

Uncommon Capital, LLC

d/b/a

Diversified Wealth Management

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Newcastle, CA 95658

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**FORM ADV PART 2
BROCHURE**

This brochure provides information about the qualifications and business practices of Uncommon Capital, LLC if you have any questions about the contents of this brochure; please contact us at 530-888-9003. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Uncommon Capital, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The IARD/CRD number for Uncommon Capital, LLC is 226622.

Uncommon Capital, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

ADV Item 2: Material Changes

Pursuant to CA Department of Oversight rules, Uncommon Capital, LLC d/b/a Diversified Wealth Management will provide each of its clients with a summary of any material changes for subsequent annual updates to brochures by April 30th of each year. Clients will be provided with a new Brochure as necessary based on changes or new information, at any time, without charge.

Please contact the Uncommon Capital, LLC Home Office at 530.888.9003 with any questions.

The material changes in this brochure from the last annual updating amendment of Uncommon Capital, LLC on March 26, 2018 are described below. Material changes relate to Uncommon Capital, LLC's policies, practices or conflicts of interests only.

- Uncommon Capital, LLC is also doing business as Diversified Wealth Management.
- Uncommon Capital, LLC has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.

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ADV Item 4: Advisory Business

Uncommon Capital, LLC d/b/a Diversified Wealth Management (UCL) is an investment advisory firm that is in the process of registering as an investment advisor with the California Department of Business Oversight. The UCL entity was formed in 2014 and is owned by Shawn B. Davis. UCL will offer the following services to clients:

1. **Asset Management:** Managed account services will be provided on a discretionary or non-discretionary basis depending upon client preference. UCL will interview the client to determine the scope of service to be provided, and to tailor services in accordance with the client's needs and investment objectives. Clients will have the authority to impose restrictions on investing in certain types of securities; and transactions will be executed in accordance with clients stated investment objectives. For discretionary authority, UCL will utilize a limited power of attorney that will allow limited discretion for UCL to execute transactions on behalf of clients without prior consent. For non-discretionary accounts, UCL will obtain client permission prior to effecting securities transactions.
2. **Third party asset management:** Under certain circumstances UCL will recommend the use of third party asset managers to clients depending upon the client's need and investment objectives.
3. **Hourly and Fixed Fee Financial Planning and other Consulting.**
4. **Wrap Fee Programs:** UCL does not sponsor or participate in wrap fee programs. UCL may at some time in the future, offer wrap programs sponsored by third party advisors. Under these circumstances the third party asset managers will manage client assets. UCL will receive a portion of the fee earned by the third party asset managers. All fees and description of services will be detailed in the third party asset manager's ADV and contract that will be signed by the client and third party asset manager.

Assets Under Management:

As of May 2018, UCL manages a total of \$ 89,497,055 on a non-discretionary basis and \$ 13,659,266 on a discretionary basis.

ADV Item 5: Fees and Compensation

5A: Compensation

Managed Accounts

UCL will offer account management services to clients. The accounts will be set up and maintained at custodial broker-dealers. Annual fees will be charged on an annualized basis in accordance with the established billing practices of UCL and the percentage of assets under management will not exceed 1.5%. Fees will be negotiated and clients will have the option to decide if they will be billed monthly or quarterly and in arrears or in advance. Billing arrangements will be discussed and agreed upon in advance by UCL and the client.

Third Party Asset Managers:

Clients will enter into agreements with the third party asset managers directly. UCL will share a portion of the advisory fee that is received by the third party asset managers. Fees will be disclosed to clients by the third party asset managers. Clients will receive monthly and quarterly statements from the third party asset managers. The total annual fee received by UCL and the third party advisors will not exceed 3% of total assets under management.

Hourly Financial Planning and Consulting

In addition to offering account management services, UCL provides hourly consulting services. Hourly and fixed fee consulting services are billed at a rate not to exceed \$250.00 per hour. Fees are due and payable after services have been rendered.

Fixed Fee Financial Planning and Consulting

Fixed fee consulting will be done on a negotiable basis to be agreed prior to the commencement of any work. Generally fees will not exceed \$1,500.00. UCL may require a 50% retainer at the signing of the investment advisory agreement. The remaining fee will be due upon completion and presentation of the plan. Generally plans are completed and presented to the client within six months of the advisor being retained to complete the work. The CA Department of Business Oversight requires the following disclosure related to financial planning services:

- a. A conflict exists between the interests of UCL and the interest of the client;
- b. The client is under no obligation to act upon UCL's recommendation; and
- c. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through UCL.

The CA Department of Business Oversight requires the following disclosure:

- A conflict exists between the interests of the investment advisor and the interests of the client;
- The client is under no obligation to act upon the investment advisor's recommendation, and
- If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment advisor.

5(B): Billing Methods

For managed accounts, clients may authorize UCL to deduct advisory fees from client accounts held at custodial broker-dealers. Authorization to deduct fees will be disclosed in the client agreement with the custodial broker-dealer. Clients ultimately will decide whether they want advisory fees to be deducted from their advisory accounts or if they prefer UCL to invoice them directly.

