



6020 E Fulton St. • Ada, MI 49301

(Office) 800-869-5994 • (Fax) 888-869-9411 • (Website) [www.Portformulas.com](http://www.Portformulas.com) • (Email) [admin@portformulas.com](mailto:admin@portformulas.com)

## USA FINANCIAL PORTFORMULAS CORPORATION'S

### DISCLOSURE BROCHURE

This brochure provides important information about the qualifications and business practices of USA Financial Portformulas Corporation ("Portformulas"). If you have questions about the contents of this brochure, please contact our compliance department at (800)869-5994. The information contained in this document has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. This brochure was last revised on March 27, 2014.

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

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

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## MATERIAL CHANGES

Portformulas' last brochure update was April 17, 2013. We have not made any material updates since our last revision.

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

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

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## SERVICES, FEES AND COMPENSATION

### Services

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

Our firm only manages client accounts on a discretionary basis. As of March 26, 2014, Portformulas had assets under management of \$270,800,000. We connect with our clients through solicitors. Typically, our solicitors are associated with brokerage firms, as registered representatives, and/or other investment advisers, as investment adviser representatives.

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

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

### Portformulas Accounts

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

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

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

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

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

### Investment Discretion

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

Because portfolio holdings are selected based on a formulaic process and trading is done on an omnibus level, you will not be able to instruct us to buy or sell specific securities within your account. You do not have the ability to place any restrictions on your Portformulas account.

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## Fees and Compensation

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

Account Value			AUM Formula Fee	Portfolio Fee	Combined Total Fee
\$35,000	but less than	\$500,000	1.44%	1.44%	2.88%
\$500,000	but less than	\$1,000,000	1.32%	1.32%	2.64%
\$1,000,000	but less than	\$2,000,000	1.20%	1.20%	2.40%
\$2,000,000	but less than	\$3,000,000	1.08%	1.08%	2.16%
\$3,000,000	but less than	\$4,000,000	0.96%	0.96%	1.92%
\$4,000,000	but less than	\$5,000,000	0.84%	0.84%	1.68%
<b>Larger accounts may be negotiable based upon size.</b>			0.84%	0.72%	1.56%
			0.84%	0.60%	1.44%
			0.84%	0.48%	1.32%

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

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

TCA will bill you for your account management fees on a monthly basis and will deduct the fees directly from your account. TCA is also responsible for sending you account statements. Your statements will show your account value and the fee charged. Statements are sent quarterly. You may object to the fee deduction by notifying us at the address or telephone number shown on each billing invoice or by notifying TCA. Please keep in mind that in addition to the quarterly paper statements you receive, you also have 24-hour online access to your account and statements. Please review your account statements carefully and contact us if you have questions.

## Share Prices, Ticket Charges and Trading Frequency

In addition to the fees mentioned above, you will also be charged up to 1¼ cents per share for the equities purchased and sold within your account.

Portformulas' standard trading session occurs on or near the first trading day of the month. We will, however, conduct weekly trading for new accounts so that you do not have to wait until the following month to invest those assets. When you open your new account, you can instruct Portformulas to trade your account on the next available weekly trading session – if you do not select this option, your account will not be traded until the following month's routine trading session. Please keep in mind that if you instruct Portformulas to trade your account on the first-available weekly trading session, you will pay higher transaction charges than clients who elect standard, monthly trading – trading charges are a minimum of \$2 per position, but could be greater based on share volume. This is because all Portformulas accounts participate in monthly trading, therefore, the costs are shared by many accounts. The number of accounts trading on any given week will be significantly less, therefore, the costs will be higher.

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

All end-of-month withdrawal or liquidation transactions conducted in the ordinary course of managing your account are typically executed without a ticket charge. However, should you choose to withdraw from your account mid-month, there will be transaction charges, potentially including ticket

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charges, imposed by the custodian. In addition to the ticket charge, you will be required to pay up to 1¼ cents per share on the equities in your account. The custodian will provide notice of these charges.

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

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

## TYPES OF CLIENTS

Portformulas provides investment advice to individuals, trusts, and corporations. Additionally, the majority of Portformulas' clients are moderate to aggressive investors capable of sustaining losses in their investment accounts. Conservative, risk-averse clients should not invest in Portformulas.

