



## USA Financial Exchange Corporation's Disclosure Brochure

This brochure provides important information about the qualifications and business practices of USA Financial Exchange Corporation. If you have questions about the contents of this brochure, please contact our compliance department at (888) 407-8198. The information contained in this document has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or any state securities authority. This brochure is updated as of April 15, 2024, with an additional change to Item 5 from the version published March 21, 2024.

Additional information about USA Financial Exchange 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. USA Financial Exchange is an SEC registered adviser, SEC File No. 801-107771. SEC registration does not imply a certain level of skill or training.

**USA Financial Exchange**  
6020 E. Fulton St., Ada, MI 49301  
[www.usafinancial.com/usaf-exchange](http://www.usafinancial.com/usaf-exchange)

**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.**

USA Financial Exchange is an SEC-registered investment advisor (SEC File No. 801-107771). SEC registration does not imply a certain level of skill or expertise. USA Financial Exchange provides access to a custodial platform for independent investment advisors, who are responsible for suitability and ensuring investments are in your best interest. USA Financial Exchange's involvement is limited to selecting money managers for the platform; your investment advisor may utilize managers or strategies that were not selected by USA Financial Exchange.

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## ITEM 2: MATERIAL CHANGES

This brochure was last updated March 31, 2023. Since then, we have updated to clarify USA Financial Exchange's role with client accounts. Conflicts of interest have been expanded. We have reformatted the delivery of the information.

Please read the remainder of this brochure for important information and disclosures related to USA Financial Exchange's investment advisory activities.

Also, you can find our Form CRS in this document or on our website at [www.usafinancial.com/usaf-exchange](http://www.usafinancial.com/usaf-exchange). The Form CRS Relationship Summary provides simplified disclosures and information related to how you can engage with our firm and what conflicts or disclosures you should be aware of when working with us. The website contains the expanded disclosure information that could not fit within Form CRS's page-limit confines.

You may request a copy of our Brochure by contacting the compliance department at (888) 407-8198. Additional information about our firm is also available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 4: ADVISORY BUSINESS

**A.** USA Financial Exchange was created in January 2016. We are registered as an investment adviser with the U.S. Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act"). USA Financial Exchange's registration was approved on May 18, 2016. USA Financial Exchange is a wholly owned subsidiary of USA Financial Corporation. Michael Walters and Brent Enders own USA Financial Corporation. Detailed information regarding our owners, directors, and officers can be found by visiting: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

USA Financial Exchange's core business is to offer operational support services (such as technology and marketing), and a turnkey asset management program to independent, registered investment advisers ("RIAs") for use with their clients (the "Clients").

**B.** USA Financial Exchange provides registered investment advisers with a range of advisory and support services that investment advisers and their representatives use in servicing their Clients.

### Turnkey Asset Management Platform "TAMP"

USA Financial Exchange offers the ability for Registered Investment Advisors and their representatives to invest client assets in two manners: Advisor Platform Manager ("APM") or use USA Financial Exchange as a turn-key asset management platform ("TAMP"). Investment advisers and their representatives are able to utilize both functions of the USA Financial Exchange platform individually, or, in combination within client accounts.

The independent registered investment advisers that utilize the USA Financial Exchange platform are responsible for ensuring that all investments are in their client's best interest and for performing suitability related to transactions and money-manager selection. At the time an account is opened, each investment adviser is responsible for obtaining each client's financial information, as well as information regarding their situation and investment objectives, as well as inquiring as to whether each client needs to place any reasonable restrictions on the management of their account. Each investment adviser is also responsible for implementing any reasonable restriction requests. It is important to communicate information that could impact each client's financial situation with their respective investment adviser. USA Financial Exchange urges clients to communicate any important information to their financial adviser immediately. At least annually, each investment adviser is responsible for contacting all Clients to determine whether there have been any changes in their financial situation or investment objectives and whether clients wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. At least quarterly, investment advisers are responsible for notifying Clients in writing to contact the investment adviser if there have been any changes in the Clients' financial situation or investment objectives, or if the Clients wish to impose any reasonable restrictions on the management of their accounts or modify any existing restrictions.

