

**FORM ADV****Uniform Application for Investment Adviser Registration****Part II - Page 1**

Name of Investment Adviser: <b>USA Financial Securities Corporation</b>				
Address: (Number and Street) <b>6020 East Fulton Street</b>	(City) <b>Ada</b>	(State) <b>MI</b>	(Zip Code) <b>49301</b>	Area Code: Telephone Number: <b>( 888) 407-8198</b>

**This part of Form ADV gives information about the investment adviser and its business for the use of clients.  
The information has not been approved or verified by any governmental authority.**

**Table of Contents**

<b><u>Item Number</u></b>	<b><u>Item</u></b>	<b><u>Page</u></b>
1	Advisory Services and Fees . . . . .	2
2	Types of Clients . . . . .	2
3	Types of Investments . . . . .	3
4	Methods of Analysis, Sources of Information and Investment Strategies . . . . .	3
5	Education and Business Standards . . . . .	4
6	Education and Business Background . . . . .	4
7	Other Business Activities . . . . .	4
8	Other Financial Industry Activities or Affiliations . . . . .	4
9	Participation or Interest in Client Transactions . . . . .	5
10	Conditions for Managing Accounts . . . . .	5
11	Review of Accounts . . . . .	5
12	Investment or Brokerage Discretion . . . . .	6
13	Additional Compensation . . . . .	6
14	Balance Sheet . . . . .	6
	Continuation Sheet . . . . .	Schedule F
	Balance Sheet, if required. . . . .	Schedule G

(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

**Potential persons who are to respond to the collection of information contained in this form  
are not required to respond unless the form displays a currently valid OMB control number.**

**FORM ADV****Part II - Page 2**

Applicant:

**USA Financial Securities Corporation**

SEC File Number:

**801-68276**

Date:

**January 11, 2010****1. A. Advisory Services and Fees.** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service.

**Applicant:**

(See instruction below.)

- |                                     |     |   |         |
|-------------------------------------|-----|---|---------|
| <input type="checkbox"/>            | (1) | Provides investment supervisory services . . . . .  | _____ % |
| <input checked="" type="checkbox"/> | (2) | Manages investment advisory accounts not involving investment supervisory services . . . . .  | 50%     |
| <input checked="" type="checkbox"/> | (3) | Furnishes investment advice through consultations not included in either service described above . . . . .  | 50%     |
| <input type="checkbox"/>            | (4) | Issues periodicals about securities by subscription . . . . .   | _____ % |
| <input type="checkbox"/>            | (5) | Issues special reports about securities not included in any service described above . . . . .   | _____ % |
| <input type="checkbox"/>            | (6) | Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities . . . . . | _____ % |
| <input type="checkbox"/>            | (7) | On more than an occasional basis, furnishes advice to clients on matters not involving securities . . . . .   | _____ % |
| <input type="checkbox"/>            | (8) | Provides a timing service . . . . .   | _____ % |
| <input type="checkbox"/>            | (9) | Furnishes advice about securities in any manner not described above . . . . .   | _____ % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

**B.** Does applicant call any of the services it checked above financial planning or some similar term? . . . . .

Yes	No
<input checked="" type="checkbox"/>	<input type="checkbox"/>

**C.** Applicant offers investment advisory services for: (check all that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management      | <input type="checkbox"/> (4) Subscription fees      |
| <input checked="" type="checkbox"/> (2) Hourly charges                               | <input checked="" type="checkbox"/> (5) Commissions |
| <input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees) | <input type="checkbox"/> (6) Other                  |

**D.** For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

**2. Types of clients** - Applicant generally provides investment advice to: (check those that apply)

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> A. Individuals                      | <input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations                    |
| <input type="checkbox"/> B. Banks or thrift institutions                | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies                        | <input type="checkbox"/> G. Other (describe on Schedule F)   |
| <input checked="" type="checkbox"/> D. Pension and profit sharing plans |  |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**FORM ADV****Part II - Page 3**

Applicant:

**USA Financial Securities Corporation**

SEC File Number:

801- **68276**

Date:

