



## **U.S. Capital Wealth Advisors, LLC**

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### **FIRM BROCHURE Form ADV – Part 2A**

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This brochure provides information about the qualifications and business practices of U.S. Capital Wealth Advisors, LLC. If you have questions about the contents of this brochure, please contact us at the phone number above. 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. Being registered with the SEC or being a registered investment advisor does not imply a certain level of skill or training.

Additional information about U.S. Capital Wealth Advisors, LLC is also available on the SEC's website at <http://www.adviserinfo.sec.gov>.

## ITEM 2 - MATERIAL CHANGES

Effective May 11, 2021, USCA RIA LLC and certain related entities entered in a series of transactions with Legacy One. Pursuant to those transactions, certain assets of USCA RIA LLC were contributed to Legacy One, and certain membership interests of Legacy One were issued to entities affiliated with U.S. Capital Advisors LLC. Legacy One then changed its name to U.S. Capital Wealth Advisors. As a result of a transaction that closed on May 11, 2021, U.S. Capital Wealth Advisors is directly owned by U.S. Capital RIA Investors, LLC, Legacy One Financial Holdings, LLC, and PLH Financial Holdings, LLC. Numerous changes were also made to reflect the merger of accounts from USCA RIA, LLC into U.S. Capital Wealth Advisors on June 30, 2021. The material changes include the items listed below, which are summarized. More details are available in this brochure.

- Types of Advisory Services was expanded to cover some of the services that were provided to accounts previously at USCA RIA, including the use of External Managers and fee-based financial planning.
- Available Advisory Services was expanded to include four categories of accounts, Discretionary Investment Management by USCWA, Non-Discretionary Investment Management by USCWA, Discretionary Investment Management by External Managers, and General Advisory Services.
- Assets Under Management increased significantly to reflect the addition of assets that were previously with USCA RIA.
- Fees and Compensation was enhanced to cover a broader range of fees, and to change the fee process to add that if a client deposits or withdraws assets (cash and/or securities) with a market value of \$100,000 or more in an account on any given day after the inception of the calendar quarter, the additional amount will become subject to additional fees, and amounts redeemed will result in a refund of related fees at or before the end of the quarter (effective starting October 1, 2021).
- Other Types of Fees and Expenses was expanded to cover additional brokerage-related fees that apply to some accounts as well as to add a fee of \$50 annually for clients who have accounts with FCCS and do not sign up for electronic delivery of statements.
- Sales Charges, Service Fees and Other Firm Compensation was added to explain how 12b-1 fees are handled and to note that USCWA rebates 12b-1 fees and other service fees it receives from mutual funds purchased or held in advisory accounts to clients.
- Relating to Private Placements, a disclosure was added that some private placements have an upfront placement fee. In some cases, the Firm's affiliated broker-dealer receives all or some of such fee and a portion is shared with U.S. Capital Wealth Financial Advisers.
- Other Financial Industry Activities and Affiliations was expanded to include USCA Securities and FCCS. Many of the Firm's Financial Advisers, including several of the Firm's executive officers and management persons, are registered individually with USCA Securities, a FINRA broker-dealer, as registered representatives and have ownership interests in USCA Securities' parent company, U.S. Capital Securities. USCA Securities operates its brokerage business under a fully disclosed clearing relationship with FCCS. Many of U.S. Capital Wealth's advisory clients open an account with USCA Securities and FCCS. The affiliation with USCA Securities presents a material conflict of interest. The relationship with FCCS also presents material conflicts of interest. More details regarding this can be found in this brochure.

- For USCWA clients with accounts at USCA Securities and FCCS, margin and non-purpose loans are available through FCCS in certain circumstances. FCCS establishes a base cost charged to USCA Securities, which is the “cost to carry” the loans. USCA Securities has discretion to charge more than this base interest rate or “markup” the interest rate that is charged to the client. FCCS pays USCA Securities a substantial portion of the interest above the base rate charged on clients’ margin and non-purpose loans. Although USCA Securities does not share any of the interest amounts received with client’s U.S. Capital Wealth Financial Adviser, Financial Advisers recommending the use of margin and non-purpose loans to clients increases revenue to USCA Securities and indirectly benefits the Financial Adviser as a unitholder in its parent company.
- Affiliated Private Placements and Feeder Funds was added to disclose that U.S. Capital Wealth recommends certain private placements. In some cases, an affiliate of U.S. Capital Wealth acts as the adviser to the private placement typically through a feeder fund. Typically, if U. S. Capital Wealth or an affiliate receives a portion of the private placement fee or an alternative investment recommended by a U.S. Capital Wealth Financial Adviser, then the investment will be excluded from the asset-based fee charges for a minimum of twelve months after the purchase.
- U.S. Capital Advisors and various Subsidiaries were added to disclose the various relationships that exist with the Firm’s Financial Advisers and the ownership interests in US Capital Advisors and list the various entities that are related and have common ownership interests with US Capital Advisors. This includes USCA Asset Management which is an investment adviser that provides advisory services to three funds, USCA Absolute Return Strategy Fund, USCA All Terrain Fund and the Ziegler FAMCO Hedged Equity Fund.
- Brokerage Practices was expanded to add more details regarding USCA Securities, FCCS, the benefits received from them and the related conflicts of interest.
- Custody was modified to explain that in certain business practices, U.S. Capital Wealth is deemed to have custody and controls have been adopted around these practices.

Please see the pages that follow for more detailed explanations of the items shown above.

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## **ITEM 4 – ADVISORY BUSINESS**

### **The Firm**

U.S. Capital Wealth Advisors, LLC (“U.S. Capital Wealth” “USCWA” or “the Firm”) is an investment advisor registered with the Securities & Exchange Commission (“SEC”). The main office of US Capital Wealth is located at 4444 Westheimer, Suite G500, Houston, Texas 77027. Until May 11, 2021, U.S. Capital Wealth was known as Legacy One Financial Advisors, LLC (“Legacy One”), an SEC-registered investment adviser which initiated business operations in 2017. Effective May 11, 2021, USCA RIA LLC and certain related entities entered in a series of transactions with Legacy One. Pursuant to those transactions, certain assets of USCA RIA LLC were contributed to Legacy One, and certain membership interests of Legacy One were issued to entities affiliated with U.S. Capital Advisors LLC. Legacy One then changed its name to U.S. Capital Wealth. As a result of a transaction that closed on May 11, 2021, U.S. Capital Wealth is directly owned by U.S. Capital RIA Investors, LLC, Legacy One Financial Holdings, LLC, and PLH Financial Holdings, LLC.

### **Types of Advisory Services offered by U.S. Capital Wealth**

U.S. Capital Wealth offers a full suite of wealth management services to individuals, including high net-worth individuals, families, institutions, and businesses, which include discretionary and/or nondiscretionary account management as well as financial planning and general advisory or consulting services. Accounts receiving discretionary and non-discretionary account management services are generally held at one of the two primary custodians recommended by the Firm, Fidelity Clearing & Custody Solutions (“FCCS”, formerly National Financial Services LLC), with brokerage services provided by USCA Securities, or at Schwab Advisor Services, a division of Charles Schwab & Co., Inc. (“Schwab”), with brokerage services provided by Schwab. In certain limited circumstances, U.S. Capital Wealth provides consulting services and advice on accounts or assets held away from its primary custodians, including hedge funds and other types of alternative investments. Additionally, U.S. Capital Wealth sometimes recommends to clients that all or a portion of their portfolio be managed on a discretionary basis by one or more affiliated or unaffiliated money managers, sub-advisors, or investment platforms (collectively “External Managers”).

### **Available Advisory Services**

#### **Discretionary Investment Management by USCWA**

Client will be provided ongoing management of designated assets or accounts by a USCWA Financial Advisor or Advisory Team that is selected and designated by Client. The selected USCWA Financial Advisor or Advisory Team will be responsible for the investment and reinvestment of assets, building and maintaining investment portfolios, and executing investment strategies designed to meet Client’s investment objectives and risk tolerance. Clients selecting this option will appoint the selected USCWA Financial Advisor or Advisory Team as Client’s attorney-in-fact and grant them a limited power-of-attorney with discretionary trading authority over the designated assets or accounts to buy, sell, or otherwise effect investment transactions involving the assets or accounts. Each Financial Adviser has multiple tools to assist in constructing, trading, monitoring and rebalancing portfolios. Clients can place restrictions on investing in certain securities or types of securities.

## Non-Discretionary Investment Management by USCWA

Client will be provided ongoing non-discretionary management of designated assets or accounts by a USCWA Financial Advisor or Advisory Team who will recommend portfolio approaches including buys, sells and trades in a variety of instruments based on the client's investment objectives and risk tolerance. Client can request additional services such as asset allocation, research, analysis and performance reporting. Upon client's approval, USCWA will execute such trades in client's account(s).

## Discretionary Investment Management by External Managers.

USCWA will recommend one or more External Managers to conduct active discretionary management of client assets or accounts in accordance with client's investment objectives and risk tolerance. External Managers will be granted a limited power-of-attorney and trading authority over those assets directed to them for management, and they will be authorized to, without client's consent, buy, sell and trade in securities in the account. USCWA will render services to clients relative to the supervision of the External Managers and ongoing monitoring of account performance, asset allocation and investment objectives. When an External Manager is used, the client continues to have direct ownership of the securities in the portfolio. The client will receive an agreement or other disclosure describing the services to be provided by the External Manager.

