

# USA FINANCIAL EXCHANGE CORPORATION

6020 East Fulton Street

Ada, MI 49301

P: (888)444-0125

F: (888)444-7105

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 was created on March 18, 2016.

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-XXXXX. SEC registration does not imply a certain level of skill or training.

## ITEM 2 – MATERIAL CHANGES

This brochure was created on March 18, 2016. Because this section of our brochure is used for notifying our clients of any material changes that have occurred since our previous brochure was published, USA Financial Exchange has no information to report pursuant to this section at this time.

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## ITEM 4 – ADVISORY BUSINESS

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”). Our core business is to offer operational support services, business 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”).

USA Financial Exchange is a subsidiary of USA Financial Corporation. USA Financial Corporation has a number of other subsidiaries – all of which are affiliated entities of USA Financial Exchange – as discussed in Item 10, below.

We provide RIAs with a range of advisory and support services that RIAs use in servicing their Clients. Specifically, we offer:

### Operational Support Services

We offer operational and back-office support to RIAs looking to operate independently through third-party service providers and additional services we make available directly to the investment adviser. We leverage our relationship with Trust Company of America (“TCA”) so that RIAs can access a platform they might not otherwise have access to because of various factors such as technology-integration limitations and lower levels of assets under management. We are also able to leverage our technology-vendor relationships to provide RIAs with comprehensive and fully-integrated technology tools designed to enhance the Clients’ participation in the investment process and understanding of their overall portfolio. Additionally, because of our familiarity with TCA’s platform, we may assist RIAs in answering operational questions related to establishing strategies on the platform and/or account maintenance questions.

### Business Support Services

Through our affiliated entities, we offer various business support services to independent RIAs. Through our affiliated marketing company, USA Financial Plug-N-Run, we provide marketing resources to RIAs and because of relationships our other registered, affiliated entities, USA Financial Securities Corporation and USA Financial Portformulas Corporation, have forged, we are able to offer RIAs access to technology resources. USA Financial Exchange does not provide compliance consulting or compliance services to investment advisers – each independent adviser is responsible for its own compliance and for understanding and complying with all applicable laws, rules, and regulations.

### Turnkey Asset Management Program (“TAMP”) Services

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. We identify and conduct due diligence on each money manager before they are included in the TAMP. We provide ongoing due diligence on each manager including evaluating the manager to determine if the manager and investment vehicles meet style and allocation criteria.

We do not provide investment advice directly to any RIA's Clients nor do we review or supervise investment advisory transactions recommended by the RIA. A Client's RIA determines which of our services to use and which managers in the TAMP to utilize with their Clients. RIAs may use the services of other third-party providers in connection with the services we provide. Therefore, Clients should consult their RIA's Form ADV Part 2 for a fuller description of that RIA's specific use of our services.

Given that our business relationships are strictly with the RIAs, we do not interact with the Clients and we do not have any clients, other than RIAs. Additionally, because the nature of our business is more akin to a service provider than a traditional money manager, USA Financial Exchange does not manage client assets – discretionary or otherwise.

It is the responsibility of the RIA, 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 RIA will use the TAMP to allocate the Client's assets among the available investment options. It is the RIA's responsibility to determine that the asset allocation and investment options are suitable for the Client.

We enter into subadvisory agreements with each manager in the TAMP. RIAs may independently identify managers for participation in the TAMP. We will enter subadvisory agreements with those managers once we have completed our due diligence and determined that the manager can be included in the TAMP. Each manager has responsibility for trading the accounts invested in accordance with that manager's strategy.

We periodically perform due-diligence reviews on platform managers to ensure they adhere to established goals and standards. As part of our due diligence, we review 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. If a manager is consistently deviating or underperforming compared to other similarly-situated managers, we will address our concerns with the manager and if our concerns are not rectified or, are not rectifiable, we will remove the manager from our platform. If this occurs the manager will typically be removed from the platform with 90 days' notice to the RIAs. However, under extreme circumstances, we reserve the right to remove a manager from the platform immediately.

Many of the managers create investment models or model portfolios where the manager constructs an asset allocation and selects the underlying investments for each portfolio. From time to time, we may replace existing model portfolios or their managers or hire new managers to create model portfolios. Therefore, we cannot guarantee the continuous availability of any particular manager or model portfolio.

## ITEM 5 – FEES AND COMPENSATION

If an RIA wishes to use our services for its Clients, it must use TCA for custodial services for its Clients. In exchange for providing back office support, custodial platform access, and technology platforms to RIAs,

TCA pays USA Financial Exchange a portion of the custody fee it receives from the RIAs or the revenue-sharing fee it receives from mutual fund companies.

In addition, Clients in a TAMP must pay a TAMP fee to us from which we pay each of the managers a platform fee. We expect the TAMP fee will range from 50 bps to 100 bps as described in our agreement with each RIA.