**January 11, 2010****3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> A. Equity securities                               | <input checked="" type="checkbox"/> H. United States government securities |
| <input checked="" type="checkbox"/> (1) exchange-listed securities                     |  |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter             | I. Options contracts on:   |
| <input type="checkbox"/> (3) foreign issues  | <input type="checkbox"/> (1) securities                                    |
|  | <input type="checkbox"/> (2) commodities                                   |
| <input type="checkbox"/> B. Warrants   | J. Futures contracts on:   |
|  | <input type="checkbox"/> (1) tangibles                                     |
| <input type="checkbox"/> C. Corporate debt securities<br>(other than commercial paper) | <input type="checkbox"/> (2) intangibles                                   |
| <input type="checkbox"/> D. Commercial paper   | K. Interests in partnerships investing in:                                 |
| <input checked="" type="checkbox"/> E. Certificates of deposit                         | <input checked="" type="checkbox"/> (1) real estate                        |
| <input checked="" type="checkbox"/> F. Municipal securities                            | <input checked="" type="checkbox"/> (2) oil and gas interests              |
|  | <input type="checkbox"/> (3) other (explain on Schedule F)                 |
| G. Investment company securities:  | <input checked="" type="checkbox"/> L. Other (explain on Schedule F)       |
| <input checked="" type="checkbox"/> (1) variable life insurance                        |  |
| <input checked="" type="checkbox"/> (2) variable annuities                             |  |
| <input checked="" type="checkbox"/> (3) mutual fund shares                             |  |

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

## A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |

## B. The main sources of information applicant uses include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services   |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the<br>Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases   |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)   |

## C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input type="checkbox"/> Margin transactions   |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input type="checkbox"/> Trading (securities sold within 30 days)                            | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input type="checkbox"/> Short sales   |  |

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

**FORM ADV****Part II - Page 4**

Applicant:

**USA Financial Securities Corporation**

SEC File Number:

**801-68276**

Date:

**January 11, 2010****5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? . . . . .

Yes No  
☒ ☐

(If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- |                 |  |
|-----------------|--|
| • name          | • formal education after high school               |
| • year of birth | • business background for the preceding five years |

**7. Other Business Activities.** (check those that apply)

- ☒ A. Applicant is actively engaged in a business other than giving investment advice.
- ☒ B. Applicant sells products or services other than investment advice to clients.
- ☒ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- ☒ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm                                       |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm  |
| <input type="checkbox"/> (3) other investment adviser  | <input checked="" type="checkbox"/> (9) insurance company or agency                |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant                                   |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer                         |
| <input type="checkbox"/> (6) banking or thrift institution   | <input type="checkbox"/> (12) entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?.....

Yes No  
☐ ☒

(If yes, describe on Schedule F the partnerships and what they invest in.)

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

## FORM ADV

## Part II - Page 5

Applicant:

USA Financial Securities Corporation

SEC File Number:

801- 68276

Date:

January 11, 2010

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☒ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

- 10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes No  
☒ ☐

(If yes, describe on Schedule F.)

- 11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

**All accounts submitted to USA Financial Securities Corporation (herein referred to as "USA Financial") are reviewed by a firm principal for suitability. Furthermore, principals of USA Financial annually review a representative sample of clients' accounts. Factors that may trigger a change in a client account include, but are not limited to, changes in the client's investment objectives, reports from brokerage firms, corporate press releases, general market conditions, economic and world conditions, and the particular needs or desires of a client at any given point in time.**

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

**In addition to its financial planning services, USA Financial operates a wrap-fee advisory platform through Pershing, called USA Strategic Portfolio. In addition to regular quarterly statements, clients maintaining USA Strategic Portfolio accounts will receive an original confirmation following execution of their transaction from Pershing.**

Applicant:

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SEC File Number:

801-68276

Date:

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**12. Investment or Brokerage Discretion.**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

(1) securities to be bought or sold? . . . . .

Yes No

☐ ☒

(2) amount of the securities to be bought or sold ? . . . . .

Yes No

☐ ☒

(3) broker or dealer to be used ? . . . . .

Yes No

☐ ☒

(4) commission rates paid? . . . . .

Yes No

☐ ☒

B. Does applicant or a related person suggest brokers to clients? . . . . .

Yes No

☒ ☐

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? . . . . .

Yes No

☒ ☐

B. directly or indirectly compensates any person for client referrals? . . . . .

Yes No

☐ ☒

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities; or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? . . . . .

Yes No

☐ ☒



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*6020 East Fulton Street • Ada • MI • 49301*

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## **INVESTMENT ADVISER DISCLOSURE BROCHURE**

This brochure provides important information regarding USA Financial Securities Corporation as well as the *USA Strategic Portfolio* program, and was created pursuant to the Investment Advisers Act of 1940 Rule 204-3. Please consider carefully before becoming a client. USA Financial Securities is an SEC registered adviser, SEC File No. 801-68276

For more information, please contact USA Financial Securities' compliance department at (888)407-8198. The information contained in this document has not been approved or verified by any government authority. This brochure was last revised on March 16, 2009