### Turnkey Asset Management Platform "TAMP"

USA Financial Exchange also operates as a turn-key asset management platform. A TAMP is a collection of money managers made available to investment professionals through a single platform. The goal of a TAMP is to make investing client assets more streamlined and efficient. For example, if a client wants to invest with three different money managers, instead of opening three separate accounts – one direct with each money manager – the client can open one account through the TAMP and hold all of three money managers within one account. Not all TAMPs offer the same collection of money managers. USA Financial Exchange identifies and conducts due diligence on each money manager before they are included in the TAMP. USA Financial Exchange provides ongoing due diligence on each manager including evaluating the manager to determine if the manager and investment vehicles meet style and allocation criteria.

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### Advisor as Portfolio Manager “APM”

Representatives of investment advisors are able to allocate client assets to a specific sleeve within a client account that is set aside from the rest of the assets in the account and protected from the impact of trades placed by money managers. APM provides the investment adviser the ability to purchase a variety of individual holdings within a client account. The investment adviser can invest these assets in holdings that are specific to the client’s individual investment objectives. The investment adviser bears the responsibility of determining the appropriateness of the investment decisions made in individual client accounts, as well as explaining the risks associated with these investment decisions and recommendations.

## Operational Support Services

USA Financial Exchange offers operational and back-office support to investment advisers looking to operate independently through third-party service providers and additional services USA Financial Exchange makes available directly to the investment adviser. USA Financial Exchange leverages our technology- vendor relationships to provide investment advisers with comprehensive and fully-integrated technology tools designed to enhance the Clients’ participation in the investment process and understanding of their overall portfolio.

**C.** USA Financial Exchange does not provide investment advice directly to any Clients nor does the firm review or supervise investment advisory transactions recommended by investment advisers. A Client’s investment adviser determines which services offered by USA Financial Exchange to use and which managers in the TAMP to utilize with their Clients. Investment advisers may use the services of other third-party providers in connection with the services provided by USA Financial Exchange. Therefore, Clients should consult their investment adviser’s Form ADV Part 2 for a full description of that investment adviser’s specific use of USA Financial Exchange’s services.

Given that USA Financial Exchange’s business relationships are strictly with the investment advisers, the firm does not interact with the Clients and the firm does not have any clients, other than investment advisers. USA Financial Exchange simply manages the managers.

In all cases, it is the responsibility of the investment adviser, together with its Client, to gather the pertinent financial and demographic information to develop the investment plan that meets the Client’s goals and objectives. The investment adviser will use the TAMP to allocate the Client’s assets among the available investment options. It is the investment adviser’s responsibility to determine that the asset allocation and investment options are suitable for the Client. Also, it is the investment adviser’s responsibility to provide clients with the necessary disclosure documents, including each chosen Subadviser’s ADV Disclosure Brochure. All subadvisers’ ADV Disclosure Brochures can be found at [www.usafinancial.com/forms-and-disclosures](http://www.usafinancial.com/forms-and-disclosures).

USA Financial Exchange determines which subadvisers to make available for investment on the TAMP and which subadvisers to remove from the platform. USA Financial Exchange enters into subadvisory agreements with each manager/subadviser in the TAMP. Investment advisers may independently identify subadvisers for participation in the TAMP. USA Financial Exchange may enter subadvisory agreements with those managers once the firm has completed due diligence and determined that the subadviser can be included in the TAMP. The decision to add or remove any subadviser from the TAMP is made in USA Financial Exchange’s sole discretion. Each subadviser has responsibility for trading the accounts invested in accordance with that manager’s strategy. In some cases, USA Financial Exchange may take orders directly from the subadviser and execute those orders on the subadviser’s behalf.

