

**Form ADV Part 2A Appendix 1 of Form ADV – Wrap Fee Program Brochure**

**Item 1 – Cover Page**

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This **Wrap Fee Program Brochure** provides information about the qualifications and business practices of U.S. Financial Advisors, LLC and details for our **Wrap-Fee Program**. If you have any questions about the contents of this brochure please contact us at (781) 849-9200 or [compliance@uswealthcompanies.com](mailto:compliance@uswealthcompanies.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about our investment advisory business is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for “U.S. Financial Advisors, LLC”. You can also search using the firm’s CRD numbers. The CRD number for the firm is **108763**.

Registration as an investment advisor does not imply a certain level of skill or training.

## Item 2 – Material Changes

This item provides information regarding specific material changes and a summary of such changes made to the Wrap Fee Program Brochure since the last annual update of the brochure which occurred in March 2011.

Since our last annual update, USFA ended its relationship with Lincoln Financial Securities and joined LPL Financial, a registered broker/dealer member FINRA/SIPC. What this means is that our investment advisor representatives that were also registered securities representative of Lincoln Financial Securities terminated their relationships with Lincoln Financial Securities and moved their securities licenses to LPL Financial. Along with this move, we are able to manage advisory accounts now held at LPL Financial. In the past, we managed accounts held only at TD Ameritrade or Fidelity. Clients are now required to move their fee-based advisory accounts to LPL Financial unless we agree to continue managing a client's account(s) held at TD Ameritrade or Fidelity.

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#### **Item 4 – Services, Fees and Compensation**

U.S. Financial Advisors, LLC (referred to throughout this document as “U.S. Financial Advisors”, “USFA”, the “Firm”, “us” and “we”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company formed under the laws of the State of Delaware.

- The Firm has been registered as an investment advisor since October 9, 1998
- The Firm is owned and controlled by John Napolitano through the Firm’s parent company, U.S. Wealth Management, LLC. There are other members of U.S. Wealth Management, LLC; however Mr. Napolitano is the only member with more than 25% control.
- We provide fee-based investment advisory services through USFA. The nature and extent of the specific services provided to clients, including you, will always depend on each client’s financial status, objectives and needs, time horizons, concerns, expectations and risk tolerance.
- Most Investment Advisor Representatives of USFA are also registered representatives of LPL Financial (“LPL”), a registered broker/dealer, member SIPC/FINRA, and our offices are also LPL branch office locations.
- USFA Investment Advisor Representatives and USFA branch offices may use marketing names or other names that are held out to the public. Such names are known as “doing business as” names. The purpose of using a name other than USFA or LPL is for the Investment Advisor Representative to create a brand that is specific to the Investment Advisor Representative and/or branch, but separate from USFA and LPL. While USFA allows its Investment Advisor Representatives to use a name other than USFA or LPL, the Investment Advisor Representative must disclose on advertising and client correspondence that securities are offered through LPL and advisory services are offered through USFA.
- USFA offers its asset management, investment advisory, and financial planning services to unaffiliated, third-party investment advisor firms. Under such arrangements, the independent investment advisor may utilize our services to assist the independent investment advisor with recommendations, development and preparation of financial plans and consultations that the

independent investment advisor provides to its clients. Under such arrangements, the independent investment advisor may pay USFA a portion of the fee collected by the independent investment advisor from its client as compensation for such services.

- Clients are advised that the investment recommendations and advice offered by USFA do not constitute legal or accounting advice. Therefore, you should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Clients are advised that it is necessary to inform USFA promptly with respect to any changes in their financial situation, investment goals and objectives. Failure to notify USFA of any such changes could result in investment recommendations not meeting the needs of the client.

### **The Wrap-Fee Program sponsored by U.S. Financial Advisors, LLC**

We offer our Asset Management Services through both a wrap-fee program arrangement and a non-wrap fee program arrangement. A wrap-fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), we will receive all or a portion of the fee charged. Further our Investment Advisor Representatives recommending this program to clients will receive a portion of the fee charged to clients. Our Investment Advisor Representatives therefore have a financial incentive to recommend our program over other programs or services.

Both the Truro Asset Management Program and the Investment Advisor Representative Management Program are almost always offered on a non-wrap fee basis. This means most clients signing up for the program will pay for transaction costs separately from our investment management fee. A small number of our Investment Advisor Representatives have been given the ability to pay the transaction costs (i.e. ticket trades) for their clients thus resulting in a wrap-fee program arrangement. In these cases, the overall management fee charged to the client will almost always be more than the management fee charged to clients that are billed directly for transactions on a trade-by-trade basis. The reason for the increased fee is to cover the transaction costs. We do not believe there is any significant difference in the way we manage wrap-fee accounts versus our non-wrap fee programs.

Asset Management Services involve providing clients with continuous and on-going supervision over client accounts. This means that we will continuously monitor a client's account and make trades in client accounts when necessary. Through this service, USFA implements a customized and individualized investment program for clients by applying our investment strategy and philosophy. USFA shall actively manage client investment portfolios in accordance with the client's individual needs, return objectives and risk tolerance.

Clients will typically be required to open accounts through LPL. However, in some cases, we may permit clients to open accounts through Fidelity Institutional Wealth Services or TD Ameritrade.