# **USA FINANCIAL®** **SECURITIES**

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## **Table of Contents**

MATERIAL CHANGES .....	3
ADVISORY SERVICES .....	3
General Firm Overview .....	3
Financial Planning Services .....	3
USA STRATEGIC PORTFOLIO PLATFORM .....	4
USA Strategic Portfolio Program Fees .....	5
TYPES OF INVESTMENTS .....	7
Mutual Funds, Index Funds, and Exchange Traded Funds .....	7
Variable Annuities .....	8
Unit Investment Trusts .....	8
Equity Indexed Annuities .....	9
EDUCATION AND BUSINESS STANDARDS .....	9
EDUCATION AND BUSINESS BACKGROUND .....	10
Corporate Officers, Directors, and Owners .....	10
OTHER BUSINESS ACTIVITIES .....	11
OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS .....	11
PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS .....	12
CONDITIONS FOR MANAGING ACCOUNTS .....	13
INVESTMENT OR BROKERAGE DISCRETION .....	13
RECOMMENDED BROKERAGE .....	14
ADDITIONAL COMPENSATION .....	14
IMPORTANT INFORMATION AND OTHER DISCLOSURES .....	15
Investment Risks and Rewards .....	15
Proxy Voting .....	16
Legal Notices .....	16
CODE OF ETHICS .....	16
PRIVACY POLICY .....	16
ACKNOWLEDGMENT OF RECEIPT .....	19



## **MATERIAL CHANGES**

USA Financial Securities' has recently made material changes to its brochure. First, our firm is now permitting representatives to execute trades on a discretionary basis for accounts participating in our *USA Strategic Portfolio* program. We believe this will facilitate clients' trading objectives more easily.

Our firm changed its billing procedures on the *USA Strategic Portfolio* program from quarterly in advance to monthly in arrears. We believe that this change is more beneficial to clients because fees are not deducted from your account until after services are received.

Finally, USA Financial Securities works with a number of third-party money managers. In some instances, while the third-party manager executes trades and directly manages your assets, USA Financial Securities still maintains its registered investment adviser status. This relationship status is dictated by the third-party manager's contractual documents. Our brochure language now reflects this arrangement.

## **ADVISORY SERVICES**

### **General Firm Overview**

USA Financial Securities™ Corporation (herein referred to as "we," "our," "us," "the Firm" or "USA Financial Securities™") is an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Our Firm provides investment advice and financial planning to our clients. We also offer advice about a wide variety of investments, including, but not limited to, unit investment trusts, fixed annuities, equity indexed annuities, variable annuities, mutual funds, fixed and variable universal life insurance, exchange-traded funds, stocks, bonds and brokerage certificates of deposit.

### **Financial Planning Services**

Financial planning consultations are provided to interested clients to evaluate your financial situation, goals and risk tolerance. Financial plans are provided at an hourly rate not to exceed \$350 per hour. The planning fees can range up to \$20,000 depending on the degree of planning desired. Fees for planning services range from \$100 to \$20,000, as agreed upon in advance, in writing, depending upon the complexity of the financial situation and the estimate of hours for



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service. The fee is payable upon signing the agreement, to include an initial deposit agreed upon in writing, not to exceed \$500.

You may cancel the financial planning service agreement for any reason during the first 90 days from the date of signing the agreement and will receive a 100% refund of all hourly and/or project fees paid. To cancel the agreement, you must notify the adviser and return any materials received to that date. Within one year of signing the agreement you may request a 100% refund of all hourly and/or project fees paid, if you believe that the service provided by the Firm has not resulted in a value of at least twice the sum of fees paid for the service. This refund policy does not apply to asset under management fees or fees related to the *USA Strategic Portfolio*<sup>™</sup> program, referenced below.

You are not obligated to follow the Firm's recommendations or to pursue the recommendations through USA Financial Securities.

## **USA STRATEGIC PORTFOLIO PLATFORM**

In addition to the services mentioned above, our firm operates a fee based non-discretionary account program called *USA Strategic Portfolio* that charges a monthly fee in arrears based upon assets under management. USA Financial Securities obtains financial data from its clients including, but not limited to, investment experience, investment objectives and net worth, in an effort to determine suitability based upon each client's unique financial goals and objectives. The information collected is used to design a portfolio tailored to your goals and objectives, and the investments within the account will vary based on your particular needs. The *USA Strategic Portfolio* program is designed as a long-term investment vehicle; any withdrawals of assets may impair the achievement of your investment objectives.