The fees charged by the designated External Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, the annual advisory fee charged by USCWA. In some cases, client's will be charged separately for the External Manager's fee. In other cases, USCWA will share a portion of its fee with the External Managers. The manner of billing and the amount received by the External Manager will be disclosed to the client.

External Managers used by USCWA include Envestnet Asset Management, Inc. ("Envestnet"). USCWA offers several of Envestnet's Private Wealth Management Programs. This includes Envestnet's Separately Managed Accounts ("SMA"). SMA offers clients discretionary asset management in separately managed accounts by one or more third-party portfolio managers available through Envestnet.

USCWA also uses Piton Investment Management, LP ("Piton") as an External Manager for some of its accounts. Piton is an SEC-registered investment advisor focusing on fixed income investment management services to institutions and high net worth individuals. Certain owners of US Capital Wealth are also owners of Piton. See Item 10 Additional Information - Other Financial Industry Activities and Affiliations for more information regarding this relationship.

## General Advisory Services

In connection with non-discretionary accounts, which can be wholly independent of USCWA or maintained as USCWA accounts, USCWA will provide other types of advisory services to the client, which can include investment policy advice and assistance, developing asset allocation strategies, manager selection and evaluation, or review of outside accounts to assist with adherence to

investment policy guidelines. The types of service will be tailored to the needs of the clients based on investment objectives and risk tolerance.

In certain limited circumstances, U.S. Capital Wealth provides advice on accounts held at custodians other than Schwab or FCCS or in which the client directs brokerage services to a third-party. U.S. Capital Wealth's approach to managing outside accounts is generally the same as for accounts maintained at its primary custodians. Accounts will be managed in accordance with the client's stated investment objectives and risk tolerance. However, U.S. Capital Wealth will often not have access to the same account management tools that it has when services are provided through its primary custodians. Additionally, U.S. Capital Wealth Financial Advisers might not be able to directly effectuate investment decisions in accounts using other broker-dealers. Directions instead can be provided to the client or an agent for the client. Therefore, the handling of these accounts often differs with regard to the degree of comprehensiveness and directness of the services provided.

USCWA also provides advice on investments in private placements or alternative investments, including hedge funds or limited partnerships, held away from the Firm's primary custodians. Where appropriate, U.S. Capital Wealth Financial Advisers recommend such investments and provide monitoring services or assist with allocations within the investment. These investments can be managed or offered by affiliates of U.S. Capital Wealth. A conflict of interest exists when a U.S. Capital Wealth Financial Adviser recommends an affiliated investment. More detail regarding such conflicts can be found in Section 10 - Other Financial Industry Activities and Affiliates.

U.S. Capital Wealth provides advice related to variable life insurance and other insurance-related products, and assets held in employee sponsored retirement plans and qualified tuition plans (for example, 529 plans) that are maintained at the underwriting insurance company or the custodian designated by the product's provider. For such assets, U.S. Capital Wealth will generally direct or recommend the allocation of client assets among the various investment options available within the product.

#### Fee-Based Financial Planning Services

Fee-based financial planning offers clients an opportunity to develop a customized financial plan designed to illustrate their entire current financial situation. It is primarily offered by U.S. Capital Wealth Financial Advisers who have earned and maintain the Certified Financial Planner (CFP®) certification. The goal of the financial planning process is to work with the client to develop a customized financial plan ("Plan") that provides a comprehensive written report reflecting the client's current financial situation and identifies future opportunities, projections or plans. In conjunction with the client's stated goals, the planning process will often include some or all of the following: comprehensive balance sheet review; lifetime cash flow analysis; survivorship cash flow analysis; corporate executive benefits review; insurance planning; estate documents review; wealth transfer planning; review estate planning needs and goals; philanthropic planning; detailed "cash flow" projections of present financial condition; alternative "cash flow" projections of hypothetical impact of planning recommendations; investment and wealth transfer strategies; tax planning, including estimates of gross estate and income taxes; analysis of the impact of establishing proposed foundations or trusts; and forecasts of assets available to surviving heirs. However, U.S. Capital Wealth does not directly render tax or legal advice.

Fee-based Financial Planning Services are generally provided for an annual fixed fee charged at the initiation of the financial planning relationship and annually thereafter if desired by the client. Clients can place restrictions on securities or types of securities to be considered in the financial plan, if applicable. A qualified Financial Adviser will work with the client to ascertain the full scope of services and the approximate amount of time that the proposed engagement will entail which will allow for the calculation of the fixed fee contract amount.

Financial Planning Services will generally include quarterly meetings. There is no obligation for the continuation of financial planning services unless the client and Financial Advisor agree to extend the term of the services. Should the client want additional services, such as investment advisory services, traditional brokerage services, or lending or insurance services, they will be agreed to and fees charged separately.

### **Customization of Advisory Services**

Each client's needs are different. U.S Capital Wealth tailors its wealth management services to the needs of each client. In order to provide appropriately customized services, the client's Financial Adviser will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile, and other information regarding financial and investment needs. For the Firm to provide effective advisory services, it is important that clients provide accurate and complete information to the Firm and update their information when there is any change in circumstances, objectives or risk tolerance. It is an objective of the Firm to at least annually meet with clients to review their financial circumstances, investment objectives and risk profile, although in many cases U.S. Capital Wealth Financial Advisers have more frequent and regular client contact.

Clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts provided U.S. Capital Wealth determines that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for U.S. Capital Wealth's management efforts. Additionally, it is often not possible to accommodate restrictions when utilizing ETFs, mutual funds or with respect to certain third-party products or services.

### **Breakdown of Assets of Under Management**

As of June 30, 2021, U.S. Capital Wealth Advisors had approximately \$5,918,424,543 in assets under management. Of that amount, \$4,262,965,178 was managed on a discretionary basis and \$1,655,459,365 was managed on a non-discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

### **How We Are Compensated**

The Firm is primarily compensated through the asset-based fees charged to clients for advisory services. The specific fees charged to a client varies from client to client and fee information is disclosed in the agreement executed between the Firm and the client. The maximum allowed



fee that a client can be charged is 3% of the assets subject to the fee. U.S. Capital Wealth's Financial Advisers, with supervisory oversight, are responsible for determining the rate charged to each client based on factors such as total amount of assets involved in the relationship, selection of program and services, any base rate charged for selected third-party advisory account programs, and complexity and mix of the portfolio. This results in accounts of similar type and make up being charged different fees. Different fees, including lower fees, are sometimes negotiated on a case-by-case basis with clients. Accounts that have tiered fee schedules will have such schedules listed in the client agreement. Employees of the Firm are sometimes charged reduced and/or no fees.

Clients receiving financial planning will be charged a fixed fee separate and apart from the asset-based fees described above. For general advisory services, clients can be billed a fixed or an asset-based fee. Financial planning fees are usually based on the approximate amount of time the Financial Adviser anticipates the planning will require. U.S. Capital Wealth Financial Advisers receive a portion of the financial planning fee charged by U.S. Capital Wealth.

### **Fee Payment Processes**

Generally, clients will pay fees quarterly in advance through automatic deductions from their accounts based on the total eligible assets under management. Fee-based services on assets or accounts held away from the Firm's primary custodians will generally be invoiced and paid by check or authorized debits as agreed to with the client. Client can choose either option.

U.S. Capital Wealth's advisory fees are calculated based on quarter-end valuations provided by the custodian. The advisory fee charged by the Firm will apply to all the client's assets under management (including assets managed by External Managers and assets purchased using margin), unless specifically excluded or provided for in the client agreement. Fees are calculated by taking the total assets in a client's accounts at quarter-end, multiplying by the fee rate, dividing by 365, and multiplying by the number of days in the quarter. Fee-based accounts opened in mid-quarter will be assessed a pro-rated amount based on the number of calendar days remaining in the quarter. If a client deposits or withdraws assets (cash and/or securities) with a market value of one hundred-thousand dollars (\$100,000) or more in an account on any given day after the inception of a calendar quarter any additional amount will become subject to additional fees, and the amount redeemed will result in a refund of related fees (effective starting October 1, 2021). If for any reason fees are not automatically billed, the Firm will manually bill the affected accounts. Advisory fee billings will be reflected on the client's account statement, and clients are urged to review them carefully.

If External Managers are utilized, there will be additional fees. The method for calculating these fees, including whether they are paid in advance or arrears, what value they are based on, and how they are paid will be disclosed separately.

Financial planning and other fixed fees are invoiced in accordance with the written agreement with the client. Financial planning fees are typically paid at the beginning of the relationship and annually thereafter as the client renews the service.

## Other Types of Fees and Expenses

Clients will be charged ticket or transaction charges and other administrative and service fees based on the activity in their accounts. Such administrative and service fees include account-related fees such as annual custody fees, wire fees, IRA maintenance and termination fees, transfer of account fees, mailgram fees, reorganization fees, service fees, DRS and certificate related fees, legal transfer and return fees, fees related to ACH, debit, and checking features, stop payment and bounced check fees, and trade extension fees. Some of these fees are directly passed on to clients from the custodian. In other cases, USCWA imposes a charge or adds to the custodian's charge. Your Financial Adviser does not share in any revenue from these charges. See Item 12 Brokerage Practices for more information.