### **LPL Financial Accounts.**

Accounts are established at LPL in its capacity as a registered broker/dealer, member Financial Industry Regulatory Authority (FINRA) and Securities Investors Protection Corporation (SIPC). LPL Financial is also an investment advisor registered with the SEC, but does not serve as an investment advisor for USFA clients through this program. Clearing, custody and other brokerage services are provided by LPL Financial. Therefore, clients will be required to establish a brokerage account(s) through LPL Financial's Strategic Wealth Management platform (referred to

as LPL's SWM). Separate accounts are maintained for each client. Each client retains all rights of ownership of their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

#### **FIWS and TD Ameritrade Accounts**

At the approval and consent of USFA, clients may establish accounts under the Fidelity Institutional Wealth Services (FIWS) platform or TD Ameritrade Institutional platform. Clearing, custody and other brokerage services through FIWS are provided by National Financial Services LLC (NFS) and/or Fidelity Brokerage Services LLC (FBS) (both are registered broker/dealers, members of FINRA and SIPC) and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities for accounts established through the FIWS platform. TD Ameritrade, Inc. serves as the broker/dealer and qualified custodian for all accounts through TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. a SEC-registered broker/dealer, member FINRA/SIPC/NFA.

As discussed previously, most USFA associated persons are registered representatives or associated persons of LPL Financial. As a result of this relationship, LPL Financial will have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about USFA clients that establish accounts away from LPL Financial including clients with accounts at FIWS and TD Ameritrade. If you would like a copy of the LPL Financial privacy policy, please contact John Napolitano.

You must designate USFA as your investment advisor on the accounts you'd like USFA to manage. USFA will be granted limited power-of-attorney on the account to implement trades within the account and (when agreed to by the client) deduct the USFA advisory fees from the account.

Clients are always responsible for notifying USFA of any changes to their financial situation or investment objectives. At least annually, we will contact each client for the specific purpose to determine whether the client's financial situation or investment objectives have changed, or if the client would like to impose and/or modify any reasonable restrictions on the management of their accounts. We are always reasonably available to consult with clients relative to the status of their accounts. A client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the accounts. A separate account is always maintained for each client with the broker-dealer/custodian and the client retains all rights of ownership to their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

It is important that you understand that USFA manages investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by our Firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a

security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Asset Management Services may be offered through either our Truro Asset Management Program or the Investment Advisor Representative Management program described in the following sections.

#### **A. Truro Asset Management Program**

The Truro Asset Management Program (referred to as "Truro") is available to clients through a USFA Investment Advisor Representative or through unaffiliated investment advisor firms that have entered into an advisor-to-advisor agreement with USFA to offer Truro. Through Truro, the USFA Investment Committee is responsible for all investment recommendations and managing client accounts.

Clients participating in Truro will work with their investment advisor representative to complete a Risk Tolerance Questionnaire in order to determine and discuss the client's current financial situation, investment goals, tolerance for risk, liquidity needs, and other unique circumstances which may dictate the manner in which a client's assets should be professionally managed. Based on this consultation with the client and on the investment advisor representative's analysis of the Risk Tolerance Questionnaire, the investment advisor representative assists the client in determining which of Truro's investment options are to be utilized in managing the client's assets.

Truro offers three levels of products available to clients.

1. The first level available to clients consists of portfolios made up of mutual funds and Exchange Traded Funds. In some cases stocks and bonds may be utilized. Within this level USFA offers seven strategies ranging from Conservative to Growth.
2. The second level available to clients consists of portfolios made up of Exchange Traded Funds. In some cases mutual funds may be utilized. Within this level USFA offers seven strategies ranging from Conservative to Growth.
3. The third level available to clients consists of portfolios managed by Separate Account Managers ("SAM"). USFA can select SAMs for LPL SWM accounts including SAMs pre-established by LPL through the LPL Manager Access Network. SAMs are also available through the Fidelity and TD Ameritrade platforms. The USFA Investment Committee performs due diligence to determine which SAM's will be utilized by Truro.

Depending on the situation these levels can be utilized independently or in unison. Investment strategies are developed and monitored by the USFA Investment Committee. Each investment strategy consists of investments specifically selected in order to achieve that particular strategy's investment objective. The client's assets are invested in a manner consistent with the investment strategy chosen, however specific client portfolios may deviate from the Truro's investment strategies due to a number of factors. These factors include inception date of the account, tax considerations, liquidity needs, and other circumstances specific to the particular client.

Where appropriate, we may recommend to clients with Truro accounts that one or multiple third-party investment advisors be utilized in order to manage all or a portion of the client's assets through the use of SAMs. Please refer to Item 6 of this brochure for more details.

Assets are invested by us into Truro upon receipt by the custodian of the assets, or at a mutually agreed upon date by the investment advisor representative(s), client(s), and USFA. The client's assets are managed in a manner consistent with the strategy offered through Truro, unless and until USFA is notified otherwise by the client or his/her investment advisor representative. The client and/or the client's investment advisor representative must notify USFA in writing when the client's investment objective, time horizon or risk tolerance change. We may determine that such changes in the client's financial situation may make another of the Truro's options more appropriate.

#### ***B. Investment Advisor Representative Management Program***

In addition to our Truro Asset Management Program (through which all investment strategies are developed and offered by the USFA Investment Committee), some of our Investment Advisor Representative have the ability to manage client assets directly. In these situations, the Investment Advisor Representative working with the client will be responsible for all investment recommendations and managing the client's account. Where appropriate, an Investment Advisor Representative may recommend one or multiple third-party investment advisors be utilized in order to manage all or a portion of the client's assets through the use of SAMs. Please refer to Item 6 of this brochure for more details.

For this program, the client's Investment Advisor Representative will complete a Risk Tolerance Questionnaire with the client. The questionnaire is used to guide the Investment Advisor Representative in determining how client assets will be managed. Investment Advisor Representatives can invest in mutual funds, ETFs, stocks, bonds, and other appropriate investments that meet your risk tolerance and investment objectives.

The Investment Advisor Representative will direct the investment and reinvestment of your assets in this program on a discretionary or non-discretionary basis in accordance with your investment goals and objectives, subject to the client meeting the minimum account size.

#### **Suitability**

USFA will assist clients in determining their objective(s), investment strategy, and investment suitability, prior and subsequent to opening an account. Clients must advise USFA of any changes in their investment objective(s) and/or financial situation.