USA Financial Exchange periodically performs due-diligence reviews on platform subadvisers to ensure they adhere to established goals and standards. As part of the due diligence, USA Financial Exchange reviews information relating to the subadviser including, historical performance, investment philosophy, investment style, volatility, and disclosures contained in the subadviser’s regulatory filings such as Form ADV. If a subadviser is consistently deviating or underperforming compared to other similarly-situated subadvisers,

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the firm will address our concerns with the subadviser and if the concerns are not rectified or, are not rectifiable, USA Financial Exchange will remove the subadviser from the platform. If this occurs the subadviser will typically be removed from the platform with 90 days' notice to the investment advisers using that subadviser. However, under extreme circumstances, USA Financial Exchange reserves the right to remove a manager from the platform immediately.

Many of the subadvisers create investment strategies where the subadviser constructs an asset allocation and selects the underlying investments for each portfolio. From time to time, USA Financial Exchange may replace strategies or their subadvisers or hire new subadvisers to create strategies. Therefore, USA Financial Exchange cannot guarantee the continuous availability of any particular subadviser or strategy.

## Amplify Platform

USA Financial Exchange utilizes the Amplify Platform. The Amplify Platform provides back-office operational support services such as administrative, trading and reporting services and/or gain access to and select from independent third-party managers available through the Amplify Platform.

USA Financial Exchange is considered a Platform Member. Platform Members may choose to receive certain back-office services, such as administrative, trading and reporting services and/or to select independent third-party managers to manage underlying client assets on a sub-advisory basis. Platform Members may choose to allocate all or a portion of their underlying client's assets among the different independent investment managers available through the Amplify Platform on a discretionary basis. USA Financial Exchange does not make investment decisions for individual clients. Each client is invested according to the recommendations made by the representative on their account(s).

Amplify provides access to an online portal where clients can view their accounts. This portal enables clients to see the holdings in their account and generate certain reports regarding performance, values, and account history.

Amplify provides account opening services in conjunction with DocuSign. Amplify provides the technical infrastructure to enable representatives to complete account opening documentation online and obtain online client signatures.

Amplify provides reporting services, including performance reporting. The performance reporting calculated by Amplify is believed to be correct, however, in the event of a discrepancy, the account information provided in the statement from the account custodian will prevail. More information regarding the methodology used to arrive at performance figures can be found accompanying each individual report.

USA Financial Exchanges requires investment advisers to utilize the various services available through the Amplify Platform. Therefore, a portion of the fees clients incur is paid to the Amplify platform by USA Financial Exchange for these services.

**D.** USA Financial Exchange does not sponsor a wrap-fee program. All accounts across all custodians are set up on a non-wrap fee schedule.

**E.** As of December 31, 2023, USA Financial Exchange maintained approximately \$1,484,818,030 in discretionary Assets Under Management on the platform. USA Financial Exchange does not provide investment advice directly to clients. USA Financial Exchange curates a TAMP with full authority to determine which investment advisers and strategies to offer for investment on the platform.

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## ITEM 5: FEES AND COMPENSATION

**A.** The overall fee clients pay for maintaining an account with USA Financial Exchange has four components, identified in more detail, below: Portfolio Fee, Platform Fee, Custodial Fee, and Strategy Fees. These components combined equal the total fee clients will pay.

ACCOUNT SIZE	PLATFORM FEE	CUSTODIAL FEE	STRATEGY FEE
\$0 - \$250,000	0.25%	\$75 Annually (AXOS only)	SSM, PSM, or AIM fee may apply.  See Allocation Form.
\$251,000 - \$500,000	0.24%		
\$501,000 - \$1,000,000	0.23%		
\$1,000,000 - \$2,000,000	0.22%		
\$2,000,000 - \$3,000,000	0.21%		
\$3,000,000 and up	0.20%		

### Portfolio Fee

Additionally, each investment adviser will charge an advisory fee ("Portfolio Fee") for the services provided to clients. The Portfolio Fee is assessed by investment advisers and investment adviser representatives receive a portion of it. The Portfolio Fee covers service provided to clients by their financial adviser: investment advice, account monitoring, etc. USA Financial Exchange does not receive any portion of the Portfolio Fee assessed by an investment adviser. The Portfolio Fee and all other relevant fees and charges should have been disclosed to clients by their investment adviser during the new-client and/or new-account process and incorporated into a written advisory agreement which each client would have signed. Clients should also refer to their investment adviser's Form ADV 2A and the adviser's fee schedule. Fees paid to each investment adviser in the form of an Portfolio Fee are in addition to the fees paid to USA Financial Exchange. Portfolio fees can vary and are negotiated fees between the investment adviser, investment adviser representative and the client. These negotiated fees can take into consideration the value of the total relationship among other criteria determined by the investment adviser. The fee charged for financial planning and related consulting services will be agreed upon and memorialized in the Investment Management Agreement. **The maximum Portfolio fee on the USA Financial Exchange platform is 1.5%**