### Account Minimums

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

### ERISA Accounts

Portformulas may have clients that are trusts governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). For these clients, we will assume responsibility as an "investment manager," as defined in Section 3(38) of ERISA, with respect to your trust through a separate ERISA Addendum to our Investment Management Agreement. We will not, however, have any responsibility with respect to the administration of the employee benefit plan or its periodic reporting. We do not maintain bonding coverage described by Section 412 of ERISA because we do not have actual or constructive custody or possession of any client's assets. Our Investment Management Agreement does not permit us to transfer assets into any person's name or account other than your own. We believe that, under these circumstances, bonding may not be required based upon the nature of our services to be rendered and the limitations on our authority in the Investment Management Agreement, but each employee benefit plan trustee must make that determination for itself under ERISA. If there is any doubt, existing bonding arrangements for a plan's trustees may provide coverage if the bonding company is advised in writing in advance of our investment management services. Bonding coverage is the plan trustee(s)'s responsibility, though we will try to help in any way we can upon your request.

### 401k Clients

Portformulas provides investment advice to a 401k third-party administrator ("TPA"). The employer, or plan sponsor, has a separate contract with the TPA through our custodian, TCA, to cover the plan administration. We make our portfolios available to the TPA, along with a number of mutual fund strategies. Prospectuses for the mutual fund strategies are provided to 401k plan participants by the TPA and plan sponsor.

Given the nature of 401k administration, traditional Portformulas clients will not have access to this 401k platform. Trading charges and fees are negotiated and administered through the TPA and plan sponsor based on plan size. Unlike Portformulas' traditional models, 401k account fees are assessed quarterly. Portformulas charges 401k accounts managed through the TPA a different fee schedule than the fee schedule referenced above:

Account Value			AUM Formula Fee	Portfolio Fee	Combined Total Fee
\$500,000	but less than	\$3,000,000	1.08%	1.08%	2.16%
\$3,000,000	but less than	\$4,000,000	0.96%	0.96%	1.92%
\$4,000,000	but less than	\$5,000,000	0.84%	0.84%	1.68%
<b>Larger accounts may be negotiable based upon size.</b>			0.84%	0.72%	1.56%
			0.84%	0.60%	1.44%
			0.84%	0.48%	1.32%

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## PORTFOLIO MANAGER SELECTION AND EVALUATION

Portformulas does not use money managers. Our CEO, Michael Walters, creates and defines each Portformula's overall investment objectives and the investment selection criteria. Once the investment-selection criteria is defined, however, we use that criteria to determine our investment recommendations – our proprietary, formulaic process applies the investment selection criteria to a universe of stocks or investment.

### Performance Based Fees and Side-by-Side Management

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

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

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

#### Methods of Analysis

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

#### Investment Strategies

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Portformulas' investment strategies are varied. For example, our Squadron Portformula is based on a growth objective while the Brigade Portformula is based on a growth and value objective.

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

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

Portformulas' investment strategies also involve frequent trading. Accounts are traded on a monthly basis. Because we trade on an omnibus level, we are able to keep trading costs low, however, you will pay more in transaction costs than you would if we did not engage in frequent trading. Also, frequent trading can result in tax consequences.

#### Risk of Loss

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

### Voting Client Securities

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

## CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Portformulas does not utilize traditional money managers. When Portformulas opens your account, we allocate your assets to the specific Portformula or Portformulas you selected. From there, the Portformula chooses holdings based on the objective, investment selection criteria. Portformulas' advice is impersonal – we keep human emotion out of the investing process.

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## CLIENT CONTACT WITH PORTFOLIO MANAGERS

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

## ADDITIONAL INFORMATION

### Disciplinary Information

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

### Other Financial Industry Activities and Affiliations

#### Other Financial Industry Activities

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Portformulas' only business activity is operating as a registered investment adviser.

#### Other Financial Industry Affiliations

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Portformulas is a wholly owned subsidiary of USA Financial. USA Financial also owns three other companies: USA Financial Insurance Services Corporation, USA Financial Securities Corporation, and USA Financial Plug-N-Run Corporation. USA Financial Insurance Services wholesales fixed insurance products to independent licensed agents. USA Financial Securities is an SEC-registered investment adviser and broker-dealer. USA Financial Plug-N-Run develops marketing and technology solutions for financial professionals. USA Financial Media produces radio shows and other broadcast content.

Michael Walters is the chief executive officer of USA Financial Insurance Services, USA Financial Securities, and USA Financial Plug-N-Run. Brent D. Enders is the president of all three companies.