USFA's services are always provided based on the individual needs of the individual client. Clients are given the ability to impose restrictions on their accounts including specific investment selections and sectors.

When managing client accounts through our program, we will generally manage a client's account in accordance with one or more models developed by our Investment Committee. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates. More information about our models and strategies is provided at Item 6.

#### **Brokerage, Clearing and Custody**

As disclosed above, LPL, Fidelity or TD Ameritrade will be used as the broker/dealer and custodian for client accounts.

USFA's preference is for clients to open accounts through LPL and most accounts are held at LPL. In some circumstances, it may be more appropriate for clients to maintain accounts at Fidelity or TD Ameritrade.

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By directing clients to use a particular broker/dealer, USFA may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, USFA has decided to require its clients to use broker/dealers and qualified custodians determined by USFA.

#### **LPL Financial as Broker/Dealer and Custodian**

If clients wish to have our investment advisor representatives implement advice in their capacity as registered representatives, LPL will be used. Our investment advisor representatives that are registered representatives of LPL are required to use the services of LPL when acting in their capacity as registered representatives. LPL has a wide range of approved securities products for which LPL performs due diligence prior to selection. LPL's registered representatives are required to adhere to these products when implementing securities transactions through LPL. Commissions charged for these products may be higher or lower than commissions clients may be able to obtain if transactions were implemented through another broker/dealer. Because our investment advisor representatives are registered representatives of LPL, LPL provides compliance support to USFA's associated persons. In addition to compliance support, LPL also provides the associated persons of USFA, and therefore USFA, with back-office operational, technology, and other administrative support.

If clients wish to implement the advice of USFA through SWM accounts, LPL will be the primary broker/dealer and custodian recommended due to our relationship with LPL. USFA recommends broker/dealers and custodians that USFA feels will provide services in a manner and at a cost that will allow USFA to meet its duty of best execution. However, USFA may be limited in the broker/dealer or custodians that it is allowed to use due to USFA's associated persons relationship with LPL. LPL may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

While there is no direct linkage between the investment advice given to clients and USFA's recommendation of LPL, economic benefits may be provided by LPL to USFA that will not be provided if the client selects another broker/dealer or account custodian. These benefits may include: negotiated costs for transaction implementation, a dedicated trade desk that services LPL participants exclusively, a dedicated service group and an account services manager dedicated to USFA's accounts, access to a real-time order matching system, electronic download of trades, balances and position information, access, for a fee, to an electronic interface with the account custodian's software, duplicate and batched client statements, confirmations and year-end reports.

We do not receive client referrals from LPL.

#### **Fidelity and TD Ameritrade as Broker/Dealer and Custodian**

Fidelity and TD Ameritrade offer to independent investment advisors (such as USFA) services which include custody of securities, trade execution, clearance and settlement of transactions. USFA is independent and unaffiliated with Fidelity and TD Ameritrade.



We do not receive client referrals from either TD Ameritrade or Fidelity. However, we do receive certain benefits from both firms.

Costs associated with Fidelity and TD Ameritrade may be higher than other broker/dealers in return for those products and services. Commission and fee structures of various broker/dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while USFA will consider competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Therefore, the overall services provided by broker/dealers are evaluated to determine best execution.

While there is not a direct linkage between the investment advice provided to clients and USFA's recommendation to use Fidelity or TD Ameritrade, economic benefits are received by USFA which would not be received if the Firm did not give investment advice to clients and are not typically available to Fidelity and TD Ameritrade retail clients. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade and Fidelity may also pay for business consulting and professional services received by our related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for our personnel to attend conferences or meetings relating to the program or to their advisory custody and brokerage services generally. Some of the products and services made available by TD Ameritrade and Fidelity benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at the broker/dealer offering the service. Other services are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade and Fidelity (although Fidelity requires a minimum amount of assets be held on their platform to receive some benefits). You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade and Fidelity for custody and brokerage services.

We also receive, from TD Ameritrade, certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the additional services include Morningstar. TD Ameritrade provides the Additional Services to USFA in its sole discretion and at its own expense, and USFA does not pay any fees to TD Ameritrade for the Additional Services. USFA and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Our receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to us, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our client accounts maintained with TD Ameritrade. TD

Ameritrade has the right to terminate the Additional Services Addendum with us, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, we may have an incentive to recommend to our clients that the assets under management by us be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Our receipt of Additional Services does not diminish our duty to act in the best interests of you, including seeking best execution of trades for your accounts.

### **Aggregation of Client Orders**

Our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or “block” client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Further, the investments we are responsible for trading in client accounts are typically limited to mutual funds, ETFs, and other broadly traded positions. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

### **Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

USFA is deemed to have custody of client funds and securities whenever USFA is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody USFA will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which USFA is deemed to have custody, the Firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are **urged** to compare the statements against reports received from USFA. When clients have questions about their account statements, they should contact USFA or the qualified custodian preparing the statement.

### **Program Fees**

Clients are charged for our Asset Management Services based on a percentage of assets managed by the Firm. An annual fee will be determined and then divided and charged quarterly in advance. At the beginning of a quarter, fees are assessed for the quarter based upon the value of the assets in your account at the end of the previous quarter. If assets are deposited to the account after the inception of the quarter, the fee that is charged with respect to such assets as of the next calculation date may be prorated based on the number of days the assets were held in the account during the previous quarter.

No fee adjustment will be made for assets withdrawn by the client during the quarter unless USFA is notified in advance of the distribution.

The initial fee is assessed upon receipt of assets by the account custodian, or on a later date as specified by USFA under the Management Agreement. The initial fee may be calculated pro rata in the event the initial Management Fee date falls on a day other than the first day of a calendar quarter. If assets are deposited after the initial management fee has been assessed, the fee that will be charged with respect to such assets as of the next calculation date may be prorated based on the number of days the assets were held in the account during the time period.