### Platform Fee

USA Financial Exchange charges you a tiered Platform Fee based on the assets in each account (with a tiered fee schedule, different asset levels are assessed different fees). **The maximum platform fee is 0.25%.**

### Custodial Fees

The custodian selected for each USA Financial Exchange account will charge fees, such as a custodial fee, on a non-wrap basis directly to each account. Each custodian is different and charges varying fees for varying services provided to each account such as custody, trades, wire services, etc. USA Financial Exchange does not receive a portion of this fee.

### Strategy Fee

In addition to the Platform Fee, subadvisers (the third-party money managers who manage your assets) on the platform will also charge a fee ("Strategy Fee"). The Strategy Fee you pay depends on which subadviser selected, but the fees typically range from 0.35% (35bps) to 1% (100bps). Please see USA Financial Exchange's Client Profile form in the new account application packet for a listing of all specific fees and allocations.

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USA Financial Exchange generally does not participate in the Strategy Fee. However, there are subadvisers who provide USA Financial Exchange with a share of their revenue based on breakpoints – this does not increase the fee clients are charged; the subadviser simply provides USA Financial Exchange with a portion of the fee it collects.

Fees are assessed based on the month end value of an account. **The maximum fee permitted on USA Financial Exchange's platform is 2.7% plus custodial and transaction fees.**

## Additional Charges

Each custodian's service fees are assessed on transaction activities and services outside standard asset custody and trading. These fees are assessed by the custodian and may vary and change depending on the services requested.

USA Financial Exchange also offers Advisor Managed Portfolios with separate advisory fees and transaction charges ("Non-Wrap Account"). As such, in addition to the monthly account fee described above for advisory services, clients will also pay separate per-trade transaction charges.

USA Financial Exchange facilitates multiple ways for a client to invest their assets using either an advisory managed portfolio or the USA Financial Exchange TAMP platform for access to third party money managers. Client accounts may include mutual funds, exchange traded funds and other pooled investment vehicles invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the account fees disclosed herein. For more information on these fees, see the applicable fund prospectus. Investment advisers and their clients should consider the overall fees and expenses, including internal fund expenses, when selecting managers and other portfolio investments. For further details, please see the applicable Third-Party Money Manager's disclosure brochures, investment advisory contracts and account opening documents.

Please note that if a chosen subadviser utilizes no-transaction-fee funds ("NTFs"), Clients could be charged redemption fees for early withdrawal. For example, if Subadviser A utilizes NTFs and a Client chooses Subadviser A and invest assets today, one week from today, Subadviser A could rebalance the account and sell the NTF positions. This could result in redemption fees because the Client did not hold the NTF for the requisite holding period. Account management is controlled by the subadviser, therefore, these charges would be out of USA Financial Exchange's control.

- B.** Fees are deducted from client accounts by the custodian and directed to the appropriate fee listed above. Fees are deducted monthly in arrears.
- C.** In addition to the fees mentioned in Item A., clients will incur trade costs for the trades placed in their account. Client accounts are traded along with assets from the accounts of other clients if possible, thereby reducing the trade-related costs incurred by each client. When client accounts are traded individually, oftentimes when reallocating to an alternative investment strategy, trade costs may be higher as there is not an opportunity to share proportionately with other clients engaged in the same trades.
- D.** USA Financial Exchange collects fees monthly in arrears.
- E.** USA Financial Exchange enters into agreements with investment advisers and their representatives that wish to use the USA Financial Exchange platform. These investment advisers and their representatives are independent and not registered with USA Financial Exchange.