Pershing, LLC ("Pershing") operates as our clearing firm for all brokerage products. In addition to those services, Pershing will act as custodian on your *USA Strategic Portfolio* account, meaning that they will hold all of your assets and execute all purchase and sale orders directed by USA Financial Securities, per your request. Furthermore, as part of their custodial services, Pershing will deduct the program fees, discussed in greater detail below, directly from your account and transmit the fee to our Firm. Pershing will also act as general administrator of the *USA Strategic Portfolio* accounts, which includes charging and collecting account fees and the processing of deposits to, and withdrawals from, accounts. This authority is vested in Pershing pursuant to the *USA Strategic Portfolio Investment Management Agreement* that you sign. We do not have custody of client accounts or assets except insofar as your direct billing arrangement



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permits the deduction of fees, by Pershing. As a result, Pershing will forward quarterly account statements to you and to us.

### **USA Strategic Portfolio Program Fees**

Each billing period Pershing will send you a fee invoice by first class mail or other mutually agreed upon method. The fee will be deducted by Pershing no sooner than seven days later. The fee invoice will state the annualized or periodic fee rate, the value of the assets upon which the fee is calculated, the manner in which the fee is calculated, the amount of the fee to be deducted from the account, and any prorated adjustments. The monthly or quarterly statements of your account will report the fee disbursement from the account. You may terminate this fee deduction authorization at any time by giving us or Pershing written notice; however, this billing method is an integral part of the program as structured by Pershing and so you may not continue to use the *USA Strategic Portfolio* program without using this billing method.

Fees will not be based upon a share of capital gains or capital appreciation of the funds or of any portion of the funds under advisory contract. Fees for services to be performed will not be collected six or more months in advance. Fees are billed directly to you, payable monthly in arrears.

As a participant in the *USA Strategic Portfolio* program, you will pay an annualized fee in addition to transaction charges, as illustrated below. The applicable fees referenced on the below schedule include all fees and charges for the services of Pershing, the broker, and USA Financial Securities, except for brokerage charges, as set forth below and IRA and Qualified Retirement Plan Account termination fees. Pershing charges a \$35 annual maintenance fee and a \$75 termination fee on all IRA and Qualified Retirement Plan accounts. These fees apply to all IRA and Qualified Retirement Plan accounts at Pershing, not just the *USA Strategic Portfolio* program. Therefore, the \$35 annual maintenance fee and the \$75 termination fee are not included in the *USA Strategic Portfolio* management fees discussed below, however, these fees will be shown on your account statement.

Fees for the *USA Strategic Portfolio* program will be a percentage of the assets under management. Fees will be calculated, accrued and due monthly in arrears, using the annualized rates within the below parameters, as negotiated between you, the client, and your investment adviser representative.

# **USA FINANCIAL<sup>®</sup>** **SECURITIES**

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<u>Fair Market Value of the Account</u>	<u>Management Fee</u>
\$15,000 but less than \$99,999	2.70% - 2.00%
\$100,000 but less than \$249,999	2.45% - 1.75%
\$250,000 but less than \$499,999	2.20% - 1.50%
\$500,000 but less than \$999,999	1.95% - 1.25%
\$1,000,000 or more	1.40% - .70%

The management fee established by USA Financial Securities shall be charged to accounts on a prorated basis upon inception of the account and at the beginning of each quarter and shall be based on the portfolio value as determined by independent pricing services where available, or otherwise in good faith, as of each calculation date. Pershing shall deduct the administrative charges from the management fee. In addition to the management fee there are transaction/ticket charges per trade, whether it is a buy or sell, as follows:

<i>Stocks</i>	\$20* + \$.025 per share
<i>Mutual Funds</i>	\$20*
<i>Unit Investment Trusts (UIT)</i>	\$20*
<i>Corporate Bonds</i>	\$20* + \$1.00 per share
<i>Bonds (other than corporate)</i>	\$20*
<i>CDs and ELCDs</i>	\$40*
<i>Mutual Fund Systematic Withdrawals</i>	\$1.00 confirmation fee

**Please Note:** \*There is a \$2 confirmation fee on all buys and sells (except for mutual fund systematic withdrawals, as referenced above). There is also a \$10 mutual fund surcharge, assessed by the mutual fund company, on a limited number of mutual funds.

The Firm may from time to time unilaterally amend its fees and billing arrangements. Any change will only become effective after 30 days prior written notice. Our fees are not based on the financial performance or capital gains or losses experienced by the account.



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The *USA Strategic Portfolio* program may be terminated by any party upon written notice to the other. If your account is to be liquidated as the result of a termination notice it is understood that USA Financial Securities may take up to two trading days to effect such liquidation following the date the liquidation request was received by the Firm. Proceeds and any pre-paid fees will be payable to you within ten (10) days of liquidation.