Clients will also be responsible for the following costs, which will often be priced into their investments (i) brokerage commissions, mark-ups or mark-downs and other transaction-related costs; (ii) odd lot differentials and exchange fees, (iii) costs relating to trading in certain foreign securities; and (iv) the internal charges and fees that can be imposed by any collective investment, such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts. Additionally, clients will pay any transfer taxes, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law.

In addition to the costs noted above, clients might incur brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred to a managed account program and liquidated. Note that if the liquidation of in-kind assets occurs in a fee-based account at U.S. Capital Wealth then U.S. Capital Wealth will not receive any additional compensation in connection with such transactions. If the liquidation occurs in a brokerage account at USCA Securities then USCA Securities and the client's Financial Adviser will generally receive compensation. Clients should be aware that if they transfer in-kind assets into a managed program, the assets often will be liquidated immediately or at a future point in time which can incur a charge such as a CDSC. Whether any part of the CDSC charge is paid as compensation to US Capital Wealth and the client's Financial Adviser depends on the specific mutual fund, details will be disclosed in the mutual fund's prospectus or can be provided by your U.S. Capital Wealth Financial Adviser or a U.S. Capital Wealth supervisor. Clients can also be subject to taxes upon the liquidation of such assets. Clients should consult with their legal adviser and tax consultant before transferring in-kind assets into a managed account program. Clients have the option to purchase investment products USCWA recommends through other brokers or agents not affiliated with USCWA.

Clients with FCCS who do not sign up for electronic delivery of statements will be charged an additional fee of \$50 annually (\$12.50 per quarter) to offset the charges assessed by the custodian for mailings including confirmation and statements.

Alternative investments involve additional fees and charges. If the Firm's primary custodians agree to hold such investments, clients will generally pay registration, review, custody and valuation fees. Other fees and charges applicable to alternative investments are disclosed in their respective offering documents.

## **Prepayment of Fees and Termination of Services**

The client can terminate the relationship with the Firm, cancel a grant of discretion or convert an advisory account to a transaction-based brokerage account at any time, effective upon receipt by the Firm of written notice from the client. A pro rata portion of the pre-paid quarterly fee will be reimbursed upon closing of the account (based on the number of days remaining in the quarter). If a client terminates the advisory relationship with the Firm within the first twelve months, the Firm has the option to impose an additional administrative fee of \$100 to offset associated termination costs. Notwithstanding the above, if the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with the Firm, the client has the right to terminate the fee contract without penalty, within five (5) business days after entering into the contract.

Additionally, clients can make additions to and withdrawals from their account at any time, subject to U.S. Capital Wealth's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to decline to accept or hold particular securities in a client's account. Clients can withdraw account assets at any time upon notice to U.S. Capital Wealth, subject to the usual and customary securities settlement procedures. It should be noted, however, that the Firm often designs its portfolios as long-term investments and the withdrawal of assets could impair the achievement of a client's investment objectives. U.S. Capital Wealth will consult with its clients about the options and implications of withdrawals or transfers when appropriate.

## **Sales Charges, Service Fees and Other Firm Compensation**

### Mutual Funds

Mutual fund companies often pay out revenue in the form of 12b-1 and other service fees to firms that market and sell fund shares. These fees are outlined in each fund's prospectus. These fees come from fund assets, and therefore, indirectly from client assets. Many mutual funds offer share classes with no or low 12b-1 fees for eligible investors that are less expensive than 12b-1 fee paying shares. Clients typically earn less on funds that pay 12b-1 fees. USCWA's policies require its Financial Advisers to select or recommend the share class that is in the best interest of the client.

In some cases, USCWA Financial Advisers select or recommend to their advisory clients share classes of mutual funds that pay USCWA or its affiliates 12b-1 and other asset fees. A conflict of interest exists when a USCWA Financial Adviser recommends shares that pay 12b-1 or other service fees to USCWA or its affiliates. To mitigate this conflict, USCWA rebates the mutual fund 12b-1 fees and other service fees it receives from mutual funds purchased or held in advisory accounts to clients.

### Private Placements

Clients who elect to purchase certain unregistered securities, known as private placements or alternative investments, can be charged an upfront placement fee. In some cases, the Firm's affiliated broker-dealer receives all or some of such fee and a portion can be shared with your U.S. Capital Wealth Financial Adviser. Typically, if a U.S. Capital Wealth affiliate receives a portion

of the placement fee in connection with a private placement or other alternative investment recommend by a U.S. Capital Wealth Financial Adviser, then that investment will be excluded from asset-based fee charges for a minimum of twelve months after the purchase. U.S. Capital Wealth and its affiliates receive other compensation from private placement issuers. The details of any fee sharing arrangement both between the Firm and the issuer and the Firm and the client's U.S. Capital Wealth Financial Adviser, will be disclosed to the client in the Alternative Investment Contract ("AIC form") or other relevant documents.

### Insurance

Certain U.S. Capital Wealth Financial Advisers are also licensed as insurance professionals. Such persons earn commission-based compensation for selling insurance products to clients or non-clients. Insurance commissions earned by Financial Advisers who are insurance professionals are separate from and in addition to U.S. Capital Wealth's advisory fee. This practice presents a conflict of interest as a Financial Adviser who is an insurance professional has an incentive to recommend insurance products for the purpose of generating commissions rather than solely based on client needs. Clients are under no obligation to purchase insurance products through any person affiliated with U.S. Capital Wealth.

Some variable insurance products are sold and the Financial Adviser does not receive a commission. In many of these cases, an advisory fee is charged for the ongoing management of the underlying assets in the variable insurance product.

For more information regarding other compensation received by U.S. Capital Wealth, see Item 10 Additional Information - Other Financial Industry Activities and Affiliations.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

U.S. Capital Wealth and its Financial Advisers do not receive performance-based fees, which are fees based on a share of capital gains on or capital appreciation of client assets, and do not participate in side-by-side management, which refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## **Item 7 – Types of Clients**

The Firm offers investment advisory services to individuals, high net-worth individuals, family offices, trusts, estates, charitable organizations, business entities, and retirement/profit-sharing plans. All fee-based accounts opened with U.S. Capital Wealth LLC are considered Firm advisory accounts and generally require an initial minimum portfolio value of \$50,000, though the Firm, at its discretion, will accept accounts below this minimum.

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

A wide range of investment strategies are available for use in their advisory accounts, including higher risk or aggressive investment strategies. U.S. Capital Wealth Financial Advisers provide advice and portfolio management as agreed to by each client. Clients' stated financial condition, risk profile, investment goals, tax situation, and liquidity constraints will guide the Financial

Adviser in making suitable recommendations with regard to specific investments and the selection of portfolio managers.

Certain U.S. Capital Wealth Financial Advisers, supported in some cases by their teams, offer both discretionary and non-discretionary portfolio management, while others offer only discretionary or non-discretionary portfolio management. Additionally, clients have access to many External Managers.

## **Methods of Analysis**

In formulating investment advice U.S. Capital Wealth Financial Advisers utilize a variety of fundamental, technical, quantitative and statistical tools and valuation methodologies and utilize information from a wide range of sources, including but not limited to: financial publications; inspections of corporate activities; company press releases and securities filings; research and due diligence material prepared by U.S. Capital Wealth; rating or timing services; regulatory and self-regulatory reports; third-party data providers and research consultants; outside consultants, experts and other professionals; and other public sources. In addition to information on specific investments, the information sourced and relied on by U.S. Capital Wealth Financial Advisers includes categories such as the economy; industries; groups of securities and individual companies; statistical information; market data; accounting and tax law interpretations; political developments; pricing and appraisal services; credit analysis; risk measurement analysis; performance analysis. As a result of these different methodologies employed, recommendations often differ from, or be inconsistent with, fundamental opinions for the same security. Additionally, client portfolios with similar investment objectives and asset allocation goals will often own different securities and investments.

U.S. Capital Wealth often uses computer-based technology to research investments and strategies and to create asset allocation recommendations. Investments and strategies available are subject to varying degrees of due diligence (quantitative and/or qualitative) and depth of research. Alternative investments and private placements offered by USCWA will be subject to due diligence performed by USCWA.

US Capital Wealth has access to Fiducient Advisors to provide research on investment managers, asset allocation strategies, financial market trends and other topical financial issues. They also provide access to proprietary tools such as Frontier Engineer, which is an asset allocation model, and Portfolio Engineer, a proprietary rebalancing overlay. These are available to assist with the allocation of client assets and the selection of mutual funds, ETFs and other money managers, as well as assist in rebalancing portfolios.

## **Investment Strategies**

Client accounts are managed based on strategies discussed with the client and based on the client's stated investment goals, risk tolerance and objectives. Methods and strategies vary based on the U.S. Capital Wealth Financial Adviser providing advice and whether the account is managed by the U.S. Capital Wealth Financial Adviser or an External Manager. More detail regarding the exact strategies and the types of securities to be used in a client's account are available to the client from their USCWA Financial Adviser.