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

USA Financial Exchange does not charge performance-based fees nor do we engage in side-by-side management, which occurs when an adviser manages accounts that are charged a performance fee and accounts that are charged another type of fee (such as hourly or flat fees) at the same time. USA Financial Exchange receives a portion of the assets under management fee clients pay – rather than performance-based fees, hourly fees, or flat fees.

## ITEM 7: TYPES OF CLIENTS

USA Financial Exchange provides its investment services to independent investment advisers. USA Financial Exchange does not work directly with individual retail clients.

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

**A.** USA Financial Exchange does not provide direct investment advice or directly manage client assets. As mentioned above, USA Financial Exchange determines the managers and strategies available on the platform; each manager is responsible for providing investment advice and managing client assets as it relates to the managers investment strategies. Instead, USA Financial Exchange provides due diligence assessments of third-party managers. As part of the due diligence, the firm reviews information relating to the third-party manager including, historical performance, investment philosophy, investment style, volatility, and disclosures contained in the manager's regulatory filings such as Form ADV. Although USA Financial Exchange provides due diligence on the third-party managers, it is up to the investment advisers and financial advisers, and not USA Financial Exchange, to determine if a third-party manager's strategy is suitable for each client. It is also important to understand that if clients are utilizing any money managers (through USA Financial Exchange's TAMP or otherwise), purchasing investments, or implementing investment advice, investing in securities involves a very real risk of loss. The market moves – often drastically and without notice – and therefore, it is important that clients understand the risk they are taking, and they need to be willing and able to bear that risk.

### Risk Disclosures

#### Capital Risk

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

#### Credit Risk

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

#### Currency Risk

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, German mark, Euro, Japanese yen, French franc, etc.).

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## Economic Risk

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

## Financial Risk

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

## Higher Trading Costs

For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

## Inflation Risk

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

## Interest Rate Risk

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest-paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

## Legal/Regulatory Risk

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

## Liquidity Risk

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

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### Market Risk

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument, or the underlying assets or other instruments held by or traded within that investment instrument.

### Operational Risk

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

### Past Performance

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

### Strategy Risk

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

## ITEM 9: DISCIPLINARY INFORMATION

USA Financial Exchange has not been the subject of any disciplinary action.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**A.** USA Financial Exchange is a wholly-owned subsidiary of USA Financial Corporation. USA Financial Corporation also owns five other public-facing companies: USA Financial Securities Corporation, USA Financial Insurance Services Corporation, USA Financial Formulas Corporation, USA Financial Protocol. USA Financial Securities is an SEC-registered investment adviser and broker-dealer. USA Financial Insurance Services Corporation wholesales fixed insurance products to independent insurance agents. USA Financial Formulas is an SEC-registered investment adviser. USA Financial Protocol develops and distributes marketing and technology solutions for financial professionals. USA Financial Protocol provides business consulting and branding services to financial advisers. Michael Walters is the chief executive officer of USA Financial and all subsidiaries and Brent Enders is the president.

**B.** USA Financial Exchange is not registered and does not have a pending application to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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USA Financial Exchange is an SEC-registered investment advisor (SEC File No. 801-107771). SEC registration does not imply a certain level of skill or expertise. USA Financial Exchange provides access to a custodial platform for independent investment advisors, who are responsible for suitability and ensuring investments are in your best interest. USA Financial Exchange's involvement is limited to selecting money managers for the platform; your investment advisor may utilize managers or strategies that were not selected by USA Financial Exchange.

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C.

## USA Financial Securities Registered Investment Adviser and Broker-Dealer

USA Financial Securities operates as a broker dealer in addition to a registered investment advisor. Representatives who are registered with the broker-dealer have the ability to utilize both advisory accounts and commission accounts, depending on which recommendation is most appropriate for their client. Representatives of USA Financial Securities could make recommendations for clients to open accounts through USA Financial Exchange, which would result in fees for both USA Financial Securities as well as USA Financial Exchange. These recommendations would benefit USA Financial Corporation more than if USA Financial Securities' representatives recommended an unaffiliated money manager. USA Financial Securities Written Supervisory Procedures address these possibilities and implement stringent supervision requirements to mitigate this conflict.