## **TYPES OF INVESTMENTS**

We offer advice about a wide variety of investment types, including mutual funds, exchange traded funds, index funds, equity index annuities, fixed annuities, variable annuities, and unit investment trusts. We would be pleased to explain and answer any questions you may have about these kinds of investments, which present special considerations such as the following:

### **Mutual Funds, Index Funds, and Exchange Traded Funds**

Mutual funds of all types charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge. These separate mutual fund fees are disclosed in each fund's current prospectus, which is available from the mutual fund and, upon request, can be provided by our Firm.

Consequently, for any type of mutual fund investment, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. Generally speaking, most mutual funds may be purchased directly, without using our services, without incurring our advisory fees. Moreover, many mutual funds pay shareholder servicing fees (12b-1 fees) to brokerage firms and their registered representatives in consideration of their services to the fund's shareholders. As noted below, our principals and representatives are registered representatives of USA Financial Securities and, accordingly, may receive this type of compensation with respect to clients who invest in these funds. This compensation creates a conflict of interest which should be considered by clients in evaluating our advice.

Most mutual funds offer several "classes" of their shares which may be purchased by different types of investors or investors with different investment objectives. These are also described in the mutual funds' prospectuses. Depending on your investable assets, investment objectives, and time horizon, different classes may be more appropriate for your circumstances. We would be





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pleased to discuss with you the available classes of mutual fund shares that may be available, the different purposes for which they may be purchased, and the differences in commissions and charges that are associated with each share class.

### **Variable Annuities**

Variable annuities are highly complex financial products offered by insurance companies. Your investment in a variable annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses. Variable annuities are regulated under both securities and insurance laws and related rules and regulations. Variable annuities offer various benefits and features which may or may not have value to you depending on your circumstances and we would be pleased to discuss them with you. Like other types of investments, commissions are paid for the purchase of variable annuities and there may be substantial surrender charges. These commissions, surrender charges, and other expenses are disclosed in the prospectus.

Insurance companies charge a variety of fees and charges against the assets invested in the separate accounts of their policy holders. In addition, when sub-accounts are invested in mutual funds, fund holders will pay fees and expenses as described in the prospectus. This means that there could be three layers of advisory fees incurred – one layer by the insurance company, one layer by the mutual fund company and one layer to our Firm for our advisory services.

Investments in variable annuities are purchased through a securities broker-dealer, which may include USA Financial Securities. Premiums are charged by insurance companies for purchasing their variable annuities. Those premiums include a sales commission, which is paid to USA Financial Securities and its representatives. Sales commissions create a conflict of interest which should be considered by clients in evaluating our advice.

### **Unit Investment Trusts**

Unit Investment Trusts ("UIT") are a portfolio of stocks which are selected by the UIT sponsor using its own proprietary investment analyses and strategies. Once selected, securities held inside the trust are typically held until maturity. The trusts usually mature and are liquidated by the UIT sponsor in a one to two year time horizon. Upon maturity, clients often reinvest their proceeds for a trust's liquidation in another unit investment trust, often from the same UIT sponsor. Unit holders are charged various fees and expenses associated with the establishment and operation of the trusts. These fees generally include a creation and development fee and an organizational fee. These fees are disclosed in each trust's current prospectus, which is available



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from the UIT's sponsor and, upon request, can be provided by our Firm. Consequently, for any UIT investment, it is important to understand that you are directly and indirectly paying two levels of fees: one layer of fees at the trust level and one layer of advisory fees to us.

Investments in UITs are purchased through a securities broker-dealer, which may include USA Financial Securities. Depending on the UIT and its sponsor, units are typically purchased at net asset value ("NAV") of the assets held in the UIT; in some instances, a sales commission may be charged to the investor. If a sales commission is charged, USA Financial Securities and its representatives may receive compensation from the UIT sponsor. Sales commissions create a conflict of interest which should be considered by clients in evaluating our advice.

### **Equity Indexed Annuities**

Equity indexed annuities ("EIA") or fixed indexed annuities are complex investments. EIAs are financial instruments in which the issuer, usually an insurance company, guarantees a stated interest rate and some protection from loss of principal, and provides an opportunity to earn additional interest based on the performance of a securities market. Typically, the particular stock market indices are the S&P 500, the NASDAQ, or the Dow Jones Industrial Average. Many EIAs impose a "cap rate" that represents the maximum annual account value percentage increase allowed to investor. Other EIAs offer asset fees or participation rates. EIAs have other features that contribute to their complexity such as minimum guarantees and fees and expenses, including surrender charges, premium bonuses, and multiple premium payment arrangements.