## ADDITIONAL CHARGES

### RIAs

Additionally, each RIA will charge an advisory fee for the services the RIA provides to the Client. USA Financial Exchange does not receive any portion of the advisory fee assessed by the Client's RIA – the Client's RIA advisory fee was disclosed to the Client during the new-client and/or new-account process and incorporated into a written advisory agreement which would have been signed by the Client and the RIA. Clients should also refer to Advisor's Form ADV 2A and the Advisor's fee schedule. Fees paid to the Client's RIA are in addition to the fees paid to USA Financial Exchange.

RIAs will enter into an agreement with TCA for custody services. RIAs and/or their clients will pay custody fees to TCA. Clients of the RIAs should review Part 2 of their RIA's Form ADV for additional disclosures relating to fees.

RIAs will have the ability to offer strategies provided by our affiliate, USA Financial Portformulas Corporation ("Portformulas"). Clients invested in these strategies will pay a fee to USA Financial Portformulas. In addition, some RIAs may also have a solicitation agreement with our affiliate USA Financial Portformulas under which the RIA is paid a fee for referring clients to Portformulas. Clients should review Part 2 of their RIA's Form ADV for disclosures relating to their RIA and Portformulas.

### 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 RIAs. We do not work directly with individual retail clients.

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

USA Financial Exchange does not provide investment advice or manage client assets. Instead, USA Financial Exchange we provide due diligence assessments of third-party managers. As part of our due diligence, we review 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 we provide due diligence on the third-party managers, it is up to the RIA, and not us, to determine if a third-party manager's strategy is suitable for a Client. It is also important to understand that if you 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 you understand the risk you are taking and you need to be willing and able to bear that risk.

#### ITEM 9 – DISCIPLINARY INFORMATION

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

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

##### INDUSTRY ACTIVITIES AND AFFILIATIONS

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 Portformulas Corporation, USA Financial Plug-N-Run Corporation and USA Financial Media Corporation. 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 Portformulas is an SEC-registered investment adviser. USA Financial Plug-N-Run develops and distributes 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 and all subsidiaries and Brent Enders is the president.

##### CONFLICTS OF INTEREST

USA Financial Exchange does not utilize investment adviser representatives. However, USA Financial Securities' investment adviser representatives may use USA Financial Exchange's services. Clients of USA Financial Securities will be charged the same price as clients working with other, non-affiliated RIAs. USA Financial Securities' investment adviser representatives may also have access to technology not available to independent RIAs 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.

RIAs who access USA Financial Exchange's custodial platforms in order to manage their own accounts will have access to all fund companies, products, and investments available on the custodial platform. TCA pays USA Financial Exchange a portion of the fees it receives from mutual funds on the platform (as disclosed in the fund's prospectus), based on the services we provide, which include but are not limited to operational support services, business support services (such as technology and marketing), and a turnkey asset management program.

Additionally, in the event that USA Financial Exchange is able to direct \$200,000,000 in assets under management to TCA, TCA will reduce transaction charges for our affiliate, USA Financial Portformulas, who also uses TCA as a custodian. This creates an incentive for USA Financial Exchange to direct accounts and assets to our platform.

USA Financial Exchange's chief compliance officer is available to answer any questions you may have regarding our company or any potential conflicts of interest.

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

### CODE OF ETHICS AND PERSONAL TRADING

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 our company’s case, this means all of our internal employees since we do not utilize investment adviser representatives. Our investment policy is a subset of our 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 our firm or our affiliates.

### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

USA Financial Exchange does not recommend securities to clients, in general, nor do we buy or sell securities for client accounts. USA Financial Exchange also does not buy or sell securities for its own accounts. Therefore, we do not recommend, buy, or sell securities to clients in which we have a material financial interest.

## ITEM 12 – BROKERAGE PRACTICES

USA Financial Exchange’s entire business model is built on making various platforms available to registered investment advisers. These services are offered through Trust Company of America (“TCA”).

Since we do 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, we would recommend our affiliate, USA Financial Securities, which would result in additional compensation to a related entity and, it is possible that you could receive services cheaper at another broker-dealer.

### DIRECTED BROKERAGE

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

### 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.

#### ITEM 13 – REVIEW OF ACCOUNTS

USA Financial Exchange does not work with retail clients, therefore, we do 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

USA Financial Exchange receives compensation from TCA for providing RIAs access to operational support services, business support services (such as technology and marketing), and a turnkey asset management program. Otherwise, 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. USA Financial Exchange also does not compensate anyone for client referrals.

#### ITEM 15 – CUSTODY

USA Financial Exchange does not have custody of client assets.

#### ITEM 16 – INVESTMENT DISCRETION

USA Financial Exchange does not manage securities accounts on behalf of clients – discretionary or otherwise.

#### ITEM 17 – VOTING CLIENT SECURITIES

USA Financial Exchange does not vote client securities.