA Financial Formulas' sub-advisory services on Pershing accounts. This is because USA Financial Securities utilizes Pershing as its clearing firm and custodian. Allowing USA Financial Formulas to act as a subadviser through Pershing simply allows Pershing

clients to gain access to USA Financial Formulas' models without opening a separate account. We do not believe this represents a disadvantage because our non-Pershing clients will have access to the same models and receive the same services as Pershing clients.

## Conflicts of Interest

There are, necessarily, conflicts of interest that arise in the financial services industry. A conflict of interest is anything that could cause USA Financial Formulas to place its interests ahead of yours. These conflicts are found everywhere in our industry, but we try to mitigate them and disclose them to you so that you are informed. Your best interest is our primary concern. In this section, we disclose conflicts that you should understand and consider before investing

USA Financial Formulas' fees will vary based on the platform hosting Portformulas' models, including USA Financial Formulas' accounts on USA Financial Exchange's platform (also custodied with AXOS). USA Financial Formulas distributes its strategies through accounts on USA Financial Exchange, an affiliated entity with common ownership. Because USA Financial Exchange is affiliated with USA Financial Securities and USA Financial Formulas, we have a conflict of interest when recommending these entities to you because it means we get paid more than if we recommended other non-affiliated investment firms.

Another conflict that you should understand is recruiting arrangements. Recruiting arrangements in the financial services industry are not uncommon – whether the payment is up front (e.g., recruiting bonuses or forgivable loans) or ongoing (e.g., increased payouts or additional compensation through affiliated entities). In the past, we did provide forgivable loans with the only condition being that the financial professional remain registered with USA Financial for a specified length of time. We do not provide recruiting bonuses. We do provide our advisers with transition support dollars to help with the cost and loss of revenue associated with moving brokerage or advisory firms. We also want our advisers to feel like partners. Therefore, USA Financial created the Advisor Legacy program. The Advisor Legacy program has many components, but most important in terms of conflicts, is the Advisor SHARES program. Advisor SHARES grants ownership interest to USA Financial's qualified advisers based on revenue submitted to USA Financial. We do not favor one product or product category over another – advisers earn shares based on volumes submitted across the products and services our company offers. However, you need to be aware of this program because it is an incentive for advisers to move to USA Financial and place business with our firm. We believe we mitigate this risk by not favoring one product over another and maintaining strict suitability reviews and standards to ensure that all transactions are in your best interest.

USA Financial Formulas obtains many of its promoters through USA Financial Securities. USA Financial Securities also utilizes Pershing as a clearing firm (for brokerage transactions) and custodian (for investment advisory transactions). We also have an expense sharing agreement with USA Financial Securities, USA Financial Exchange, and USA Financial Insurance Services. Employees of USA Financial Formulas may also be employees of USA Financial Securities, USA Financial Insurance Services, USA Financial Exchange, or USA Financial Marketing. Furthermore, some of the promoters of USA Financial Formulas are also registered representatives of USA Financial Securities. Therefore, USA Financial Formulas' clients may also be clients of USA Financial Securities or USA Financial Exchange.

Axos, TD, and Pershing also provide our firm with technical support, as well as operational assistance.

USA Financial Formulas will recommend promoters or other investment advisers upon request. Because Mr. Walters and Mr. Enders own an investment adviser, USA Financial Securities, we may recommend this firm for transactions. If you work with USA Financial Securities, it will result in compensation being paid to our affiliate. However, you do not have to use USA Financial Securities to invest with USA Financial Formulas and you will never pay more than what is stated in our fee schedule for USA Financial Formulas' services, regardless of which investment adviser you use, unless you select a Portformulas strategy on USA Financial Exchange, as stated above.

## Additional Arrangements

### RESEARCH PARTNERS

#### **JUST Capital**

USA Financial Formulas and its affiliate, USA Financial Exchange (collectively, "USA Financial" for this discussion) utilize JUST Capital for research and marketing-support services. Specifically, USA Financial relies on JUST Capital's research to create our socially conscious models. JUST Capital measures and ranks the performance of America's largest publicly traded companies on the issues that matter most in defining just business behavior. The issues and the weights that are afforded to each issue are determined by polling the American public.

USA Financial paid JUST Capital a one-time, upfront licensing fee. We also provide JUST Capital a share of the revenue derived from the Just Capital models as compensation for their research services and marketing support.