EIAs are typically sold through an insurance agent. Many of the Firm's investment adviser representatives are also insurance agents. When discussing EIA with our representative, he/she is required to disclose all applicable fees, "cap rates," surrender charges, participation rates, premium bonuses and minimum guarantees. A principal at USA Financial Securities reviews all EIA sales for suitability purposes.

Sales commissions are paid on EIAs and create a conflict of interest which should be considered by clients in evaluating our advice.

## **EDUCATION AND BUSINESS STANDARDS**

USA Financial Securities requires all investment adviser representatives to have passed the Series 6 or 7 and the Series 63 and 65, or 66 examinations administered by the Financial Industry Regulatory Authority ("FINRA").



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## EDUCATION AND BUSINESS BACKGROUND

### Corporate Officers, Directors, and Owners

#### Michael D. Walters (DOB 1965)

Bachelors of Science.....1988  
*Central Michigan University, Mount Pleasant, MI*  
USA Financial Marketing™ Corporation.....1988 - Present  
*Owner/CEO/Director*  
USA Financial Securities™ Corporation.....1998 - Present  
*Owner/CEO/Director/Principal/Registered Representative*  
Portformulas Investing™, LLC.....2006 - Present  
*Owner/Director/President*

#### Brent D. Enders (DOB 1970)

Bachelors of Science.....1992  
*Western Michigan University, Kalamazoo, MI*  
USA Financial Marketing™ Corporation.....1995 - Present  
*President/Director*  
USA Financial Securities™ Corporation.....1998 - Present  
*Owner/Director/President/Chief Compliance Officer/Principal/Registered Representative*  
Portformulas Investing™, LLC.....2006 - Present  
*Owner/Director/President*

#### Gary Walters (DOB 1940)

Certificate of Accomplishment.....1966  
*Wayne State University, Detroit, MI*  
USA Financial Marketing™ Corporation.....1988 - Present  
*Chairman/Owner*  
USA Financial Securities™ Corporation.....1998 - Present  
*Owner/Director*  
Portformulas Investing™, LLC.....2006 - Present  
*Owner/Director*

#### Richard Gorz (DOB 1938)

USA Financial Securities™ Corporation.....1998 - Present  
*Vice Chairman/Director/Officer/Registered Representative*

#### Andrea McGrew (DOB 1979)

Bachelors of Arts.....2001  
*Michigan State University, East Lansing, MI*



# **USA FINANCIAL<sup>®</sup>** **SECURITIES**

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Juris Doctorate.....2004  
*Michigan State University College of Law, East Lansing, MI*  
Michigan Office of Financial and Insurance Services.....2003 - 2004  
*Law Clerk*  
USA Financial Marketing<sup>TM</sup> Corporation.....2005 - Present  
*Chief Legal Counsel*  
USA Financial Securities<sup>TM</sup> Corporation.....2004 - Present  
*Director/CCO/CLO/Principal/Registered Representative*  
Portformulas Investing,<sup>TM</sup> LLC.....2006 - Present  
*Director/CCO/CLO*

## **William Bachert (DOB 1977)**

Bachelors of Business Administration.....2002  
*Grand Valley State University, Grand Rapids, MI*  
USA Financial Marketing<sup>TM</sup> Corporation.....2005 - Present  
*VP Finance and Operations*  
USA Financial Securities<sup>TM</sup> Corporation.....2002 - Present  
*Director/VP Finance and Operations/CFO/CCO/Principal/Registered Representative*  
Portformulas Investing,<sup>TM</sup> LLC.....2006 - Present  
*Director/VP Finance and Operations/CFO/CCO*

## **OTHER BUSINESS ACTIVITIES**

The principal business activity of USA Financial Securities is conducting business as a FINRA registered broker-dealer. The Firm's investment adviser representatives are all registered representatives of USA Financial Securities. The proportions of their time spent on securities brokerage, investment adviser, insurance and other activities varies from representative to representative. You should always feel free to ask your adviser representative about their service activities.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS**

As referenced above, USA Financial Securities is also a registered broker-dealer regulated by the SEC, FINRA, and numerous states. The Firm's SEC file number is 8-52342, and the Firm's CRD number is 103857.

In addition to USA Financial Securities, Michael D. Walters and Gary G. Walters are owners of two companies, USA Financial Marketing Corporation ("USA Financial Marketing") and Portformulas Investing<sup>TM</sup>, LLC ("Portformulas Investing"). Michael D. Walters is the chief



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executive officer of USA Financial Marketing and Portformulas Investing. USA Financial Marketing wholesales fixed insurance products to independent licensed agents. USA Financial Formulas is an SEC registered investment adviser. Michael and Gary Walters spend equal time with each entity. Brent D. Enders is also owner, director and president of Portformulas Investing and the president of USA Financial Marketing. Brent Enders spends equal business time with each entity.