USA Financial Securities operates as a sub-adviser on the USA Financial Exchange TAMP. This relationship poses a conflict of interest for USA Financial Securities as USA Financial Corporation gets paid more, overall, if a representative recommends assets to be allocated to a USA Financial Exchange account. Clients are not required to implement recommendations to open a USA Financial Exchange account.

## USA Financial Formulas

USA Financial Formulas' primary objective is to eliminate human emotion from the investing process. USA Financial Formulas does this by using a step-by-step, objective stock-selection process. The firm does not use money managers. USA Financial Formulas' stock selection criteria is based on a particular portfolio's objective, and then a formula selects only those equities that meet the qualification criteria.

USA Financial Formulas charges a strategy fee to investors that invest in USA Financial Formulas strategies through USA Financial Exchange.

USA Financial Formulas is an affiliate of USA Financial Securities and therefore, recommending USA Financial Formulas creates a conflict of interest because USA Financial Corporation gets paid more, overall, if clients invest in USA Financial Formulas rather than other unaffiliated money managers.

## USA Financial Insurance

USA Financial Insurance serves as both an FMO and wholesaler for many fixed annuity products, meaning, USA Financial Insurance gets paid for each annuity policy that is issued through this entity. USA Financial Corporation gets paid more overall if recommendations for annuity products are implemented using USA Financial Insurance.

D.

## Conflicts of Interest

There are, necessarily, conflicts of interest that arise in the financial services industry. A conflict of interest is anything that could cause USA Financial Exchange to place its interests ahead of the clients'. These conflicts are found everywhere in the financial industry, but USA Financial Exchange tries to mitigate them and disclose them to clients so that clients are informed. In this section, we disclose conflicts that clients should understand and consider before investing.

One money manager on USA Financial Exchange, Horizon, provides revenue share on any mutual fund assets in the strategies we host in exchange for the trading and services we provide. This creates a conflict because it provides an incentive for USA Financial Exchange to recommend Horizon to clients over other managers who do not provide this revenue share. USA Financial believes this conflict is mitigated because on the firm level, the firm is not recommending money managers to clients directly: that decision

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is between each client and their financial professional based on which managers' investment philosophies meet each client's needs, goals, and objectives and the financial professional does not receive a portion of this revenue.

Another conflict that clients should understand is recruiting arrangements. Recruiting arrangements in the financial services industry are not uncommon – whether the payment is up front (e.g., recruiting bonuses or forgivable loans) or ongoing (e.g., increased payouts or additional compensation through affiliated entities). In the past, USA Financial did provide forgivable loans with the only condition being that the financial professional remain registered with USA Financial for a specified length of time. USA Financial does not provide recruiting bonuses. USA Financial does provide advisers with transition support dollars to help with the cost and loss of revenue associated with moving brokerage or advisory firms.

USA Financial created the Advisor Legacy program. The Advisor Legacy program has many components, but most important in terms of conflicts, is the Advisor SHARES program. Advisor SHARES grants ownership interest to USA Financial's qualified advisers based on revenue submitted to USA Financial. USA Financial does not favor one product or product category over another – advisers earn shares based on volumes submitted across the products and services our company offers. However, clients need to be aware of this program because it is an incentive for advisers to move to USA Financial and place business with the firm. USA Financial Exchange believes this risk is mitigated by not favoring one product over another.

Moreover, because USA Financial Exchange is affiliated with USA Financial Securities and USA Financial Formulas, we have a conflict of interest when recommending these entities to clients because it means USA Financial gets paid more than if the firm recommended other non-affiliated investment firms.

## Affiliate Access

USA Financial Exchange does not utilize investment adviser representatives – meaning that the firm has no individual financial advisers registered as representatives with the firm. However, an affiliate, USA Financial Securities, does have investment adviser representatives who may use USA Financial Exchange's services. USA Financial Securities' investment adviser representatives may also have access to technology not available to independent investment advisers simply based on the fact that USA Financial Securities bundles technology applications and offers it to its representatives as a package, thereby permitting USA Financial Securities to take advantage of economies of scale through the technology vendors.