Unless the Investment Advisor Representative has agreed with the client to pay transaction fees on behalf of the client, the fees described below do not include trade ticket and brokerage execution charges. Management fees charged do not include IRA and Qualified Plan account fees custodians charge to client accounts. The custodian may assess transaction charges and charge the client's account for trades in certain mutual funds. Where SAM's are utilized asset based pricing may be applied to transaction charges. Clients may purchase such mutual funds directly through the fund company without incurring a transaction charge. However, such purchases would have to be made by the client outside of the Program. Custodians may also assess brokerage transaction charges for the purchase of general securities and charge them to the client's account.

Payment of advisory fees to USFA are deducted directly from client accounts, provided that the following requirements are met: 1) the client provides written authorization permitting the fees to be paid directly from the client's account held by the independent custodian; 2) it is the responsibility of USFA and the client to verify the accuracy of the fee calculation and not the responsibility of the broker/dealer-qualified custodian; 3) USFA sends a bill to the custodian indicating only the amount of the fee to be paid by the custodian; and 4) the custodian agrees to send the client a statement, at least quarterly, indicating all amounts dispersed from the account including the amount of advisory fees paid directly to USFA. For LPL accounts, LPL is responsible for calculating and debiting all fees from client accounts. Clients must provide LPL written authorization to debit advisory fees from their accounts and pay such fees to USFA. For FIWS and TD Ameritrade accounts, USFA is responsible for fee calculations and debiting fees from client accounts. USFA does not access client funds for payment of fees without written consent.

Our program may cost clients more or less than purchasing such account services separately, assuming that similar services could be purchased directly from the various providers thereof. Therefore, we may have a financial incentive to recommend this program over other programs or services.

Our management fees are assessed on all assets in an account, including securities, cash and money market balances. Margin debit balances do not reduce the value of the assets in the account.

Our management fees do **not** include mark-ups/mark-downs in principal transactions; certain odd-lot differentials; national securities exchange fees; postage and handling; annual, maintenance and/or termination fees for retirement accounts or qualified plans; ACAT transfer fees; interest on debit account balances; electronic fund transfer fees; and transfer taxes and other costs or charges associated with securities transactions mandated by law. All fees and charges, including the above, may be charged directly to a client's account by the client's broker/dealer. None of these fees, costs or charges is paid to USFA and USFA receives no portion of such fees, costs and charges.

The fee schedules below are provided as examples of the fees that may be charged to clients based on the amount of client assets managed by our Firm through the Truro Asset Management Program.

The total investment advisory fee charged consists of a portion retained by the Investment Advisor Representative, a portion retained by USFA for its management services and a fee for administrative services. The fees listed below also cover all costs associated with transactions and executions. When our program is offered on a non-wrap fee basis, clients must pay all transaction and execution costs separately. Through the wrap-fee program option, we pay for those costs. Therefore our wrap-fee program (as compared to a non-wrap fee account) may be more expensive during times when trading volume is lower and may be cheaper during times when trading volume is higher.

**Due to the fact that we cover transaction and execution costs in a wrap-fee account, up to an additional 0.75% annual fee is added to the fees listed below for wrap-fee accounts.**

#### Truro Asset Management Program

The total investment advisory fees charged by USFA, under the program are typically based upon the following rate.

Account Size	Maximum Fee	Minimum Fee
\$ 100,000 - \$ 500,000	2.05%	.55%
\$ 500,001 - \$1,000,000	1.75%	.50%
\$1,000,001 - \$2,000,000	1.45%	.45%
\$2,000,001 - \$5,000,000	1.325%	.425%
Assets Greater than \$5,000,000	1.175%	.425%

Accounts valued less than \$100,000 can be accepted at our discretion. Accounts valued at less than \$100,000 may be charged a maximum fee of 2.30% per year. When an account value exceeds \$100,000, subsequent quarters will be billed according to the aforementioned fee schedule.

The actual fee charged to each client is negotiable on a case-by-case basis, using factors such as the client's financial situation and circumstances, the amount of assets under management, the strategy or models used to manage accounts, and the complexity of the services provided. Fee schedules may also vary among different Investment Advisor Representatives. When beneficial for the client, accounts may be combined to meet the breakpoints in the USFA fee schedule. The exact fee for services will be agreed upon and disclosed in the agreement for services prior to services being provided.

Clients that are invested using SAM(s) are charged a separate fee by the SAM for its management of the assets USFA allocates to the SAM. The amount charged by the SAM typically ranges from .20% to 1.50% depending on the investment style of the SAM. The SAM fee is in addition to the fee charged by USFA to clients for USFA's services under the program, which are described below. The SAM's fee is based on the assets allocated to the SAM. The fee charged by USFA is based on the total assets managed under the program (including those assets allocated to SAM's). The total investment advisory fees charged by USFA under the program for clients when SAM's are utilized are typically based upon the following rates:

Account Size	Maximum Fee	Minimum Fee
\$ 100,000 - \$ 500,000	2.05%	.35%
\$ 500,001 - \$1,000,000	1.75%	.30%
\$1,000,001 - \$2,000,000	1.45%	.25%
\$2,000,001 - \$5,000,000	1.325%	.225%
Assets Greater than \$5,000,000	1.175%	.225%

The fees described above represent the fees charged by us under the program for assets invested with SAM's. As described previously SAM clients will additionally be charged a Management Fee by the SAM on the assets allocated to and managed by the SAM.

### **Other Fees**

Clients shall also incur certain charges imposed by third parties other than USFA in connection with investments made through the account, including but not limited to, mutual fund sales loads, surrender charges, and IRA and qualified retirement plan fees charged by NFS, a product sponsor or other third party. Program fees charged by USFA are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

### **Termination of Services**

Either party may terminate the Management Agreement upon written notice. Refunds will be paid if the Management Agreement is terminated either by the client or USFA. Refunds will be made within 60 days of receipt of the termination notice only for fees for time periods after the termination date. Should portfolio management cease due to the client's withdrawal of assets from the account without prior notification to USFA to terminate management of the assets, the client will not be refunded for fees charged to account(s) for that quarter.