5(C): Other Fees and Expenses

In addition to the fees charged by UCL, each mutual fund company in which a client's funds may be invested utilizes fees paid by the investors that are deducted from the mutual fund's assets. These fees, called 12b-1 fees, pay for marketing and distribution expenses, such as brokers' commissions. The fees

are categorized as annual operating expenses. Rule 12b-1 fees are disclosed in a mutual fund's prospectus and typically are less than 1 percent. Such fees may create a conflict of interest as the Investment Advisory Representative may receive a 12b-1 fee in addition to the investment advisory fee. Fees will be fully disclosed to clients and they are under no obligation to purchase these securities through the Investment Advisory Representative or UCL.

5(D): Fees Paid In Advance

Generally, it is UCL policy to bill client managed accounts in advance. For canceled accounts that are billed in advance, the client may receive a pro-rated refund, based on the fee calculation method being used and the amount of work already completed. Clients are free to terminate contracts with 30 days written notice and any fees will be pro-rated on a monthly basis and the unused portion of the fee will be returned to clients.

The CA Department of Business Oversight requires the following disclosure:
"Comparable services may be available from other sources at a lower cost". Comparable services may also be available at a higher cost.

Investment Policy Statements

Individually managed accounts will be tailored to meet the client's investment goals and objectives. UCL does not prepare investment policy statements however third party managers may provide these for clients.

ADV Item 6: Performance Based Fees and Side-By-Side Management

Performance Based Fees:

UCL will not charge fees based on a share of capital gains or on capital appreciation of the assets of a client.

ADV Item 7: Types of Clients

UCL primarily provides investment advisory services to individuals and high net worth individuals.

Minimum Account Balance

Generally, UCL will require a minimum initial portfolio size of \$250,000.00 and a minimum fee of \$3,750.00 per year. Certain third party asset managers require a minimum investment in order to open a managed account. The specific amounts are detailed in the third party asset managers' agreements. Accounts below the stated minimums may be accepted on an individual basis at the discretion of UCL and the platform sponsor.

ADV Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

A. The investment strategies that UCL may use to implement any investment advice that UCL gives to Clients includes long term and short term purchases.

There is always some risk connected with investing, whether securities, certificates of deposit or in any other type of investment. There is risk of loss of principal and also risk of loss of purchasing ("buying") power. UCL attempts to do its best to help Clients mitigate both risks over time. One way to lessen risk is to diversify investment portfolios so that when some fall in value, others may rise in value. The following is a discussion of some types of risk that Clients may encounter in securities investing:

Economic Risk: The state of the nation's or the world's economy may change and that may affect investments.

Inflation Risk: Investors are typically locked into the interest rate paid on municipal bonds. If inflation should rise, the after inflation return on bonds can be negatively affected. As a result the bond would likely lose value on the open market.

Interest Rate Risk: If Clients invest to realize a certain amount of income and that income stream is dependent on the investment paying a certain interest rate, changing conditions may affect that interest rate and the Client's income from that investment.

Liquidity Risk: If an investment has gained value since the Client purchased it but there is no buyer to purchase it, it is considered to be illiquid at that point and the security may not be able to be liquidated for its current intrinsic value.

Market Risk: In making an investment Clients are usually anticipating that the financial market will behave in a way that will be advantageous to the Client. That is not always the case over a long or short term period of time.

Volatility Risk: This is the measure of uncertainty in the future price of an asset. If an asset has rapid price swings, volatility will be high. If an asset price is consistent and rarely changes, volatility will be low.

Investing in securities involves risk of loss that clients should be prepared to bear.

B. UCL recommends general securities in client portfolios that include but are not limited to individual stocks, corporate and municipal bonds, options, government securities, real estate investment trusts, business development programs, private placements, real estate, notes, first trust deeds, alternative investments and mutual funds.

ADV Item 9: Disciplinary Information

A. Neither UCL or its Investment Advisory Representatives have been or are currently involved in a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which UCL or Investment advisory representatives:

- I. have been convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

2. have been the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion or a conspiracy to commit any of these offenses;
 3. have been found to have been involved in a violation of an investment-related statute or regulation; or
 4. were the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.
- B. Neither UCL or its Investment Advisory Representatives have been or are currently involved in an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority in which UCL or Investment Advisory Representatives:
1. were found to have caused an investment-related business to lose its authorization to do business; or
 2. were found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:
 - (a) denying, suspending, or revoking the authorization of UCL or Investment Advisory Representatives to act in an investment-related business;
 - (b) barring or suspending UCL or investment advisory representative's association with an investment-related business;
 - (c) otherwise significantly limiting UCL or investment advisory representative's investment-related activities; or
 - (d) imposing a civil money penalty of more than \$2,500 on UCL or Investment Advisory Representatives.