#### **W.E. Sherman & Co**

W.E. Sherman ("Sherman") is another research partner. The Sherman Sheet is published by the investment research team at Sherman. Led by long-time professional money manager Bill Sherman, the research and analysis performed by the team is exclusively available to licensed investment managers/advisors. The Sherman Sheet was developed with the purpose of delivering a coherent, nimble and easy-to-explain tactical approach. Combined with USA Financial Formulas' transparent, disciplined, and unemotional approach The Sherman Series provides fact-based strategies based on three core beliefs: 1. We don't know where the market will go - and neither does anyone else. 2. Wherever the market goes, it will get there by trending. 3. Along the way, there will be outperformers and underperformers.

Using supply and demand analysis, the Sherman Series fact-based strategies concentrate on identifying market trends to determine market exposure while identifying outperformers to include in portfolios. This trend identification and formulaic portfolio selection process provide the two essential ingredients of successful investing: the "when" and the "what." The holdings within each strategy are evaluated and determined on a quarterly basis. However, various trends are monitored daily which could result in a defensive or exit strategy being employed at any time if the data dictates to do so.

USA Financial pays Sherman a tiered basis points ("bps") fee on all models in The Sherman Series.

#### **Value Line**

Value Line was founded in 1931 with the objective to develop analytic measures that would signal when a stock was over- or undervalued and would not yield to emotions. What soon followed would revolutionize the practice of securities analysis and send Value Line on its path to become one of the world's leading independent investment research organizations.

The Value Line Investment Survey provides an interpretative analysis of approximately 1,700 stocks that, collectively, make up nearly 90% of the market capitalization of all stocks traded in U.S. markets. The System comprises three key ranking criteria:

- **The Value Line Timeliness Rank** measures predictive relative price performance of the approximately 1,700 stocks during the next six to 12 months. Components of the Timeliness Rank include such items as the trend of relative earnings and prices and earnings surprises.
- **The Value Line Safety Rank** measures the total risk of a stock relative to the approximately 1,700 other stocks. It is derived from a stock's Price Stability score and from the Financial Strength rating of a company.
- **The Value Line Technical Rank** uses a proprietary formula to predict short-term (three to six month) future price returns relative to the Value Line universe. It is the result of an analysis that relates price trends of different durations for a stock during the past year to the relative price changes of the same stock over the succeeding three to six months.

Each model in the Value Line Series has a unique investment process that applies one or all of the ranking criteria described.

### **Annexus Management Company LLC and S&P Dow Jones Indices LLC**

Annexus and S&P Dow Jones Indices partnered in 2018 to develop the Performance Response Integrated Selection Method, or PRISM, Framework that was originally used to launch indices within the Fixed Index Annuity (FIA) and Index Universal Life (IUL) market. In 2022, S&P Dow Jones Indices and Annexus expanded their partnership to develop the S&P PRISM ETF Tracker Index, or the Index, that USA Financial Formulas licensed to develop the first multi-asset managed account that tracks an S&P index.

This strategy uses weekly evaluation and trade recommendations from the research partners with the goal to simply mirror the index.

USA Financial Formulas pays both Annexus and S&P Dow Jones Indices LLC for use of the index. Annexus is paid 0.125% quarterly and based on account values at quarter end. S&P is paid 0.075% quarterly based on an average daily balance over the period.

### **O'Shares**

USA Financial Formulas offer a strategy comprised of four exchange traded funds (ETFs) that are created and owned by O'Shares. USA Financial Formulas applies an indicator obtained through the Sherman research partner relationship to these ETF holdings. At any time should the indicator determine an exit from the equities market is warranted, the O'Shares ETFs held in accounts invested in this strategy will be sold and assets will be invested in money market holdings. When the indicator determines it is favorable to invest in equities again, the accounts invested in this strategy will repurchase the O'Shares ETF holdings.

USA Financial Formulas does not pay any additional fees to O'Shares for use of the ETFs in this strategy. As the holdings are offered by O'Shares, O'Shares is compensated from the internal expenses charged through the ETF position. USA Financial Formulas charges 0.70% for this strategy and the application of the market indicators to the holdings.

USA Financial Formulas may, in its discretion, permit certain entities and/or individuals to work with USA Financial Formulas on a corporate level. An investor working with Formulas on a corporate level does not utilize a solicitor. While Formulas utilizes the same fee schedule for all clients, when a client works with Formulas on a corporate level, we retain the entire fee – including the portion that would normally be paid to the solicitor. Corporate-level investing is contingent upon several factors, including, but not limited to, the value of an account's assets under management, the investor's industry experience or involvement, and the investor's organizational structure.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

Our firm, its employees and associated persons are committed to providing high quality investment guidance to our clients in an atmosphere that puts your interests first, in full compliance with federal and state laws and regulations. Accordingly, the board of directors has adopted a code of ethics pursuant to SEC Rule 204A-1.