## **Item 5 – Account Requirements and Types of Clients**

### **Opening an Account**

To become a program participant, an agreement between the client and USFA must be executed. In addition, the client will be required to establish a brokerage account through Fidelity or TD Ameritrade.

### **Minimum Account Size**

USFA generally requires a minimum account of \$100,000 be established for those clients desiring investment management services. Accounts below this minimum may be accepted on an individual basis at our discretion.

### **Types of Clients**

USFA generally provides investment advice to the following types of clients:

- Individuals (including trusts and estates),
- Pension and profit sharing plans,
- Charitable organizations,
- Non-profit organizations,
- Educational institutions,
- Corporations and other business entities.

## **Item 6 - Portfolio Manager Selection and Evaluation**

As previously disclosed our Investment Advisor Representatives serve as portfolio managers. Accounts managed through Truro are reviewed and managed by our Investment Committee. Individual Investment Advisor Representatives are responsible for their managed accounts on the Investment Advisor Representative Managed platform. There could be a conflict of interest in that we could prefer our internal personnel when selecting portfolio managers rather than selecting unaffiliated Separate Account

Managers (SAMs). We have implemented internal procedures designed to limit the number of Investment Advisor Representative that can manage accounts through the Investment Advisor Representative Managed platform. Most accounts are opened through Truro. The Investment Committee relies on Lowery Asset Consulting to help select both individual investment recommendations and SAMs. We consider the past performance of investments selected internally when determining whether or not to select SAMs.

Where appropriate, we may recommend to clients that one or multiple third-party investment advisors be utilized in order to manage all or a portion of the client's assets through the use of SAMs. In some cases, the SAM will deliver "trade signals" to us and we will be responsible for making all changes to underlying investments per the instructions from the SAM. In other situations, the SAM will have authorization on the client's account to trade and make changes to investment selections.

For LPL accounts, USFA is ultimately responsible for SAM due diligence along with portfolio monitoring, but SAMs must also be made available by LPL in order to gain access to LPL accounts. USFA may recommend SAMs through LPL's Manager Access Network which provides the ability to select SAMs pre-established by LPL to access LPL client accounts. LPL provides brokerage, custodial and administrative services for Manager Access Network, but USFA is responsible for all investment advisory functions including SAM selection and suitability.

For FIWS and TD Ameritrade accounts, SAMs are available through the Fidelity Separate Account Network SM ("FSAN") or TD Ameritrade's Separate Account Exchange, respectively. Networks of institutional asset managers who have agreed to act as sub-advisors to investment advisors.

Generally SAMs are only recommended to suitable high net worth clients with investable assets exceeding \$1 million and whose investment objectives may make the use of a particular SAM a suitable option for the client. We have discretion over the management of the client's assets and allocate all or a portion of the assets to be managed by the selected SAM. In situations where the SAM is responsible for making changes to investment selections, the SAM directs the investment and reinvestment of the assets allocated to that SAM on a discretionary basis. While USFA does have discretion over the assets managed by the SAM, it does not direct trading on the assets that have been allocated to the SAM with trading authorization. We have discretionary authority to add or terminate the services of a particular SAM from the client's account. USFA can replace a particular SAM with a different SAM, or replace a SAM with USFA to direct the investment and reinvestment of the client's assets.

We select SAMs based on research provided by Lowery Asset Consulting, LLC and meetings of our investment committee. Managers are screened and selected using a number of criteria:

- Manager or management team tenure and experience
- Performance within their peer group
- Portfolio turnover
- Expenses and costs of the manager
- Individual face to face meetings with managers
- Participation in educational forums and conference calls offered by managers and others

Factors that determine the change of a portfolio manager may include:

- Performance
- Change of manager
- Change of ownership of the portfolio managers firm

- Strategic or tactical change away from a particular sector or asset class
- Costs
- The closing of their fund or separate account

We use third parties such as Morningstar or Zephyr to examine manager performance data and for comparisons within a managers' peer group. For our clients who are invested within a USFA managed portfolio, performance is calculated through our outsourced relationship with a third-party consultant.

Lowery Asset Consulting, LLC gathers the third party reviews for our review. Lowery Asset Consulting, LLC also meets with over 1,000 managers annually and talks with them about their performance calculation methodologies. USFA will only work with firms who adopt and calculate performance using Global Investment Performance Standards.

**Because Investment Advisor Representatives serve as portfolio managers of the Program, the following is provided as brief descriptions of USFA's primary services. Detailed descriptions of USFA's services other than the Program are provided in our Disclosure Brochure.**

#### **General Description of Primary Advisory Services**

***Financial Planning and Asset Management Services*** - Through USFA, we offer and consider ourselves to specialize in financial planning and providing personalized Asset Management Services.

- We provide advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses on a client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives. Financial planning services are offered in three different ways.
- We provide advisory services in the form of Personalized Asset Management Services. Asset Management Services involve providing clients with continuous and on-going supervision over client accounts. This means that we will continuously monitor a client's account and make trades in client accounts when necessary. Personalized Asset Management Services are offered through Investment Advisor Representatives of the Firm after a careful analysis of your investment needs, time frame, tolerance for risk and future plans for income and expense. The Firm uses mutual funds, exchange traded funds, individual stocks, individual bonds and separate account managers to implement its investment advice. Research at the Firm is approached both from a fundamental and a technical direction. Fundamental in that economic conditions and specific industries or global regions are evaluated for their underlying strength and prospects for growth. Technical research is provided by third parties and focuses on moving averages, momentum and volatility to assist with investment selection. Fixed income investments are evaluated for their quality, time horizon, and yield and may include bond offerings from international companies or governments.