USA Financial Securities representatives have the ability to act as a subadviser on the USA Financial Exchange platform. Representatives are able to create their own strategies and establish the fee schedules for these strategies. Because certain representatives act as the manager in these instances, the manager fee on any of these strategies is paid to that representative. This creates a conflict of interest in the various money managers available on the USA Financial Exchange platform, as a representative affiliated with USA Financial Securities that offers their strategies would benefit from receiving additional compensation in the form of the manager/strategy fee. Therefore, representatives that offer their own strategies on this USA Financial Exchange platform may be more inclined to recommend strategies they manage over those of unaffiliated third party asset managers.

Some independent investment advisers choose to register with USA Financial Securities as their broker dealer while maintaining their own registration as an investment adviser. As a broker dealer, USA Financial Securities has supervision obligations for each customer account. In these cases, to aide in the supervision of client accounts, USA Financial Securities requires representatives to utilize the USA Financial Exchange platform for the majority of the client assets they manage. Failure to move the majority of assets to the USA Financial Exchange platform will result in a fee to the investment adviser that is registered with USA Financial Securities. Therefore, representatives and investment advisers have an incentive to recommend accounts on the USA Financial Exchange platform.

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USA Financial's affiliate, USA Financial Formulas, also offers strategies available on the USA Financial Exchange platform. USA Financial Formulas strategies charge a strategy fee for the management of the strategies. When a client invests in a strategy with USA Financial Formulas on the USA Financial Exchange platform, USA Financial Corporation receives compensation from both the platform and the strategy a client is invested in. While USA Financial Formulas and USA Financial Exchange are separate companies, the parent organization, both companies are subsidiaries of the same parent company, USA Financial Corporation. This could provide a conflict of interest as USA Financial Corporation may be more likely to encourage investment advisers to utilize strategies available from USA Financial Formulas over other, non affiliated third party money managers.

Investment advisers that utilize the USA Financial Exchange platform may also recommend of be affiliated with another USA Financial Corporation affiliate, USA Financial Insurance. A recommendation that a client purchase a commission insurance product through our related insurance agency could result in a conflict of interest for USA Financial Exchange as an affiliate (USA Financial Insurance) would profit from this recommendation. Please be aware that you are under no obligation to purchase products or services recommended in connection with providing you with any platform service that we offer.

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

**A.** Pursuant to rule 204A-1 under the Investment Advisers Act of 1940 (the "Act"), as amended, all registered investment advisers must adopt a code of ethics (the "Code"). USA Financial Exchange's Code sets forth standards of conduct expected of advisory personnel and establishes procedures for dealing with conflicts that arise from personal trading by advisory personnel.

USA Financial Exchange maintains an investment policy relative to personal securities transactions for its supervised persons. In USA Financial Exchange's case, this means all internal employees since the firm does not utilize investment adviser representatives. Our investment policy is a subset of the Code.

Additionally, USA Financial Exchange also maintains and enforces written policies and procedures designed to prevent the misuse of material, non-public information by USA Financial Exchange or any person associated with the firm or our affiliates.

USA Financial Exchange will provide a copy of the code of ethics to any client or prospective client upon request.

**B and C.** USA Financial Exchange does not recommend securities to clients, in general, nor does the firm buy or sell securities for client accounts. USA Financial Exchange also does not buy or sell securities for its own accounts.

## ITEM 12: BROKERAGE PRACTICES

**A.** USA Financial Exchange's entire business model is built on making various platforms available to registered investment advisers. These services are offered through various custodians including Axos, Schwab, and Pershing.

Since the firm does not work directly with individual retail clients, the brokerage or custodial relationships available to the client will depend on their independent financial adviser's clearing or custodial agreements. However, in the event a client requests that USA Financial Exchange recommend a broker-dealer or custodian for execution or custodial services, USA Financial Exchange would recommend an affiliate, USA Financial Securities, which would result in additional compensation to a related entity and, it is possible that clients could receive services cheaper at another broker-dealer.