Our code of ethics covers our Firm, and its directors, officers, managers, employees and associated persons ("Covered Persons"). We have made our Code of Ethics available to all "Covered Persons." The Code of Ethics will be provided to any client or prospective client upon request.

## Participation in Client Transactions and Personal Trading

Our firm has its own account and many of our employees and solicitors also have individual accounts (“proprietary accounts”). It is possible that our firm, our employees or our solicitors may purchase the same securities for its or their own accounts that we recommend to our clients, including clients that are related persons. Neither our firm nor our related persons are permitted to enter into or have an interest in an investment transaction that would create a conflict between our interests and your interests without fully disclosing the conflict to you. Neither our firm nor our related persons are permitted to benefit, directly or indirectly, from client transactions. Proprietary accounts may benefit on the same basis and to the same extent as clients’ accounts when each holds the same investment. We do not allow “cross transactions” between clients or between clients and proprietary accounts.

Generally, client transactions must be executed before or at the same time as transactions for proprietary accounts. USA Financial Formulas’ investment philosophy does not permit individual stock trades or independent transactions. Because each account within a particular Portformula has the same holdings and trades are made at the same time on an omnibus level, we do not believe that this is an issue.

## ITEM 12: BROKERAGE PRACTICES

### Research and Other Soft Dollar Benefits

USA Financial Formulas participates in TD’s institutional customer program and, accordingly, we may recommend TD to you and other clients for custody and brokerage services.<sup>1</sup> There is no direct link between our participation in the program and the investment advice we give to our clients, although we do receive some economic benefits by participating in the program that are typically not available to TD 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 USA Financial Formulas’ needs; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to USA Financial Formulas by third party vendors.

TD may also have paid for business consulting and professional services received by USA Financial Formulas’ related persons. Some of the products and services made available by TD through the program may benefit USA Financial Formulas but may not benefit our client accounts. These products or services may assist USA Financial Formulas in managing and administering client accounts, including accounts not maintained at TD. Other services made available by TD are intended to help USA Financial Formulas manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD. As part of our fiduciary duties to clients, USA Financial Formulas endeavors at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by USA Financial Formulas or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD for custody and brokerage services.

### Directed Brokerage

Because USA Financial Formulas utilizes two custodians – Axos and TD – and serves as a sub-advisor on Pershing accounts, you will be required to direct our firm to utilize one of these custodians for execution. This practice is referred to as directed brokerage. Not all investment advisers require their clients to direct brokerage. Where you direct your account is simply based on your preference and the recommendation of your financial adviser. In many cases, directed-brokerage arrangements can result in higher costs to clients because the financial adviser may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

USA Financial Formulas bundles client trades and submits them to the custodians in an effort to obtain the best prices possible, but if there are relatively few accounts at the custodian you direct, then you may incur higher transaction costs and less favorable prices.

## Best Execution

The Firm is obligated to ensure orders are being sent to the markets in an efficient manner and to execute any transactions in the manner it believes is in the client's best interest. The Firm's primary consideration with regard to purchases and sales for its clients is obtaining the most favorable execution of the transactions needed to implement client's investment strategy.

Price received on an execution is obviously an important factor in determining best execution, but it is certainly not the only factor to consider. So therefore, in addition to reviewing execution prices, the firm conducts a comprehensive review of non-price factors having a direct impact on overall execution quality. The areas reviewed include but are not limited to: 1. The custodian's overall pricing structure, 2. The custodian's execution capability during volatile market conditions, 3. The custodian's response to trade corrections, requests for information and general willingness, ability, facilities and infrastructure to work with regional broker-dealer and investment advisor firms, 4. The frequency of trade errors, 5. Confidentiality of orders, and 6. The custodian's overall financial strength and reputation.

## ITEM 13: REVIEW OF ACCOUNTS

USA Financial Formulas reviews client accounts prior to the account opening, however, if you utilize a promoter, the promoter is responsible for determining suitability. USA Financial Formulas reserves the right to reject an account for various reasons, including, but not limited to, suitability concerns or account-opening documents that are not in good order. We examine each client's stated investment objectives, risk tolerance, and other financial holdings to determine if USA Financial Formulas is a suitable investment. We have many Portformulas and while each Portformula may have different goals and objectives, our overall investment strategies are designed for long-term investing. Therefore, USA Financial Formulas may not be an ideal investment option if your goal is short-term trading.