Generally, strategies are selected or designed based on the risk tolerance, investment objectives, time horizon and needs and goals of the client. This could include aggressive options that have a heavier allocation to equity investments with more of a focus on capital appreciation. Other options include a more balanced or moderate approach, where the account is invested in a combination of equities and fixed income. A more conservative approach is sometimes used which generally has a primary allocation to fixed income, though there can also be some exposure to equities.

The types of equity and fixed income investments used include a variety mutual funds, exchange traded funds, individual securities positions and individual bonds. When approved by the client, strategies could include selling covered calls or the buying of puts and calls. Strategies can include the selling of uncovered puts provided sufficient funds to purchase the equity are maintained in cash or cash equivalent securities in the account. Alternative investments and private placements will also be used when appropriate.

### **Risk of Loss and Other Risks**

Investing in any securities involves risk of loss, including loss of principal. Each client should be prepared to accept such risk of loss and should discuss risks carefully with their Financial Adviser before making any investment and at regular account review meetings. Some investments are intended only for sophisticated investors and involve a high degree of risk. Any strategies with frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Past results are not necessarily indicative of future results. Additional information and concerns about risk should be addressed with your Financial Adviser or any U.S. Capital Wealth supervisor.

General investment risks include:

*Market Risk* involves such things as a drop in a security's price due to company specific events, such as an earnings disappointment or a downgrade in the rating of a bond, or general market activity, such as occurs in a "bear" market when stock values fall in general. Stock markets can be volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Such volatility can be especially severe in certain foreign markets.

*Credit and Interest Rate Risk* can impact all investments but typically impact fixed-income strategies more severely as fixed income investments are inherently sensitive to interest rate fluctuations as well as the inherent credit risk related to the underlying credit worthiness of the various issuers and the volatility of the bond market in general.

*Event Risk.* An adverse event affecting a company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency. Adverse events affecting a country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.

*Liquidity Risk.* Securities that are normally liquid sometimes become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities are infrequently or thinly traded even under normal market conditions.

*Domestic and/or Foreign Political Risk.* The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.

*Inflation Risk.* Countries around the globe will be more, or less, prone to inflation than the U.S. economy at any given time. Companies operating in countries with higher inflation rates often find it more difficult to post profits reflecting its underlying health.

*Currency Risk.* Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Reinvestment Risk.* This risk is that future proceeds from investments will have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

*Operational Risk.* Advisors and other service providers sometimes experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures.

*Regulatory/Legislative Developments Risk.* Regulators and/or legislators could promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the value associated with such investment transactions or underlying securities.

Risks specific to certain investments and strategies include:

*External Managers.* U.S. Capital Wealth sometimes uses certain External Managers to manage a portion of its clients' assets, which has additional risks. In these situations, U.S. Capital Wealth conducts due diligence on such managers, or relies on the due diligence performed by qualified service providers, but the success of such recommendations relies to a great extent on the External Managers' ability to successfully implement their investment strategies.

*Mutual Funds and ETFs.* Mutual funds and ETFs generally own securities and therefore involve the risk of loss that is inherent in investing in securities. The extent of the risk of ownership of fund shares generally depends on the type and number of securities held by the fund. Mutual funds invested in fixed income securities are subject to the same interest rate, inflation, and credit risks associated with the fund's underlying bond holdings. Fixed income securities can decrease in value as a result of many factors, for example, increases in interest rates or adverse developments with respect to the creditworthiness of the issuer. Risks also are often significantly increased if a mutual fund pursues an alternative investment strategy. An investment in an alternative mutual fund involves special risks such as risk associated with short sales, leveraging

the investment, potential adverse market forces, regulatory changes, and potential illiquidity. Investing in alternative strategies presents the opportunity for significant losses. Returns on mutual fund investments are reduced by management costs and expenses.

An ETF's risks include the declining value of the securities held by the ETF, adverse developments in the specific industry or sector that the ETF tracks, capital loss in geographically focused funds because of unfavorable fluctuation in currency exchange rates, differences in generally accepted accounting principles, or economic or political instability, tracking error, which is the difference between the return of the ETF and the return of its benchmark and trading at a premium or discount, meaning the difference between the ETF's market price and NAV. ETFs also are subject to the individual risks described in their prospectus.

Although many mutual funds and ETFs provide diversification, risks can be significantly increased if a mutual fund or ETF is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage to a significant degree, or concentrates in a particular type of security. One of the potential advantages of mutual funds and ETFs is that they give individual investors access to professionally managed, diversified portfolios of equities, bonds and other securities. Although the goal of diversification is to combine investments with different characteristics so that the risks inherent in any one investment can be balanced by assets that move in different cycles or respond to different market factors, diversification does not eliminate the risk of loss. In some circumstances, price movements will be highly correlated across securities and funds. A specific fund is often not diversified, and a client portfolio might not be diversified. Additionally, when diversification is a client objective, there is risk that the strategies will not be successful in achieving the desired level of diversification. There is also risk that the strategies, resources, and analytical methods that the Firm uses to identify mutual funds and ETFs will not be successful in identifying investment opportunities.

*Leveraged and inverse leveraged equity ETFs.* A leveraged ETF generally seeks to deliver multiples of the daily performance of the index or benchmark that it tracks. An inverse ETF generally seeks to deliver the opposite of the daily performance of the index or benchmark that it tracks. Some ETFs are both inverse and leveraged because they seek a return that is a multiple of the inverse performance of the underlying index. In addition to ETFs, some mutual funds are leveraged or inverse -- they are designed to deliver multiples or the inverse of the performance of the index or the benchmark that they track. To accomplish their objectives, leveraged, inverse and leveraged inverse funds use a range of investment strategies, including swaps, futures contracts and other derivative instruments. U.S. Capital Wealth Financial Advisers can recommend to clients or can choose in certain discretionary portfolios to use inverse, leveraged or leveraged inverse funds as a way to profit from or hedge exposure to downward moving markets. Before using any leveraged, inverse or leveraged inverse fund the Financial Adviser will evaluate available information on the fund including how the fund is designed to perform, how it achieves that objective, the impact on performance from market volatility, the use of leverage and the appropriate holding period. The use of inverse and leveraged inverse funds will be closely monitored by the Financial Adviser as part of his trading and hedging strategy. The use of leverage by an ETF increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments, such effects will impact accounts more in volatile markets. Due to the complexity and structure of these portfolios, they might not perform over time in direct or inverse correlation to their underlying index. Please note that in August 2009 the SEC and FINRA issued an investor alert about the use



of leveraged and inverse ETFs in buy and hold strategies.<sup>1</sup> Due to the level of experience and the amount of account monitoring by U.S. Capital Wealth Financial Advisers, U.S. Capital Wealth does not stipulate types of ETFs that are recommended or set a time limit on how long they can be held in client accounts. Clients should assure themselves that they are comfortable with the expertise of their U.S. Capital Wealth Financial Adviser with respect to researching and monitoring these investments before agreeing to hold them in their accounts. In addition, in non-discretionary accounts that invest in such leveraged products clients should be readily available so their U.S. Capital Wealth Financial Adviser can make timely recommendations with respect to any such investment.

*Closed-End Funds.* Closed-end funds typically use a high degree of leverage. They are diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds sometimes trade below their net asset value.

*Options.* As an options holder, clients risk the entire amount of the premium paid, but as an options writer, clients take on a much higher level of risk. There are special risks associated with uncovered option writing which expose the client to potentially significant losses. Therefore, this type of strategy is not suitable for all customers approved for options transactions. Some, but not all, of the risks involved in uncovered call writing include:

- a) The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position and can incur large losses if the value of the underlying instrument increases above the exercise price.
- b) As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.
- c) Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker can request significant additional margin payments. If an investor does not make such margin payments, the broker can liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.
- d) For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
- e) If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

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<sup>1</sup> <http://investor.gov/news-alerts/investor-alerts/sec-finra-investor-alert-leveraged-inverse-etfs>

f) The writer of an American-style option is subject to being assigned and exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

Clients should read and understand the booklet entitled "Characteristics and Risks of Standardized Options" available from their Financial Adviser.

*Concentrated Strategies.* A concentrated strategy that focuses heavily on stocks in certain companies, sectors or geographic regions can be more volatile and presents greater risk of loss, especially over the short term. The more concentrated a portfolio, generally the higher the risk exposure. Because a concentrated portfolio holds a limited number of securities, movements in securities prices could have a greater impact on the value of the portfolio than would occur if the portfolio held more securities. These portfolios are usually not appropriate for investors who are not willing to accept a much greater risk of loss and volatility of investment returns than the general stock market (as typically measured by the S&P 500 Index).

*Initial Public Offerings.* Investments in initial public offerings (or shortly thereafter) often involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which are often not be widely understood by investors. Some of these companies are undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors often contribute to substantial price volatility for such securities and, thus, for the value of the company's shares.

*Structured Notes.* Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation will often include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes sometimes have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which sometimes results in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with us.

Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index can cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note could include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility.

The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes cannot be re-sold on a daily basis and thus are difficult to value given their complexity.

The ability to trade or sell structured notes in a secondary market is often very limited as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on security exchanges. As a result, the only potential buyer for a structured note could be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors often lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that are due on the structured notes.