Our success depends on continued corporate and individual solicitor relationships with various broker-dealers, investment advisers, and banking institutions. Through these contacts, we obtain solicitors, and our relationship with solicitors is how we develop a client base. Additionally, we have a custodial agreement with Trust Company of America ("TCA"). TCA also provides our firm with technical support, as well as assistance in managing our various investment portfolios.

Portformulas obtains many of its solicitors through USA Financial Securities. We also have an expense sharing agreement with USA Financial Securities and USA Financial Insurance Services. Employees of Portformulas may also be employees of USA Financial Securities, USA Financial Insurance Services, or USA Financial Plug-N-Run. Furthermore, some of the solicitors of Portformulas are also registered representatives of USA Financial Securities. Therefore, Portformulas' clients may also be clients of USA Financial Securities.

Portformulas will recommend solicitors or other investment advisers upon request. Because Mr. Walters and Mr. Enders own an investment adviser, USA Financial Securities, we may recommend this firm for transactions. If you work with USA Financial Securities, it will result in additional compensation being paid to our affiliate. However, you do not have to use USA Financial Securities to invest with Portformulas.

#### Additional Arrangements

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

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

#### Code of Ethics

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

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

## Participation in Client Transactions and Personal Trading

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

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

## Review of Accounts

Portformulas reviews client accounts prior to the account opening. We examine each client's stated investment objectives, risk tolerance, and other financial holdings to determine if Portformulas is a suitable investment. We have a number of Portformulas and while each Portformula may have different goals and objectives, our overall investment strategies are designed for long-term investing. Therefore, Portformulas may not be an ideal investment option if your goal is short-term trading.

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

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

## Client Referrals and Other Compensation

### Client Referrals

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

### Other Compensation

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Portformulas does not receive an economic benefit from any third party for providing investment advice or advisory services.

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

## Financial Information

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

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## PRIVACY POLICY

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

### Information Collected

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

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

### Third Parties With Whom We May Share Information

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

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

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

### Disclosure of Information About Former Customers

If you decide to close your account(s), we will continue to adhere to the privacy practices described in this notice once you become a former client. You become a former client when your Client Services Agreement is terminated. We will maintain personally identifiable information about you during the time you are a client, and for any time thereafter that we are required to maintain the records by federal and state securities laws. After this required retention period, 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 reasonably designed to help ensure that your information is not placed at unreasonable risk of disclosure or theft. We have designed reasonable physical, electronic and procedural safeguards to help protect your nonpublic, personal information.

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# PORTFORMULAS

## PORTFORMULAS INVESTING CORPORATION'S BROCHURE SUPPLEMENT

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

### MICHAEL D. WALTERS, CEO

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

### EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Mr. Walters was born in 1965. He graduated from Central Michigan University in 1988 with a degree in business administration and marketing and management. He started Portformulas' affiliate, USA Financial Insurance Services Corporation (formerly USA Financial Marketing Corporation) in 1988 and from there, he opened USA Financial Securities, an SEC-registered broker-dealer and investment adviser in 1998, Portformulas in 2006, and various other entities, as described in our firm brochure and below, under Other Business Activities.

### DISCIPLINARY INFORMATION

None.

### OTHER BUSINESS ACTIVITIES

Mr. Walters is the chief executive officer of USA Financial Corporation. Portformulas is a wholly owned subsidiary of USA Financial Corporation ("USA Financial"). USA Financial also owns four other companies: USA Financial Insurance Services Corporation, USA Financial Securities Corporation, USA Financial Plug-N-Run Corporation and USA Financial Media Corporation. USA Financial Insurance Services wholesales fixed insurance products to independent licensed agents. USA Financial Securities is an SEC-registered investment adviser and broker-dealer. USA Financial Plug-N-Run develops marketing and technology solutions for financial professionals. USA Financial Media produces radio shows and other broadcast content.

### ADDITIONAL COMPENSATION

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

### SUPERVISION

Portformulas has adopted a comprehensive compliance and ethics program that governs all owners, principals and staff. Additionally, Mr. Walters and all Portformulas staff must answer to Portformulas' board of directors. The board also regularly reviews Portformulas' stock-selection criteria and proprietary screening software. You may contact Portformulas' chief compliance officer and chief legal officer, Andrea McGrew, at (800)869-5994 x 469, if you have any questions regarding Portformulas' supervisory practices.

*Portformula® Investment Strategy—Exclusively from Portformulas®*

**IMPORTANT NOTICE: Past performance is no guarantee of future results. Your actual results may vary. Investing carries an inherent element of risk. Potential for substantial loss in principal and income exists. This material is not complete unless all pages are included.**