Each Portformula is reviewed monthly to ensure that the selection criteria are being applied properly and to rebalance accounts as necessary. Because all client accounts within a Portformula will hold the same securities, we do not conduct individual reviews on each account.

USA Financial Formulas does not provide regular written reports – you will have access to your account, online, 24 hours a day, seven days a week. This online access will allow you to see your account's specific holdings, your account value, and relevant tax information.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

USA Financial Formulas enters into agreements with brokerage, investment advisory, or insurance firms which permit us to enter into solicitor agreements with the firm's salespeople. We may also enter into solicitor agreements with individuals, corporations, or partnerships. We pay referral fees to individuals who solicit clients for our firm. If the individual solicitor is an investment adviser representative of an investment adviser, we pay the referral fees to the investment adviser who keeps a portion of the fees and then pays the remainder of the referral fees to the individual.

USA Financial Formulas does not receive an economic benefit from any third party for providing investment advice or advisory services. Please see *Research and Other Soft Dollar Benefits*, above, for a detailed discussion of USA Financial Formulas' compensation arrangements.

From time to time, and in our firm's discretion, we may provide additional compensation to solicitors, including but not limited to reimbursing solicitors for marketing expenses. This means solicitors may have a temporary conflict of interest resulting from the additional incentive to recommend our firm. However, under no circumstances will this affect the fees you pay for portfolio and supervisory services, nor will it affect our investment recommendations. Under normal compensation procedures, you pay a fee for portfolio and supervisory services based on assets under management. Our firm keeps a portion of that fee as compensation for our services, and gives the remainder to the soliciting firm, who then pays the soliciting representative. Should we choose to provide additional compensation to our solicitors, our firm would simply take less and give more of the fee we receive to the soliciting firm.



## ITEM 15: CUSTODY

As discussed above, a custodian is a financial institution that has the ability to maintain possession of client funds or securities or has the ability to withdraw funds or securities from a client's account. USA Financial Formulas does not perform these services, i.e., we do not retain possession of any funds or securities deposited into your USA Financial Formulas account and we do not have the ability to withdraw funds or securities from your account. We utilize two institutional custodians: TD and AXOS. Clients are permitted to choose which custodian they want to use and can have accounts at more than one custodian, if they choose.

USA Financial Formulas also serves as a sub-adviser for Pershing accounts and accounts offered through USA Financial Exchange's TAMP. Pershing is a clearing firm and custodian utilized by USA Financial Formulas' affiliate, USA Financial Securities Corporation. Please see *Other Industry Activities and Affiliations* for additional details regarding this arrangement.

<sup>1</sup> USA Financial Formulas participates in TD Institutional's, Institutional Adviser Program. TD Institutional is a division of TD, Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and investment adviser. TD offers independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. TD, TD Institutional, and USA Financial Formulas are separate and unaffiliated companies.

## ITEM 16: INVESTMENT DISCRETION

As referenced in the section Advisory Business, above, USA Financial Formulas exercises investment discretion on all of its accounts. Investment discretion occurs when an investment adviser has the ability to determine which securities should be purchased or sold within a client's account. When you open an account with USA Financial Formulas you sign our Investment Management Agreement, which grants our firm limited discretionary authority. Pursuant to this limited discretionary authority, we are permitted to rebalance your account based on your Portformula's criteria and reapply your selected asset allocations, without first obtaining your consent.

Because portfolio holdings are selected based on a formulaic process and trading is done on an omnibus or block level, you will not be able to instruct us to buy or sell specific securities within your account.

## ITEM 17: VOTING CLIENT SECURITIES

USA Financial Formulas will not be responsible for responding to proxies. Your custodian will forward all proxy information directly to you for response and voting. Because the majority of USA Financial Formulas' portfolios are equities-based, you may receive a large volume of proxies. It is also possible that due to USA Financial Formulas' high turnover, by the time you receive proxy material, you will no longer own the relevant shares. USA Financial Formulas will not answer questions or provide guidance regarding particular proxy solicitations.

## ITEM 18: FINANCIAL INFORMATION

There are currently no financial issues or conditions that are reasonably likely to impair our firm's ability to meet our contractual obligations.

## PRIVACY POLICY

We are committed to safeguarding your confidential information because mutual trust is essential to a successful relationship. Your personal privacy is extremely important to you. To that end, below is our policy for handling your personal information. We welcome any questions or concerns you may have regarding your personal privacy.