***Investment Consulting Services*** – We also provide investment consulting services in the form of oral advice and written recommendations. These services are somewhat similar to Investment Management

Services, except for the fact that we do not implement any recommendations. Clients signing up for this service must understand that the Firm does not provide on-going reviews of accounts through this service and information about such accounts is limited to information provided exclusively by the client. Clients always have the sole discretion to accept or reject the Firm's advice. The client must implement all trades in such accounts because the Firm will have no access to the account.

***Outside Money Managers*** – We may provide advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades client accounts when necessary.

***Specialization.*** USFA considers its self to specialize in retirement planning, investment and wealth management. Our advisors work with each client to focus on their individual retirement, planning and investment needs, as applicable.

***Advice on Certain Types of Investments.*** With some exceptions, our Investment Advisor Representatives are available to offer advice on most types of investments owned by a client and, at the specific request of a client, will explore investment options not currently owned by a client. However, our Investment Advisor Representatives are not permitted to provide advice on futures contracts. If your Investment Advisor Representative does not hold a Series 7 license with LPL and holds only the Series 6, your Investment Advisor Representative will be restricted to providing advice on only Investment Company Products (such as mutual funds) and variable annuity contracts.

- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Foreign Issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

We do not provide advice on options contracts on commodities, or on futures contracts that are tangibles or intangibles.

**Performance-Based Fees and Side-By-Side Management**

USFA does not charge or accept performance-based fees. Regulators have defined performance based fees as charging fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.



### **Client Assets Managed by U.S. Financial Advisors, LLC**

The amount of client assets managed by USFA totaled approximately \$148,000,000.00 as of December 31, 2011. The entire portion is managed on a discretionary basis.

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

Although USFA Investment Advisor Representatives have the ability to develop and implement their own investment strategies and methods of analysis through our Investment Advisor Representative Management program, most of our Investment Advisor Representatives elect to have their client accounts managed through our Truro Asset Management Program. Truro accounts are managed in accordance with the strategies and methods of analysis developed by the USFA Investment Committee. In these situations, the Investment Committee will be responsible for actively determining investment recommendations and implementing such recommendations. The Advisor Representative is still responsible for communicating with his/her client and gathering all client information.

Generally speaking, USFA Investment Advisor Representatives use various methods of analysis and investment strategies. Methods and strategies will vary based on the USFA Investment Advisor Representative providing advice. Models and strategies used by one Investment Advisor Representative may be different than strategies used by other Investment Advisor Representatives. Some USFA Investment Advisor Representatives may use just one method or strategy while other Investment Advisor Representatives may rely on multiple. USFA does not require or mandate a particular investment strategy be implemented by its Investment Advisor Representatives. Further, USFA has no requirements for using a particular analysis method and USFA Investment Advisor Representatives are provided flexibility (subject to USFA supervision and compliance requirements) when developing their investment strategies.

The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by USFA.

#### **A. Methods of Analysis**

Specific to the Truro Asset Management Program, we have entered into an investment advisory consulting arrangement with Lowery Asset Consulting, LLC, an unaffiliated investment advisor that provides USFA with investment research, model portfolio recommendations, allocation recommendations and specific security analysis and recommendations. Our agreement is directly with Lowery Asset Consulting, LLC and our clients do not enter into an agreement with their firm. Services are provided directly to USFA. Lowery Asset Consulting, LLC does not provide advice directly to clients and does not have access to client accounts. We are fully responsible for accepting and implementing all recommendations made by Lowery Asset Consulting, LLC. We pay Lowery Asset Consulting, LLC an annual fixed-fee for their consulting services. Because of our reliance on their recommendations and research, our methods of analysis and investment strategies (described below) go hand-in-hand with Lowery Asset Consulting, LLC.

We primarily use Fundamental and Technical analysis.

**Fundamental** analysis is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out

what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**Technical** analysis is a method of evaluating securities, asset classes or market sectors by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

## ***B. Investment Strategies***

USFA utilizes several strategies when managing client accounts. Included are:

- **Growth:** This method has market and volatility risk comparable to equity markets. The strategy is not precluded from owning more conservative assets, and may do so from time to time when the investment committee deems the more conservative asset classes as better growth opportunities than equity based investments.
- **Growth and Income:** This method has reduced equity risk due to the additional holdings in the fixed income category. Even so, this method is susceptible to equity market risk as well as fixed income interest rate and credit risk.
- **Balanced:** This method attempts to balance risk equally between both the equity and fixed income markets. The target blends of equity and fixed income holdings will vary based on market conditions and interest rates. Even so, there is some market, interest rate, and credit risk involved.

- **Conservative:** This method generally favors an allocation tilted towards fixed income and often has fewer equity holdings than the balanced strategy. This portfolio will often have increased sensitivity to interest rate and credit risks.
- **Enhanced Income:** This method is designed to provide income. The portfolio may own equity or fixed income securities, including unit trusts or other forms of income generating holdings to meet its objectives. This portfolio may contain equity market risk and sensitivity to interest rate and credit risks.
- **Tactical:**
  - **Alpha Sector Premium:** The Truro Alpha Sector Premium strategy utilizes exchange traded funds (ETF) representing nine sectors of the Standard and Poor 500 index. It uses technical analysis exclusively and may have full exposure to equity market risk or no exposure to equity market risk. It is designed to capture as much of the upswing in rising U. S. equity markets as possible and to avoid downturns in the U. S. equity markets by investing in an ETF holding U. S. Treasury bills. This strategy may trade as frequently as weekly. Trading may be frequent in this strategy therefore causing increased costs due to trading and potential income tax costs associated with short term gains. This method is susceptible to equity market risk.
  - **Alpha Sector:** The Truro Alpha Sector Strategy is identical to the Alpha Sector Premium except for the frequency of trading. The Alpha Sector Strategy may be traded as frequently as monthly. Trading may be frequent in this strategy therefore causing increased costs due to trading and potential income tax costs associated with short term gains. This method is susceptible to equity market risk.
  - **All Weather Premium:** The Truro All Weather Premium is similar to the Alpha Sector Premium in that it may be traded weekly. In addition to the Alpha Sector Premium strategy, the All Weather Premium Strategy also includes allocations to foreign equities, fixed income securities and alternative strategies such as equities focused on materials, metals or real estate. Trading may be frequent in this strategy therefore causing increased costs due to trading and potential income tax costs associated with short term gains. This portfolio may contain equity market risk and sensitivity to interest rate and credit risks.