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## Directed Brokerage

Because USA Financial Exchange does not execute transactions for retail clients, the firm does not recommend, request, or require that a client direct us to execute transactions through a specific broker-dealer.

## Best Execution

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

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

Execution may vary based on the selection of custodian.

## Soft Dollars

The term "soft dollars" is used to describe arrangements whereby advisory firms pay for research, products, or services from a broker-dealer with client commissions rather than paying directly from the firm's revenue. In contrast, when a firm uses its own money to pay for products or services, it is said to be using "hard dollars." USA Financial Exchange does not participate in soft dollar arrangements. If USA Financial Exchange buys products or pays for services, we pay for those products and services out of our share of the revenue.

## B. TRADING PRACTICES

Occasionally, a trading error may occur where either USA Financial Exchange or the investment adviser are at fault for effecting one or more erroneous securities transactions for a client's account. If this occurs in a client's account, the error will be corrected, and the client's account will be restored to the same economic position had the error never occurred. In the process of restoring the account, a profit may be realized, or a loss suffered in connection with correcting this error. Neither losses nor gains realized will be passed on to the client. Custodians are limited to those USA Financial Exchange has executed an agreement with.

USA Financial Exchange may aggregate orders with those of other clients in a bunched trade or trades when securities are purchased or sold. For each account that the firm includes in the bunched trade, USA Financial Exchange must reasonably believe that the bunched order is consistent with the firm's duty to seek best execution and benefit each client participating in the aggregated order. The average price per share of each bunched trade is allocated to each account that participates in the bunched trade. Accounts that participate in the same bunched trade are charged transaction costs, if applicable, in accordance with their advisory contracts. If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation. Partial fills will be allocated in a way that does not consistently advantage or disadvantage particular client accounts and are generally filled pro-rata among participating accounts.

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## ITEM 13: REVIEW OF ACCOUNTS

USA Financial Exchange does not work with retail clients; therefore, the firm generally does not review client accounts or financial plans. All client accounts and account transactions are reviewed by the clients' independent registered investment adviser.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

**A.** USA Financial Exchange does not receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to clients other than revenue received from subadvisers, as reference above in Item 5 – Fees and Compensation. USA Financial Exchange also does not compensate anyone for client referrals.

USA Financial Exchange does not consider itself a promoter for any third party money manager available for investment on the platform. While USA Financial Exchange does receive compensation for the amount of assets invested in various strategies on the USA Financial Exchange platform, the firm does not receive additional compensation for assets to be placed in strategies from one money manager over another.

**B.** Independent investment advisers that utilize the US Financial Exchange platform are considered platform users.

## ITEM 15: CUSTODY

USA Financial Exchange does not have custody of client assets. Client assets are held at one of the qualified custodians that has an agreement with USA Financial Exchange. The desire to use one custodian over another is up to the client or their investment advisor to decide which custodian is best to hold the assets for each account.

## ITEM 16: INVESTMENT DISCRETION

USA Financial Exchange does not manage securities accounts on behalf of clients – discretionary or otherwise. USA Financial Exchange has discretion over which subadvisers are allowed on the platform - USA Financial Exchange has the ability to remove and replace managers on the platform in the firm's discretion.

USA Financial Exchange requires clients to identify a representative to exercise discretion over their accounts on the USA Financial Exchange platform. Clients will work with their representative to identify the scope of this authority, and each investment adviser will have their own documentation to be completed to communicate the scope of the representative's role.

Additionally, please note that because fees are pulled from the cash portion of each account, if a situation arises where fees are owed to USA Financial Exchange or the custodian and the account does not have enough cash to cover the fees, USA Financial Exchange will place trades in the account in order to generate cash to pay the fees owed.

## ITEM 17: VOTING CLIENT SECURITIES

USA Financial Exchange does not vote client securities.

## ITEM 18: FINANCIAL INFORMATION

USA Financial Exchange does not collect prepayment from any clients for any fees associated with an investment in an account on the USA Financial Exchange platform.

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