## Information Collected

We collect nonpublic, personal information from you, our client, to assist us in giving you appropriate investment advice and in managing your investments. "Nonpublic personal information" is nonpublic information about you that we obtain in connection with providing a financial product or service to you for personal, family, or household purposes. It does not include information available from government records, widely distributed media or government mandated disclosures. The categories of nonpublic information that we collect from you depends on the scope of your engagement. We collect nonpublic, personal information about you from the following potential sources:

- Information received from you on applications or other various forms, such as your name, address, social security number, telephone number, assets, income, taxes, medical and health information to the extent that it is needed to determine the proper Portformula for your objectives.
- Information about your transactions with us, our affiliates, custodians, or others, such as your account balance, investment cost, investment distributions, investment gain or loss, payment history, parties to transactions, account usage, and insurance policy coverage and premiums.

## Third Parties with Whom We May Share Information

We do not disclose nonpublic, personal information about our clients or former clients to anyone else except as otherwise permitted or required by law. For example, we are permitted by law to share information about you with:

- Our solicitors and their employees, if they introduced you to our firm, and our internal employees.
- Companies that may assist us in processing your transactions and servicing your account, such as your custodian, introducing and clearing brokerage firms, mutual fund companies, and insurance companies.
- Custodians may utilize a necessary third party to complete Consumer Identification Procedures (CIP). A CIP notice is required for all customers pursuant to the U.S. Patriot Act.
- An accountant, tax preparer, or lawyer who is representing you.
- Federal and state regulators who regulate our firm.

We do not provide your personally identifiable information to direct marketers or independent solicitors (for other companies) for any purpose.

## Disclosure of Information About Former Customers

If you decide to close your account(s), we will continue to adhere to the privacy practices described in this notice once you become a former client. You become a former client when your Client Services Agreement is terminated. We will maintain personally identifiable information about you during the time you are a client, and for any time thereafter that we are required to maintain the records by federal and state securities laws.

## Our Security Policies and Practices

We take reasonable steps to assure the security of client information. We restrict access to nonpublic, personal information about you to those employees who have a business or professional reason for knowing, as permitted by law. We maintain an office and computer environment reasonably designed to help ensure that your information is not placed at unreasonable risk of disclosure or theft. We have designed reasonable physical, electronic and procedural safeguards to help protect your nonpublic, personal information.

## USA FINANCIAL FORMULAS' BROCHURE SUPPLEMENT

Brochure Supplements are designed to provide additional information regarding the individuals who formulate investment advice and/or create investment models for USA Financial Formulas.

### Michael D. Walters, CEO

Michael Walters creates and defines each Portformula's overall investment objectives and the investment selection criteria. Once the investment-selection criteria are defined, however, we use that criteria to determine our investment recommendations – our proprietary, formulaic process applies the investment selection criteria to a universe of stocks or investment.

#### EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Mr. Walters was born in 1965. He graduated from Central Michigan University in 1988 with a degree in business administration and marketing and management. He started USA Financial Formulas' affiliate, USAF Insurance Services in 1988 and from there, he opened USAF Securities in 1998, USA Financial Formulas in 2006, and various other entities, as described in our firm brochure, under Other Business Activities.

#### DISCIPLINARY INFORMATION

None.

#### OTHER BUSINESS ACTIVITIES

Mr. Walters is the chief executive officer of USA Financial Corporation. USA Financial Formulas is a wholly owned subsidiary of USA Financial Corporation ("USA Financial"). USA Financial Corporation also owns other companies: USA Financial Insurance Services Corporation ("USAF Insurance"), USA Financial Securities Corporation ("USAF Securities"), USA Financial Marketing Corporation ("USAF Marketing"), USA Financial Exchange Corporation ("Exchange"), and USA Financial Protocol Corporation ("USAF Protocol"). Additional details regarding these entities can be found, above.

#### ADDITIONAL COMPENSATION

Mr. Walters does not directly receive any compensation that is based on the number of sales, new accounts, or referrals. He also does not receive any economic benefit from anyone who is not a client for providing advisory services. Mr. Walters' compensation is derived from the overall revenue of USA Financial.

#### SUPERVISION

USA Financial Formulas has adopted a comprehensive compliance and ethics program that governs all owners, principals and staff. Additionally, Mr. Walters and all USA Financial Formulas staff must answer to USA Financial Formulas' board of directors. The board, along with USA Financial's investment committee, also regularly reviews USA Financial Formulas' stock-selection criteria, proprietary screening software, and performance. You may contact USA Financial Formulas' chief compliance officer, Dawn Thomason, at (800) 869-5994 x 467, if you have any questions regarding USA Financial Formulas' supervisory practices.