*Private Placements and Alternative Investments.* These include unregistered securities such as private equity, private real estate, private credit, venture capital, hedge funds, interests in limited partnerships and limited liability companies and similar offerings. These offerings are often subject to legal or other restrictions on transfer and redemptions since a liquid market often does not exist for these types of securities. Investors might not be able to redeem when desired and realize previously provided market value or even fair value when sold. Determining the fair market value of private investments can be difficult and the expense of owning private investments and partnerships is generally higher than when compared to public offerings.

These investments are subject to a variety of risks as outlined in the offering materials for each particular investment. Their value will generally fluctuate with among other things the financial conditions of the obligors on or issuers of assets, general economic conditions, the condition of certain financial markets, political developments and developments or trends in the particular industries invested in. With respect to synthetic securities, the value is often also impacted by the financial condition of the related synthetic security counterparties and the obligors or issuers of the underlying obligations. Private investments are subject to lower reporting requirements and are less transparent than traditional investments.

*High-risk Strategies.* Such strategies have the potential for substantial returns; however, there are correspondingly significant risks involved in the strategies and are not intended for all types of clients. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up to and the possible loss of their entire investment.

- International securities involve special additional risks, including currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets can accentuate these risks.
- Small, capitalized companies involve risks, including relatively low trading volumes, a greater degree of change in earnings, and greater short-term volatility. Smaller companies typically have a higher risk of failure and are not as well established as larger blue-chip companies.
- Growth strategies can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks.
- High-yield bond strategies invest in lower-rated debt securities (commonly referred to as junk bonds) and involve additional risks because of the lower credit quality of the securities in the portfolio. Clients should be aware of the possible higher level of volatility and increased risk of default. Municipal investment strategies can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.
- Tactical and dynamic investment strategies involve more frequent trading than the traditional "buy-and hold" investment strategies. Such trading can increase transaction costs and create more short-term tax gains than client is used to seeing in other types of strategies.

*Margin.* There are additional risks associated with the use of margin including:

- **Leverage Risk.** Unfavorable market moves can negatively impact the value of your investments more rapidly. Leveraging exposes an account to greater downside risk versus paying for securities in full because if the securities acting as collateral lose enough value, you must either repay the loan or deposit more money in the account.
- **Interest Rate Risk.** You must pay interest on your margin loan and the interest rate will fluctuate during the time you have your loan.
- **Maintenance Call Risk.** If the equity in your account falls below the brokerage firm's minimum maintenance requirement due to the value of the shares held for collateral dropping, you will need to deposit cash or additional collateral into your account promptly.
- **Forced Liquidation Request.** If you fail to meet a margin call, the brokerage firm will likely close-out some or all the securities in your account without contacting you.

Other Risks:

*Business Continuity Risk.* U.S. Capital Wealth has adopted a business continuity plan ("BCP") to maintain critical functions in the event of a partial or total outage of our business operations which are designed to limit the impact on Clients. However, U.S. Capital Wealth's ability to conduct business could be impacted by a disruption in the infrastructure supporting operations, and the regions in which the Firm's offices are located. Additionally, asset management activities will likely

be adversely impacted if certain service providers fail to make their services available during the outage.

*Cybersecurity.* The computer systems, networks and devices used by U.S. Capital Wealth employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, human error, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality.

Cybersecurity breaches can cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by U.S. Capital Wealth and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs are often incurred by these entities to prevent any cybersecurity breaches in the future.

*Outbreak.* An epidemic outbreak or pandemic, and reactions thereto could cause uncertainty in markets and businesses, including U.S. Capital Wealth's business, and can adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. U.S. Capital Wealth has policies and procedures to address known situations, but because a large epidemic or pandemic could create significant market and business uncertainties and disruptions, not all events that could affect U.S. Capital Wealth's business and/or the markets can be determined and addressed in advance.

## **Item 9 – Disciplinary Information**

As a registered investment advisor, the Firm is required to disclose all material facts regarding any legal or disciplinary event that would be material to a client's evaluation of the Firm or the integrity of management personnel. Neither U.S. Capital Wealth nor any of its owners, management team members or Financial Advisers have been involved in any events that the SEC has identified as presumptively material.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

From time to time, U.S. Capital Wealth and/or its affiliates engage in certain business practices or receive compensation or other benefits that create a conflict between the interests of clients and the interests of U.S. Capital Wealth and its affiliates. U.S. Capital Wealth addresses conflicts of interest by disclosing them to clients through documents provided to clients prior to entering

into agreements with them. In addition, U.S. Capital Wealth is subject to policies and procedures that require its employees to provide investment advice that is appropriate for and in the best interest of advisory clients (based upon the information provided by such clients); make full disclosure of all potential, material conflicts of interest; act with good faith in dealings with advisory clients; and seek to obtain "best execution" of advisory client transactions.

Clients are urged to read and consider the contents of this Brochure carefully and to inquire about U. S. Capital Wealth's various sources of compensation and conflicts of interest. Additional disclosures on fees, services, and conflicts of interest are available upon request.

## **USCA Securities and FCCS**

Some of the Firm's Financial Advisers, including several of the Firm's principal executive officers and management persons, are registered individually with USCA Securities, a FINRA broker-dealer, as registered representatives and have ownership interests in USCA Securities' parent company, US Capital Advisors LLC. USCA Securities operates its brokerage business under a fully disclosed clearing relationship with FCCS. USCA Securities registration as a FINRA broker-dealer is material to the Firm's business because many of U. S. Capital Wealth's advisory clients open an account with USCA Securities and FCCS, with the custody, clearing and execution in such accounts handled by FCCS. As discussed below and in other sections of this Brochure, the Firm's affiliation with USCA Securities and its relationship with FCCS creates material conflicts of interests with its clients. (Note that accounts custodied at Charles Schwab are not required to open an account with USCA Securities.)

Through its clearing relationship with FCCS, the Firm receives economic and non-economic benefits, which create a conflict of interest. Non-economic benefits include, but are not limited to, a dedicated service group and relationship manager to handle U.S. Capital Wealth accounts on the FCCS platform, online access to clients' account statements and other account information, access to third-party research and technology, access to a trading desk, access to block trading, the ability to have client fees directly debited from client accounts, electronic downloads of trades, balances, and position information, and access to Fidelity and non-Fidelity mutual funds. Additionally, through FCCS, U.S. Capital Wealth has access to business consulting and professional services and can receive payment or reimbursement of expenses such as travel, lodging, meals and related costs to attend conferences or meetings sponsored by FCCS, its service providers, or related parties. Further, through its relationship with FCCS, U.S. Capital Wealth has access to the Envestnet Programs and receives investment advisory service tools, such as administrative and technology services, from Envestnet. U.S. Capital Wealth Financial Advisers can use the tools provided by FCCS and Envestnet to serve clients of U.S. Capital Wealth as well as affiliates such as USCA Securities.

These systems and support help U.S. Capital Wealth manage client accounts maintained at FCCS, but they provide other benefits to U.S. Capital Wealth and its affiliates that do not benefit clients. Receipt of these systems and support creates a conflict of interest in that U.S. Capital Wealth and its affiliates have an incentive to select or recommend FCCS based on the systems and support provided rather than the most favorable execution of client transactions.

In addition to the foregoing, affiliates of U.S. Capital Wealth receive the following economic benefits from FCCS:

## Margin Interest and Non-Purpose Loans

For USCWA clients with accounts at USCA Securities and FCCS, margin and non-purpose loans are available through FCCS in certain circumstances. FCCS establishes a base cost charged to USCA Securities, which is the “cost to carry” the loans. USCA Securities has discretion to charge more than this base interest rate or “markup” the interest rate that is charged to the client. FCCS pays USCA Securities a substantial portion of the interest above the base rate charged on clients’ margin and non-purpose loans. Although USCA Securities does not share any of the interest amounts received with client’s U.S. Capital Wealth Financial Adviser, Financial Advisers recommending the use of margin and non-purpose loans to clients increases revenue to USCA Securities and indirectly benefits the Financial Adviser as a unitholder in its parent company. Although USCA Securities negotiates almost all rates directly with clients and marks them up below the standard grid that is suggested by FCCS, the fact that USCA Securities marks up margin and non-purpose loan interest rates incentivizes the advisor to set a higher rate in order to increase compensation to USCA Securities.

## **Affiliated External Managers**

### Piton Investment Management, LP

U.S. Capital Wealth Financial Advisers can recommend that clients engage Piton Investment Management, LP (“Piton”) as an External Manager. The general partner of Piton is Piton Management LLC (“Piton Management”). James Fortescue and other indirect owners of USCWA not involved in the management of Piton own minority interests in Piton Management. The chief executive officer of Piton and a controlling owner of Piton Management is Mr. Fortescue. He became the Managing Partner of U.S. Capital Wealth on August 9, 2019, and is the owner of a minority, non-controlling interest in U.S. Capital Wealth. Willa Sheridan, Chief Operating Officer of U.S. Capital Wealth is also Chief Operating Officer of Piton. Due to these relationships, there is a conflict of interest when a USCWA Financial Adviser recommends that a client engage Piton. Piton and its owners benefit financially from such recommendations. However, USCWA Financial Advisers are required to ensure that such a recommendation is in the best interests of the client. It is important that client’s engaging Piton understand this conflict and make an informed decision. Any questions regarding these conflicts can be directed to the Firm. Clients are not obligated to use Piton’s services.