The following are some general investment strategies we use when managing client accounts.

- Long term purchases. Investments held at least a year.
- Short term purchases. Investments sold within a year.
- Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock for USFA. **Margin transactions are not common and typically only utilized upon request of a specific client.**

### **C. Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific

investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produced the expected returns, the value of the investment will decrease.

- **Margin Risk** – To the extent that you authorize the use of margin, and margin accounts are managed by our Firm, the market value of your account and corresponding fee payable to USFA will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin (see below), clients authorizing margin are advised of the potential conflict of interest whereby the decision to use margin will correspondingly increase the management fee paid to USFA. Accordingly, the decision as to whether to open a margin account is left totally to the discretion of client.

A margin account will be carried by the broker/dealer of your account. The securities purchased in such an account are the broker/dealer's collateral for its loan to you.

If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any Margin Account that may be established as a part of our Investment Management Services and held by your broker/dealer. These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The broker/dealer can force the sale of securities or other assets in your account.
- The broker/dealer can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account that may be liquidated or sold to meet a margin call.
- The broker/dealer may move securities held in your cash account to your margin account and pledge the transferred securities.
- The broker/dealer can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

### **Voting Client Securities**

USFA will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities.

Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our Firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our Firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

### **Item 7 – Client Information Provided to Portfolio Managers**

The Investment Advisor Representatives of USFA are responsible for gathering all information provided by clients. Investment Advisor Representatives will interview and work with clients to gather all

information needed relative to their investment objectives and needs in order to provide management services through the program. Clients need to contact their Investment Advisor Representative whenever there are changes to their financial situation that will impact or materially influence the way USFA manages accounts.

USFA discloses very little information about the client to a SAM. Occasionally, we will have a brief discussion about the client in terms of risk, age and why their firm was chosen; but never do we provide written information about their personal or financial situation. Any information that they receive about the client is more likely to come from the information from the broker/dealer chosen to custody and trade the account(s). SAMs very rarely, and typically never, get to meet the client. It is the responsibility of USFA to assess each client's risk tolerance, time frame, investment objectives, portfolio size and prior investment experience to decide if separate accounts would be an effective solution.

### **Item 8 – Client Contact with Portfolio Managers**

There are no restrictions placed on clients' ability to contact and consult with their individual USFA Investment Advisor Representative. It is the policy of USFA to provide an "open channel" of communication between USFA Investment Advisor Representatives and their clients. Clients are encouraged to contact their Investment Advisor Representative whenever they have questions about the management of their account.

When a SAM is selected for a client, the client does not typically communicate or interact with the SAM. Instead, USFA through our Investment Advisor Representatives will serve as communication conduit between the SAM and the client if needed.

### **Item 9 – Additional Information**

#### **Disciplinary Information**

This item is not applicable to USFA's brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2A instructions that are material to a client's or prospective client's evaluation of USFA's business or the integrity of USFA's management.

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

USFA is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) futures commission merchant, commodity pool operator, or commodity trading advisor, (4) banking or thrift institution, (5) lawyer or law firm, (6) pension consultant, (7) real estate broker or dealer, or (8) sponsor or syndicator of limited partnerships.

The Firm's only business is providing advisory services and investment advice to clients. However, most of our Investment Advisor Representatives are engaged in professions other than giving investment advice through USFA. The following are descriptions of some of their other activities.

#### **Accounting Services**

Some of USFA's Advisory Representatives may be owners of or establish relationships with CPA firms and may provide advisory services to clients of these accounting firms. Some of those accountants may also be licensed as registered representatives of LPL. In their capacities as registered representatives, the Investment Advisor Representatives may implement securities transactions on behalf of CPA firm

clients and share the usual and customary commissions received with the licensed accountants. Clients are not obligated to use the services of the CPA firm or USFA's Investment Advisor Representatives.

Some of USFA's Investment Advisor Representatives may also be separately licensed as Certified Public Accountants or Enrolled Agents with the Internal Revenue Service. They may provide accounting or tax preparation services to clients. If appropriate, advisory clients may be referred to these individuals for accounting or tax preparation services, but they are not obligated to use these services. If clients do elect to use these services, charges for tax or accounting services provided will be separate from fees charged for advisory services.

### **Arrangement with LPL**

Some of our advisor representatives are also registered representatives of LPL and can provide securities brokerage services under a strictly commission arrangement. You are never obligated to open an account with LPL and can use any broker/dealer you like. However, if you would like to open an account on a strictly commission basis with one of our representatives, LPL is required.

Brokerage commissions may be charged by LPL to effect these securities transactions and, thereafter, a portion of these commissions will be paid by LPL to our representative as a registered representative of LPL. Prior to effecting any transactions, the client will be required to enter into a new account agreement with LPL. The brokerage commissions charged by LPL may be higher or lower than those charged by other broker/dealers. In addition, our representative serving as the registered representative may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. Clients should be aware that these 12b-1 fees come from fund assets, and thus, indirectly from client assets. Receipt of these fees could represent an incentive for registered representatives to recommend funds with 12b-1 fees or higher 12b-1 fees over funds with no fees or lower fees, therefore creating a potential conflict of interest.