ADV Item 10: Other Financial Industry Activities and Affiliations

- A. UCL does not have conduct other financial industry activities or have any financial industry.
- B. UCL is not registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an investment advisory representative of the foregoing entities.
- C. On occasion, depending upon client need, UCL may recommend the services of independent third party asset managers. Prior to selecting other advisors, UCL will ensure that the other advisors are properly licensed or registered as an investment advisor.

Other Business Activities

UCL does not engage in other business activities aside from providing investment advisory and financial planning services.

ADV Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. UCL maintains written supervisory procedures that describe firm policies and procedures and how UCL conducts business with its clients. UCL clients depend on the firm to be trustworthy, honest and loyal to their interests as provided in UCL's agreements with them and disclosures in the UCL form ADV. Clients expect UCL to protect the confidentiality of their personal and financial information and to provide timely and professional advice in accordance with UCL agreements. UCL will provide a copy of the firm's Code of Ethics to any client or prospective client upon request.
- B. UCL and its investment advisory representatives are expected to strive to act at all time in accordance with fundamental principles of openness, integrity, and honesty. This is in addition to the legal obligations that UCL and its investment advisory representatives have to adhere to applicable federal and state securities laws.
- C. UCL does not generally recommend to clients, or buys or sells for client accounts, securities in which UCL or a related person has a material financial interest, including acting as a general partner in a partnership in which UCL solicits client investments; or UCL or a related person acts as an investment adviser to an investment company that UCL recommends to clients.
- D. From time to time, UCL may recommend that clients buy a security in which UCL or its investment advisory representatives have an ownership position. Additionally, UCL or an investment advisory representative of UCL may purchase a security of the same class as securities held in a client's account. It is UCL's policy not to permit investment advisory representatives to trade in a manner that takes advantage of price movements caused by clients' transactions.

ADV Item 12: Brokerage Practices

Investment advisory clients may select which custodial broker-dealer to use or rely on UCL Investment Advisory Representatives to make recommendations. Generally, these recommendations are based on UCL's perception of the breadth of services offered, and quality of execution.

Research and Other Soft Dollar Benefits: UCL does not engage in soft dollar benefits. UCL does not use client brokerage commissions (or markups or markdowns) to obtain research or other products or services.

Block Trading: UCL may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially

advantageous for each such account (e.g. For the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of UCL's investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. UCL may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

ADV Item 13: Review of Accounts

A. UCL may prepare individualized reports whereby, the nature and frequency are determined by client need and the services offered. Generally accounts are reviewed on at least a quarterly basis or more frequently if necessary. An example of an event that would trigger a special review would be a lender that is requesting an asset report for purposes of approving a mortgage.

B. Direct Asset Management accounts are reviewed on at least an annual basis. Any material changes to a client's investment option may trigger a review. Account reviews are conducted by Shawn B. Davis.

ADV Item 14: Client Referrals and Other Compensation

A. UCL does not engage in activity with non clients to gain economic benefits including sales awards or other prizes.

B. UCL may directly or indirectly compensate any person who is not a UCL supervised person for client referrals. If this occurs, clients will be provided with detailed written disclosure in accordance with CA Department of Business Oversight regulations.

ADV Item 15: Custody

- A. UCL has custody of funds and securities solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee.
- B. UCL has written authorization from the client to deduct advisory fees from the account held with the qualified custodian.
- C. Each time a fee is directly deducted from a client account, the investment advisor concurrently:
 - Sends the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and

- Sends the client an invoice or statement itemizing the fee. Itemization includes the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.

ADV Item 16: Investment Discretion

UCL may maintain limited discretion and limited power of attorney in certain client accounts held at custodial broker dealers. The limited power of attorney authorizes UCL to buy or sell securities on behalf of clients without contacting the client immediately prior to the purchase or sale. The limited power of attorney does not authorize full discretion in the account. Rather, it enables the representative to transact business on behalf of the client in accordance with the client's stated investment objectives, which have been previously discussed and agreed upon by UCL and the client.

ADV Item 17: Voting Client Securities

- A. UCL does not have nor will accept authority to vote client securities.
- B. UCL requests that clients engage another party to determine how proxies should be voted. UCL does not provide proxy voting services to its clients.

ADV Item 18: Financial Information

As an investment advisory firm that maintains discretionary authority, we are required to disclose any financial condition that would be likely to impair our ability to meet our contractual obligations or obligations to our clients. UCL has no such financial conditions to report. UCL is not and has not been the subject of a bankruptcy proceeding. UCL will not charge fees in excess of \$1,200.00 and in excess of six months in advance.

Additional Information

Investment Advisory Representatives will be required to meet the examination and qualification requirements of the states where they conduct business.

Material conflicts of interest that could reasonably expect to impair the rendering of unbiased and objective advice, under CCR Section 260.238(k) are disclosed regarding UCL, its employees, and its investment advisory representatives.

UCL Business Continuity Plan

UCL has developed a Business Continuity Plan on how the firm will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

Contacting Us – If after a significant business disruption, you cannot contact us as you usually do you should call our alternative number 530.888.9003 or contact the custodial broker dealer directly.

Our Business Continuity Plan – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our clients

to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.