Conflicts also arise in the management of USCWA due to its management team’s roles at Piton. The amount of compensation they receive from each entity is different and the amount of time they spend at each entity is different. The compensation and time spent for each role will change over time. Please see Piton’s Form ADV Part 2A for additional disclosures and relationships regarding Piton and its owners and executive officers.

## **Affiliated Private Placements and Feeder Funds**

From time-to-time U.S. Capital Wealth will recommend certain unregistered securities, known as private placements or alternative investments, to clients. In some instances, an affiliate of U.S. Capital Wealth acts as the issuer of the private placement, typically through a “feeder fund”, in the majority of the cases however the private placement will be offered by a third-party unaffiliated with U.S. Capital Wealth. The private placement offering will have a disclosure

document, typically called a Confidential Memorandum, a Private Placement Memorandum ("PPM"), or other disclosure documents, which will detail the fees and expenses of the investment. In addition, U.S. Capital Wealth requires clients to sign a separate agreement for each private placement recommended by U.S. Capital Wealth which summarizes the fees and expenses and clarifies any payouts to or fee sharing with the Firm and the client's Financial Adviser.

Private placements are purchased in discretionary accounts managed by a U.S. Capital Wealth Financial Adviser when appropriate if authorized by the client. Typically, if U.S. Capital Wealth or an affiliate receives a portion of the placement fee in connection with a private placement or other alternative investment recommended by a U.S. Capital Wealth Financial Adviser, then that investment will be excluded from asset-based fee charges for a minimum of twelve months after the purchase.

## **Other Vendors and Service Providers**

### Halo Investing, Inc.

Halo Investing, Inc. ("Halo") is a Structured Note Platform used to create customized Structured Note investments and Halo Defined Notes. Clients of USCWA can purchase structured notes using the Halo Structured Notes platform either directly or through Piton. U.S. Capital Wealth's Managing Member, Mr. Fortescue, owns a non-controlling minority interest in Halo and serves on the Board of Directors. Mr. Fortescue is not involved in the services provided by Halo to USCWA clients. However, a conflict of interest exists when a client purchases a structured note through Halo because it increases revenue to Halo and to Mr. Fortescue as an owner. However, USCWA Financial Advisers are required to make recommendations that are in the best interest of the client and clients are not obligated to purchase notes through Halo.

### Mutual Fund Wholesalers

U.S. Capital Wealth and its Financial Advisers receive non-cash compensation from mutual fund companies, investment managers, UIT sponsors, annuity providers, insurance vendors and sponsors of products that are sold to U.S. Capital Wealth clients. Such compensation consists of occasional gifts up to \$100 per vendor per year; occasional meals, tickets or other entertainment of reasonable and customary value; sponsorship support of educational or training events, including educational events Financial Advisers arrange for clients and prospects; and payment of expenses related to training and education of employees, which usually include a non-training element; various forms of marketing support; and analytical and record keeping tools used by U.S. Capital Wealth's Financial Advisers. The receipt of these benefits provides an incentive to recommend the products of those vendors over those who do not provide such things. To mitigate this conflict, the Firm's supervisors periodically review clients' portfolios to ensure they are consistent with the clients' investment goals.

## **Other Affiliated Entities**

### **ClearShares, LLC**

ClearShares, LLC ("ClearShares") is an investment advisory firm whose core business is providing investment and strategic advice, investment solutions and related advisory services to Registered Investment Companies. ClearShares provides advisory services to three ETFs, ClearShares OCIO



ETF (NYSE:OCIO), ClearShares Ultra-Short Maturity ETF (NYSE:OPER) and ClearShares Piton Intermediate Fixed Income ETF (NYSE: PIFI). Some indirect owners of USCWA own minority, non-controlling interests in ClearShares, LLC through an LLC structure. Piton acts as a sub-advisor to PIFI and also provides investment services to OPER and OCIO. USCWA Financial Advisers can purchase shares of OCIO, OPER, and PIFI in client accounts. A conflict of interest when Financial Advisers recommend the products because it increases revenue to ClearShares and owners of ClearShares. However, USCWA Financial Advisers are required to make recommendations that are in the best interest of the client and clients are not obligated to the ETFs managed by ClearShares.

## **U.S. Capital Advisors and its Subsidiaries**

Some of the Firm's Financial Advisers, including several of its principal executive officers and management persons, have ownership interests in US Capital Advisors LLC. In addition to USCA Securities, U.S. Capital Advisors owns or controls several other entities which provide products or services to some USCWA clients. These include: USCA Asset Management LLC, an SEC registered investment advisor; USCA Investment Holdings LLC; USCA Insurance Agency LLC; USCA Family & Executive Services LLC; USCA Municipal Advisors LLC; USCA LL&B I Co-Investment LP; USCA LL&B II Co-Investment LP; USCA BPCAP LP; USCA Capital Royalty II (levered and unlevered); USCA Badger Midstream LP; USCA Resource Minerals Co-Investment I LP ; USCA Resource Minerals Co-Investment II LP; USCA Tailwater Midstream I LP; USCA Tailwater Midstream III, LP; USCA Fifth Corner Property Fund, LP; USCA Fifth Corner Property Fund II, LP; USCA 6 BLVD Place Investors, LP; and USCA Real Estate Ventures GP I LLC.

USCA Insurance Agency facilitates the offering of certain limited insurance products from major carriers to clients. It does not conduct any independent insurance business or offer its own insurance products. USCA Family & Executive Services LLC offers administrative and reporting services to select family office clients. USCA Municipal Advisors LLC provides financial advisory services to municipalities and other governmental entities. USCA LL&B I Co-Investment LP; USCA LL&B II Co-Investment LP; USCA BPCAP LP; USCA Capital Royalty II (levered and unlevered); USCA Badger Midstream LP; USCA Resource Minerals Co-Investment I LP ; USCA Resource Minerals Co-Investment II LP; USCA Tailwater Midstream I LP; USCA Tailwater Midstream III, LP; USCA Fifth Corner Property Fund, LP; USCA Fifth Corner Property Fund II, LP; USCA 6 BLVD Place Investors, LP; and USCA Real Estate Ventures GP I are entities formed by U.S. Capital Advisors under its affiliate, USCA Investment Holdings LLC, to manage client investments held in affiliated "feeder funds" which were formed to facilitate client investments, generally at lower minimum amounts, into select private equity deals.

USCA Asset Management provides advisory services to three funds: one private fund of hedge funds and two registered funds (the "USCA AM Managed Funds"). The USCA Absolute Return Strategy Fund is a private fund of hedge funds that was acquired by the USCA Group in 2013 with the acquisition of Condera Advisors, LLC, an advisory boutique focused on alternative investments. This fund invests assets with, or in, a group of managers or funds pursuing alternative strategies. Phil Pilibosian acts as manager of the USCA Absolute Return Strategy Fund but is primarily a Financial Adviser for clients of USCWA.

The USCA All Terrain Fund is a closed-end, non-diversified fund registered under the Investment Company Act, launched by USCA Asset Management LLC in July 2015. The USCA All Terrain Fund

employs a multi-manager, fund-of-funds approach by investing predominantly in non-affiliated collective investment vehicles, including privately offered investment funds commonly known as "hedge funds" and publicly traded funds, including exchange-traded funds and mutual funds. David Harris acts as manager of the USCA All Terrain Fund but is primarily engaged as a Financial Adviser with USCWA. Some clients of USCWA invest in the USCA All Terrain Fund.

The Ziegler FAMCO Hedged Equity Fund (formerly the USCA Premium Buy-Write Fund) ("SHLDX") is a mutual fund registered under the Investment Company Act. SHLDX was launched by USCA Asset Management in November 2016 and purchased by Ziegler Capital Management in 2020. SHLDX invests primarily in common stocks of large-cap companies and exchange-traded funds ("ETFs") that invest primarily in large-cap common stocks and sells (writes) call options on a majority of these stocks and ETFs. SHLDX also purchases and sells exchange traded put options, employing an option overlay known as a "Put/Spread" strategy in order to provide additional downside protection and risk-reduction. Kelly and Davis Rushing act as portfolio managers for SHLDX but are primarily engaged as Financial Advisers with USCWA. Kelly and Davis Rushing manage discretionary portfolios for clients of USCWA using an equity covered call strategy similar to that of the fund. Some clients of USCWA sometimes invest in SHLDX.

To the extent that the same investment opportunities might be desirable for a USCA AM Managed Fund and an advisory client, conflicts could arise in determining how to allocate them. The Firm has adopted policies designed to mitigate such conflicts. For more information regarding the USCA AM Managed Funds please see the Form ADV for USCA Asset Management available here: <https://adviserinfo.sec.gov/firm/summary/137045>.

The existence of and relationships between the U.S. Capital Advisors entities creates various conflicts for clients, as the growth and profitability of each of the affiliates increases the overall value of U.S. Capital Advisors and in turn the potential value of ownership units of U.S. Capital Advisors (a majority of which are owned by USCWA Financial Advisers and employees). This creates an incentive for USCWA Financial Advisers to recommend products and services offered by affiliates. However, USCWA Financial Advisers are required to make recommendations that are in the best interest of the client and clients are not obligated to purchase products and services from affiliates.