USA Financial Securities obtains many of its representatives through USA Financial Marketing. The company has a vast number of agents who may elect to utilize USA Financial Securities as their broker-dealer. Additionally, USA Financial Securities, USA Financial Marketing, and Portformulas Investing have an expense sharing agreement, whereby certain administrative expenses are shared by both parties. These expenses include equipment rental, telephone services, health insurance, cleaning services and a security system. USA Financial Marketing pays 80 percent of these expenses, and USA Financial Securities pays 20 percent. This arrangement is essential to USA Financial Securities' ability to provide services to its clients.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Because USA Financial Securities is a registered broker-dealer, the firm may receive commissions on any products that you purchase through the broker-dealer. This may or may not create a conflict of interest. Furthermore, commissions paid to USA Financial Securities may be higher or lower than those obtainable at other broker-dealers. Your representative may receive compensation through the sale of the securities products. If you have questions on the compensation earned, feel free to contact your representative. Additionally, USA Financial Securities has selling agreements to sell various investment products; therefore, any one particular product may or may not be approved by the broker-dealer. Finally, USA Financial Securities continually seeks to obtain the best prices possible for our customers.

Our firm or our related persons may purchase for its or their own account(s) ("proprietary account(s)") securities 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 our clients' interests without fully disclosing the conflict to affected clients. Neither our firm nor our related persons are permitted to benefit, directly or indirectly, from transactions made for the accounts of clients. Proprietary accounts may benefit on the same basis and to the same extent as clients'



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accounts when each holds the same investment. We do not allow “cross transactions” between clients or between clients and proprietary accounts.

Generally, investments may only be purchased for proprietary accounts simultaneously or after the completion of the purchase of investments for current client portfolios and may only be sold simultaneously or after the completion of the sale of client holdings of such investments. Exceptions are made for personal securities trades that we believe do not involve potential conflicts of interest, such as open-ended mutual funds, U.S. Treasury securities, and small amounts of stock of companies or closed-end funds that have very large market capitalization and/or very high average trading volume. Exceptions may also be made in accordance with our trade allocation policy (described in connection with our brokerage placement practices in later paragraphs) when transactions for clients’ accounts and proprietary accounts are aggregated (“batched”) in order to achieve better execution for all participating accounts and those benefits are fairly allocated in advance of the transaction among participating accounts.

## **CONDITIONS FOR MANAGING ACCOUNTS**

Generally, we do not have a minimum account size for our hourly or project based advisory fees. A determination will be made, based on the information available to us, whether an investment advisory fee is suitable in light of your unique financial situation, objectives, and goals. While there is no account minimum, we do require a minimum planning fee of one hundred dollars (\$100).

We do require a minimum account size of fifteen thousand dollars (\$15,000) on the *USA Strategic Portfolio* platform. Exceptions may be made, solely at the Firm’s discretion, based on such factors as prior or anticipated investment activity. The Firm may aggregate related accounts in the same household in determining whether the account minimum has been met and in calculating the rate applicable to its fees. Minimums may be negotiated.

## **INVESTMENT OR BROKERAGE DISCRETION**

USA Financial Securities permits its investment adviser representatives to act as clients’ agent and attorney-in-fact with power and authority to buy, sell, exchange, convert, acquire, or dispose of equities, debt securities and related investments in one or more *USA Strategic Portfolio* accounts with the Firm. This authorization extends only to those transactions made in USA Strategic Portfolio accounts and only to those stocks, bonds, or other financial instruments eligible to be held in a *USA Strategic Portfolio* account. Furthermore, this authority is only



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authorized once the investment adviser representative obtains written permission from USA Financial Securities, and upon execution by the client, of a valid power-of-attorney. If you, as a client, elect to have your investment adviser representative execute transactions on your behalf pursuant to a power-of-attorney, you may terminate this authority at any time by providing written notification to USA Financial Securities and your investment adviser representative.

## **RECOMMENDED BROKERAGE**

The Firm will seek broker-dealers who offer competitive commission costs together with reliable services. A client's choice of another broker broker-dealer is accepted if proven feasible. Because USA Financial Securities is a registered broker-dealer, the Firm may recommend itself for transactions. By using USA Financial Securities, the Firm, its investment adviser representatives, or its registered representatives may receive additional compensation in the form of commissions or 12b-1 fees.