Depending on the type of LPL account that could be used to implement an investment strategy, such compensation may include (but is not limited to) commissions; mark-ups and mark-downs; transaction charges; confirmation charges; small account fees; mutual fund 12b-1 fees; mutual fund sub-transfer agency fees; and variable annuity investor servicing fees; retirement plan fees; administrative services fees for trust accounts; compensation for directing order flow; and bonuses, awards or other things of value offered by LPL.

Compensation to LPL and our employee serving as registered representative may be more or less depending on the product or service recommended. Therefore, our representative may have a financial incentive to recommend that a strategy be implemented using a certain product or service. When our representative recommends securities products offered by LPL, the representative will receive normal commissions if products are purchased thus a conflict of interest exists between our representative's interests and those of clients. Clients are under no obligation to purchase products recommended by our representatives or to purchase products through LPL.

### **U.S. Insurance Brokers, LLC**

Most of USFA's Investment Advisor Representatives are also independently licensed insurance agents and may be affiliated with various insurance companies. When selling insurance products in this separate capacity, they may receive normal and customary commissions. U.S. Wealth Management, LLC is the sole owner of USFA and U.S. Insurance Brokers ("USIB"), a licensed insurance agency. Some of USFA's Investment Advisor Representatives sell insurance products through USIB.

USIB is engaged in the business of placing life insurance, health insurance, disability insurance, and annuity business on a brokerage basis with a number of insurance companies. USIB may be recommended for the placement of various life insurance, annuity, long term care, disability insurance, and other appropriate insurance products to meet the needs of our advisory clients. Most Investment Advisor Representatives of USFA are also licensed insurance brokers, and are associated with USIB. As insurance brokers, insurance recommendations provided by the Investment Advisor Representative to our advisory clients as part of a financial plan or consultation could be limited to only those insurance products available to the Investment Advisor Representative through his/her affiliation with USIB. Investment Advisor Representatives may receive commissions from USIB for the sale of fixed insurance products to advisory clients. Whether or not to use the services of USIB is at the discretion of advisory clients. To the extent that advisory clients use the services of USIB, commissions will be paid to appropriately licensed associates. Clients are advised that similar services may be available elsewhere.

### **Code of Ethics Summary**

USFA has adopted a Code of Ethics which sets forth high ethical standards of business conduct that USFA requires of its employees, including compliance with applicable federal securities laws. USFA's Code of Ethics also includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by USFA's covered persons. Among other things, USFA's Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g. private placement) or an initial public offering. USFA's Code also includes oversight, enforcement and record keeping provisions. A copy of USFA's Code of Ethics is available to USFA's advisory clients upon request to the Chief Compliance Officer at USFA's principal address.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

USFA's supervised persons may buy or sell securities or have an interest or position in a security for their personal account that they also recommend to clients. As these situations may represent a potential conflict of interest, it is a policy of USFA that no associated persons shall prefer his or her own interest to that of the advisory client. No person supervised by USFA may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account. Supervised persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. USFA maintains a list of all securities holdings for itself and all supervised persons, which is reviewed on a regular basis by a principal of the Firm.

### **Account Reviews and Reviewers**

Generally, reviews of client's asset allocation with respect to goals and objectives will be conducted quarterly or more frequently when economic conditions warrant. Securities commonly held by clients are monitored globally on a more frequent basis. Reviews of assets commonly held in portfolios are reviewed with approval, disposal or hold decisions made quarterly. Reviews may be made more frequently as market conditions dictate.

Specific to the Truro Asset Management Program, reviews are performed by the Investment Committee. Individual investment advisor representatives are responsible for reviewing their managed accounts.

Individual client reviews are conducted on a monthly basis. The CCO is responsible for reviewing 8.5% of accounts on a monthly basis. The review will consist of monitoring the following: client risk tolerance, number of trades, suitability.



During the life of client account reviews are consistent and ongoing. An initial review is conducted by the CCO when accepting an account through USFA. Monthly reviews are conducted on a percentage of client accounts. Minimally quarterly the Investment Committee reviews the strategy allocations, fund performance and strategy performance. In addition should capital markets call for more immediate review the committee will make a determination regarding changes to the models allocation and/or investments.

### **Statements and Reports**

We provide Truro clients with written quarterly Performance Reports. Statements of account activity and holdings are provided to clients directly from the custodian. USFA provides Truro clients with a Quarterly Market Letter prepared by USFA, which provides general commentary on current market and economic conditions and any resulting impact on the management of the Truro's investment strategies. Interim alerts or market reports may also be sent at any time.

Reports of account holdings and activity are provided to clients directly from the custodian of assets. The custodian also provides clients with confirmations of transactions. For clients of the program, quarterly performance reports are mailed to each client by USFA. USFA may furnish clients with additional account information as requested and in advance of review meetings with clients.

### **Client Referrals and Other Compensation**

#### **Client Referrals**

If a client is introduced to us by an unaffiliated company, we may pay that solicitor a referral fee in accordance with the requirements of applicable federal and state securities laws. Any such referral fee will be paid solely from our investment management fee and shall not result in any additional charge to the client. If you are introduced to us by an unaffiliated solicitor, the solicitor shall provide you with a copy of our written disclosure statement and a copy of the solicitor's disclosure statement, containing the terms and conditions of the solicitation arrangement including compensation.

#### **Other Compensation**

The only form of compensation received from advisory services is the fees charged for providing investment advisory services as described in Item 4 of this brochure. However, our advisor representatives that are also registered representatives of LPL and insurance agents may receive commissions when providing brokerage services through commission-only arrangements using Lincoln financial Securities and when selling insurance products.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

**Financial Information**

USFA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year.

USFA is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, USFA has not been the subject of a bankruptcy petition at any time.