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

The Firm has adopted a Code of Ethics as required by Rule 204A-1 under the Investment Advisers Act of 1940. The Code of Ethics contains provisions that remind employees of their obligations to clients and obligations to comply with federal securities laws, set forth standards of conduct, restrict personal securities trading and require reporting of personal securities transactions and holdings. Clients and prospective clients can request a copy of the Firm's Code of Ethics by contacting the Firm, either through their Financial Adviser or by use of the phone number on the front of this brochure.

The Firm does not buy and sell securities for its own account and generally does not permit the purchase or sale of securities on a principal basis from its clients. However, from time to time the Firm affects trades for advisory clients on a riskless principal basis through its affiliated broker-dealer, USCA Securities. In such cases the buyer is identified prior to the transaction, advisory

clients receive the same price as USCA Securities, and notice that USCA Securities acted in a principal capacity is provided to the client on the confirmation of the transaction.

Financial Advisers buy or sell securities identical or similar to those securities recommended to clients and therefore have an interest or position in certain securities that are also recommended and bought or sold to clients. This creates a conflict of interest. U.S. Capital Wealth monitors employee trading to ensure that Financial Advisers do not trade ahead of their own clients to the detriment of the client. When U.S. Capital Wealth's Financial Advisers purchase or sell securities for their own accounts, processes and procedures are in place to make sure the client is treated fairly, including the monitoring of trades made by employees in their personal accounts. U.S. Capital Wealth reviews trades in order to identify and remedy situations in which a Financial Adviser traded ahead one of their clients and received a better price than their client. Note that U.S. Capital Wealth Financial Advisors and employees sometimes unintentionally trade ahead of firm clients that they or their teams do not serve when they are unaware of those clients' trades, and generally these trades are not adjusted.

The Firm monitors all security holdings of our associated persons. U.S. Capital Wealth employees are prohibited from trading on non-public information or sharing such information. The Firm conducts its securities and investment advisory business in accordance with applicable Federal and State securities regulations. U.S. Capital Wealth and its affiliates do not maintain an inventory of investments for resale and, other than the riskless principal transactions described above, does not buy or sell securities for itself that it recommends to (or purchases or sells for) clients.

## **ITEM 12 – BROKERAGE PRACTICES**

Client assets must be maintained in an account at a "Qualified Custodian." U.S. Capital Wealth has selected FCCS and Schwab as its primary custodians/brokers to hold client assets and execute transactions on terms it believes are advantageous when compared to other available providers and their services. Both are "Qualified Custodians" as that term is described in Rule 206(4)-2 of the Investment Advisers Act of 1940. Each broker-dealer/custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed by U.S. Capital Wealth > When your accounts are custodied at FCCS or Schwab, they will hold your assets in a brokerage account and buy and sell securities when we instruct them to.

In deciding to recommend FCCS and Schwab, some of the factors that U.S. Capital Wealth considers include:

- Trade order execution and the ability to provide accurate and timely execution of trades;
- The reasonableness and competitiveness of commissions and other transaction costs;
- Access to a broad range of investment products;
- Technology that integrates within USCWA's environment, including interfacing with USCWA's portfolio management system;
- A dedicated service or back-office team and its ability to process requests from U.S. Capital Wealth on behalf of its clients;
- Ability to provide U.S. Capital Wealth with access to client account information through an institutional website; and

- Ability to provide clients with electronic access to account information and investment and research tools.

In exchange for using the services of FCCS and Schwab, U.S. Capital Wealth receives, without cost, computer software and related systems support that allows U.S. Capital Wealth to monitor and service its clients' accounts maintained with such broker-dealer/custodian.

FCCS and Schwab also make available to the Firm products and services that benefit the Firm but not directly benefit the client or the client's account. They include investment research, both FCCS and Schwab's own and that of third parties. U.S. Capital Wealth uses this research to service all or some substantial number of client accounts, including accounts not maintained at FCCS and Schwab. We do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. In addition to investment research, FCCS and Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping, and client reporting.

FCCS and/or Schwab also offer other services intended to help the Firm manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

FCCS and/or Schwab provide some of these services itself. In other cases, they will arrange for third-party vendors to provide the services to the Firm and also discounts or waives fees for some of these services or pays all or a part of a third party's fees. FCCS and Schwab also provide the Firm with other benefits such as occasional business entertainment of Firm personnel.

Other benefits received in the past include reimbursement of Account Exit Fees to clients. These funds were used toward exit fees for client accounts that were transferred to Schwab. Schwab has also paid for eligible third party vendor services and services provided by Schwab affiliates for marketing, technology, consulting or research expenses. U.S. Capital Wealth also receives benefits related to marketing services, compliance services and the use of client relationship management ("CRM") systems.

Those advisory clients of U. S. Capital Wealth who do not open accounts with USCA Securities and FCCS will generally custody their accounts and obtain brokerage services from Schwab. USCWA receives certain economic and non-economic benefits from Schwab, which create a conflict of interest. Non-economic benefits include, but are not limited to, a dedicated service group and relationship manager to handle U.S. Capital Wealth accounts on the Schwab platform, access to third-party research and technology, access to a trading desk, and access to block trading. Additionally, through Schwab, U.S. Capital Wealth has access to business consulting and professional services and receives payment or reimbursement of expenses such as travel, lodging, meals and related costs to attend conferences or meetings sponsored by Schwab, its service providers, or related parties.

These systems and support help U.S. Capital Wealth manage client accounts maintained at Schwab but they provide other benefits to U.S. Capital Wealth and its affiliates that do not benefit clients. Receipt of these systems and support creates a conflict of interest in that U.S. Capital Wealth and its affiliates have an incentive to select or recommend Schwab based on the systems and support provided rather than the most favorable execution of client transactions.

In addition to the foregoing, US Capital Wealth has received the following economic benefit from Schwab:

#### Schwab Loan

Charles Schwab & Co., Inc. ("Schwab") has provided a loan to the Firm to assist its business development as part of a business combination consummated involving certain assets of U.S. Capital Advisors, LLC. The loan is guaranteed by an owner of the Firm. The terms of the loan require that management fees to the Firm be paid into an account at Schwab for deduction of interest and principal payments on the loan before the Firm may access such management fees. The loan agreement contains various representations and covenants by the Firm, including, among others, that the Firm will maintain at least \$3,000,000,000 in end client net assets held at Schwab ("Assets Under Management at Schwab"), and that the Firm will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have an adverse effect on the Firm's ability to perform services for you.

Some of the products, services and other benefits provided by Schwab, including the loan noted above, benefit the Firm, an owner and principals of the Firm and may not benefit the Firm's client accounts. The Firm's recommendation that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to the Firm, or the Firm's agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

The Firm places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. The Firm may use a broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that the Firm is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers.

These products and services received benefit U.S. Capital Wealth in that it does not have to purchase or otherwise obtain them. The benefits incentivize U.S. Capital Wealth to routinely recommend and direct clients to use FCCS and Schwab as custodian over custodians who do not offer such products and services, or that could have more favorable execution. Although we seek to do what is in the client's best interest, this does result in a conflict of interest.

U.S. Capital Wealth does not use commissions to pay for research and brokerage services (i.e., soft-dollar transactions).

#### Client-Directed Brokerage

Generally, in the absence of specific instructions to the contrary, for brokerage accounts that clients engage U.S. Capital Wealth to manage on a discretionary basis, U.S. Capital Wealth has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and affect securities transactions through the broker-dealer/custodian of the client's account or other broker-dealers selected by U.S. Capital Wealth. In selecting a broker-dealer to execute a client's securities transactions, U.S. Capital Wealth seeks prompt execution of orders at favorable prices.

A client, however, can instruct U.S. Capital Wealth to custody his/her account at a specific broker-dealer and/or direct some or all his/her brokerage transactions to a specific broker-dealer.

In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if U.S. Capital Wealth exercised its discretion in selecting the broker-dealer to execute the transactions. Directing brokerage to a particular broker-dealer often involves the following disadvantages to a directed brokerage client:

- USCWA's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- such clients could be denied the benefit of USCWA's experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- the client could receive less favorable prices on securities transactions because U.S. Capital Wealth could place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

In addition to accounts managed by U.S. Capital Wealth on a discretionary basis where the client has directed the brokerage of his/her account(s), certain institutional accounts are managed by U.S. Capital Wealth on a non-discretionary basis and are held at custodians selected by the institutional client. The decision to use a custodian and/or broker-dealer generally resides with the institutional client. U.S. Capital Wealth endeavors to understand the trading and execution capabilities of any such custodian and/or broker-dealer, as well as its costs and fees. U.S. Capital Wealth sometimes assists the institutional client in facilitating trading and other instructions to the custodian and/or broker-dealer in carrying out USCWA's investment recommendations.