In the *USA Strategic Portfolio* program the Firm will recommend Pershing for all transaction executions. The Firm recognizes its fiduciary responsibility in negotiating brokerage commissions, assuring best execution as well as adequate investment availability/inventory on behalf of its clients. The Firm does not receive compensation with respect to execution of these trades. In most instances, clients will incur a ticket charge for the sale and purchase of securities.

## **ADDITIONAL COMPENSATION**

Our Firm does not receive "soft dollars" from any vender or service provider (such as an insurance company or broker-dealer) in exchange for our placement of brokerage transactions. Soft dollars are arrangements under which products or services, other than execution of securities transactions, are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. Our Firm does receive commissions on the sale of securities products, which includes insurance products classified as securities. Representatives of our Firm may also sell non-securities insurance products, which results in the representative receiving compensation in the form of a commission from the insurance company. Furthermore, our Firm permits representatives to engage in various outside business activities, such as tax planning, whereby the representative receives compensation.

It is standard industry practice for registered representatives of broker-dealers to have marketing agreements with product suppliers. These suppliers may include mutual fund companies,



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variable annuity companies, unit investment trust companies or real estate investment trusts. These marketing agreements provide for payment of marketing expenses to the selling broker-dealer or its registered representative in addition to commissions. These fees are not normally a direct expense of a particular product, but are paid by the sponsoring company to make up for costs incurred by the broker-dealer or its registered representative for marketing the product. The Firm employs investment adviser representatives, who in their capacity as registered representatives of a broker-dealer, may receive marketing allowances through their broker-dealer with respect to recommended products.

Therefore, as described above, investment adviser representatives who are registered representatives of USA Financial Securities may receive additional compensation and/or commissions from clients' purchases and sales of stocks, mutual funds, variable annuities, other investment products, and other insurance products.

Additionally, in order to provide the best service possible USA Financial Securities offers clients the opportunity to invest with outside, third-party money managers. These arrangements generally work one of two ways. If USA Financial Securities refers you to a third-party money manager, our firm is considered to be the solicitor, and the third-party money manager is the registered investment adviser. However, some third-party money managers simply provide investment platforms for USA Financial Securities to utilize, and while the third-party money manager executes trades and directs the management of your assets, USA Financial Securities retains its registered investment adviser status. Under both of these arrangements, USA Financial Securities receives a fee from the third-party that is paid out of the third party's advisory fee that is charged to you, as the client.

## **IMPORTANT INFORMATION AND OTHER DISCLOSURES**

### **Investment Risks and Rewards**

All investments bear different types and degrees of risk. While our investment strategies are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Our investment strategies seek to balance risks and rewards to achieve investment objectives. Clients need to ask questions about investment risks they do not understand. We would be pleased to discuss them and any other questions you may have as a client of our Firm.





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We strive to render our best judgment on behalf of our clients. Still, we cannot assure you that investments will be profitable or assure the no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. We continuously strive to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio.

### **Proxy Voting**

We will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in your account. Proxy solicitation materials will be forwarded to you for response and voting.

### **Legal Notices**

USA Financial Securities will not be obligated to take action or render any advice involving legal action on behalf of its clients with respect to securities or other investments held in the *USA Strategic Portfolio* account, or the issuers thereof, which become the subject of legal notices or proceedings, including bankruptcies.

## **CODE OF ETHICS**

USA Financial Securities conducts its advisory business professionally and ethically, adhering at all times to relevant rules, laws, and guidelines. Accordingly, pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, we have adopted a *Code of Ethics*. Copies will be provided upon request.

## **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 we collect from you***

We collect non-public 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



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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 suitability.
- 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 non-public, 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 registered representatives 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 mutual fund companies, insurance companies, our clearing firm Pershing, and any necessary third parties utilized by these entities.
- 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***

While the securities industry considers you clients of USA Financial Securities, we understand that a relationship exists between you and your financial adviser as a result of many meetings and personal, financial conversations. Accordingly, when and if your representative leaves USA Financial Securities, we permit him or her to take your account information to his or her new



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broker-dealer in order to continue servicing your account. However, if you **do not** want us to allow your representative to take your personal, non-public information, **you may** contact us at **(888)407)8198** and **opt-out of this provision**. If you have any questions regarding this provision, you may also contact us at the number above.

If you decide to close your account(s), we will continue to adhere to the privacy practices described in this policy, 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. After this required period of record retention, all of your information will be destroyed.

#### ***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 reasonable 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.





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### **ACKNOWLEDGMENT OF RECEIPT**

By signing below, I/we certify that I/we have received and read carefully this disclosure brochure and had the opportunity to ask such questions as may have occurred in reading and/or discussing the services provided and the costs of those service.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_