## Conflicts Related to USCA Securities

Most of U.S. Capital Wealth's advisory clients custody their accounts at FCCS or Schwab. For accounts custodied at FCCS, trades are directed to USCA Securities, as an introducing broker with execution and clearing provided by FCCS. For a description of U.S. Capital Wealth's relationship with USCA Securities, see Item 10 ("USCA Securities and FCCS"). U.S. Capital Wealth permits the use of other broker-dealers on a case-by-case basis. Although U.S. Capital Wealth believes its relationship with USCA Securities is beneficial to its clients, as described in Item 10, USCWA and its affiliates receive substantial economic and non-economic benefits from using USCA Securities and FCCS for its advisory clients' accounts. The additional compensation and other benefits received from the custodians creates a significant conflict of interest with the Firm's clients because USCWA and affiliated entities have a substantial economic incentive to use USCA Securities and FCCS over custodians who do not provide such benefits to USCWA and its affiliates. Additionally, by using its affiliate or the client's custodian as the broker-dealer for its advisory accounts, U.S. Capital Wealth might be unable to achieve the most favorable execution for client transactions, which can cost clients more money. While USCWA places trades for its clients subject to its duty to seek best execution, the execution quality between FCCS, Schwab, and other broker-dealers often differ.

## Best Execution

The Firm believes that having Schwab and FCCS execute the majority of its client trades is consistent with its duty to seek "best execution". Best execution means receiving favorable terms for a transaction based on all relevant factors. Schwab and FCCS actively manage customer orders through a proprietary order routing system, and monitor multiple execution quality criteria, execution price, price improvement, execution speed, and effective spread. FCCS, through Fidelity Capital Markets, has an internal order flow management team that is independent from its market making and specialist desks. This team directs order flow to the best performing market makers and market centers. The order flow management team uses both internal and external technology to generate reports that identify any order that executes outside the National Best Bid or Offer ("NBBO").

U.S. Capital Wealth periodically reviews Schwab and FCCS's brokerage execution quality. Factors considered in such reviews include, but are not necessarily limited to:

- Commission and transaction fees;
- Ability and willingness to correct errors;
- Value of research provided/soft dollars;
- Financial Responsibility;
- Responsiveness;
- Promptness of execution; and
- Quality of overall execution services provided by the broker-dealer.

For accounts held at FCCS, USCWA Financial Advisers on occasion, in an effort to get better execution, direct client orders to USCA Securities' institutional trading desk for execution. USCA Securities' trading desk routes customer equity orders to national securities exchanges,

alternative trading systems, which can include electronic communications networks, and other market centers. In exchange for routing equity orders to certain market centers, USCA Securities can receive monetary rebates per executed share for equity orders that add liquidity to its book and/or rebates for aggregate exchange fees.

### **Aggregation of Trade Orders**

U.S. Capital Wealth's Financial Advisers often manage their client's accounts independently of one another based on each client's specific needs, risk tolerances and investment objectives. Therefore, transactions for each client account are often executed independently. However, Financial Advisers sometimes "bunch" or aggregate transactions in the same security for clients executed on the same day when the Financial Adviser makes a good-faith determination that such bunching of transactions will be beneficial to the clients. All accounts that are allocated trades from a bunched order receive the average price of the execution. Generally aggregating trades can result in better prices than are achieved through individual transactions and offer more efficient and consistent management of discretionary portfolios. Clients do not incur different costs for aggregated or non-aggregated trades.

### **Client Referrals and Directed Brokerage**

U.S. Capital Wealth's relationship with USCA Securities, FCCS and Schwab is not in the nature of directing clients in exchange for client referrals. However, USCWA and its affiliates receive considerable economic and non-economic benefits from directing clients to use USCA Securities, FCCS, and Schwab for trade execution, clearance, and settlement services. For detail regarding U.S. Capital Wealth's relationship with USCA Securities and FCCS and related conflicts of interest, see Item 10 – Other Financial Industry Activities and Affiliations.

## **ITEM 13 – REVIEW OF ACCOUNTS**

U.S. Capital Wealth performs supervisory reviews of client accounts. These reviews vary depending on the nature of the account and can include comparing account holdings to the client's stated objectives and risk tolerances, reviewing the billing rate and calculations for the fees charged, reviewing for concentrations in a single security, and/or accounts with heavy trading activity. They are reviewed at the discretion of the designated supervisor, but not less than annually. Transactions in accounts managed on a discretionary basis by third-party managers are not subject to suitability reviews by the Firm; instead, the Firm relies on the controls in place with the third-party manager. The Firm does not verify performance data provided to it by third parties.

Clients will receive (at a minimum) annual performance reports, which can be oral, written or accessed electronically and will receive from Schwab or FCCS either quarterly or monthly account statements and confirmations in paper form or electronically through on-line access. Account statements reflect all securities and cash transactions in the account as well as current positions and values. Performance reports could aggregate data (provided by Schwab, FCCS and other custodians) for related accounts and will reflect holdings and values as well as performance data that could include comparisons to benchmarks. Performance reports are provided for informational purposes only, should not be relied upon, and do not supersede clients account statements.



The U.S. Capital Wealth Financial Adviser will periodically contact the client to request updated financial and personal information and to determine if there have been any changes in the client's investment objectives or personal circumstances that could impact the ongoing suitability of the account. Reviews can also be conducted at the request of the client.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

U.S. Capital Wealth has entered into referral arrangements with certain unaffiliated individuals and firms that act as solicitors and from time-to-time refer potential investors to U.S. Capital Wealth for investment management services. Each arrangement must be in compliance with Rule 206(4)-3 of the Investment Advisers Act. For each successful referral, U.S. Capital Wealth will pay to the solicitor a fee which represents a fixed amount or a percentage of the investment management revenue that U.S. Capital Wealth charges and collects from the client. The length of each arrangement varies. In all cases, U.S. Capital Wealth requires that potential clients be provided a copy of U.S. Capital Wealth's ADV 2A and Part 3 (Form CRS) as well as the terms of the specific referral arrangement. U.S. Capital Wealth does not charge a referred client investment management fees that are higher than its standard rates.

Additionally, U.S. Capital Wealth and its affiliates have entered and will continue to enter into agreements with alternative investment platforms and asset managers for the receipt of a portion of fees charged by these managers in connection with clients' investments with these managers or in funds managed by these managers (the portion of these fees received by the Firm or its affiliates referred to herein as "Referral Fees"). Referral Fees are not payable by U.S. Capital Wealth's clients, but rather are payable out of the fees earned by these managers. The receipt of Referral Fees could encourage U.S. Capital Wealth and its Financial Advisors to recommend a manager or their fund to their clients over alternatives that do not provide such compensation. The presence of a referral relationship and the receipt of this type of compensation will be disclosed to a client at or prior to the time it makes an investment, which would give rise to the receipt of this type of compensation.

For a description of other benefits received by the Firm in connection with its advisory services see Item 10 – Other Financial Industry Activities and Affiliations.

#### **ITEM 15 – CUSTODY**

FCCS serves as the qualified custodian for accounts opened with USCA Securities and FCCS, and Schwab serves as the qualified custodian for accounts opened with Schwab. FCCS and Schwab are responsible for providing account statements and confirmations to clients. FCCS and Schwab's statements and confirmations are the only official record of activity in client accounts, and clients should carefully and timely review such account statements and confirmations and contact the Firm if there are any problems or concerns. From time to time, Financial Advisers accommodate client requests by providing other account summaries or snapshots; however, any such informal account presentations do not supersede clients account statements and should not be relied upon. Client account information from FCCS, Schwab, and other custodians are often provided to third parties the Firm uses to assist in account management and recordkeeping in accordance with USCWA's Privacy Policy.

While FCCS and Schwab maintain actual custody of clients' accounts, U.S. Capital Wealth is deemed to have custody in connection with certain business practices including direct debiting of fees and the use of certain standing letters of authorization. USCWA has adopted controls around these practices.

## **ITEM 16 – INVESTMENT DISCRETION**

U.S. Capital Wealth offers discretionary and non-discretionary account management. When clients select discretionary management, U.S. Capital Wealth and its Financial Advisers and/or External Managers are given authority in the client's advisory agreement(s) to determine the securities bought and sold in the client's account. This authorization does not grant U.S. Capital Wealth or its Financial Advisers the right to withdraw or direct the withdrawal of any funds or securities from clients' advisory account(s) except as specifically authorized by the client for deduction of advisory fees or in connection with standing letters of authorization executed by the client. Any limitation to the trading authorization that the client wishes to impose must be submitted in writing by the client and agreed to by the client's USCWA Financial Adviser or the relevant External Manager.

Clients are able to contact and consult with their U.S. Capital Wealth Financial Adviser as needed. External Managers are reasonably available to consult with participating clients. It is recommended that clients contact External Managers through or with their U.S. Capital Wealth Financial Adviser so that the U.S. Capital Wealth Financial Adviser can provide consistent and holistic advice.

## **ITEM 17 – VOTING CLIENT SECURITIES**

The Firm will not provide notice, render any advice, or take any action in connection with proxies or class action litigation associated with securities purchased or held in client accounts and the granting of discretion in connection with the management of client accounts will not impose any such obligation on the Firm. Certain External Managers with whom clients invest through the Firm will adopt policies for proxy voting, which will be disclosed to the client by the External Manager. Generally, clients will receive their proxies or similar solicitations directly from the custodian or transfer agent and not from the Firm.

## **ITEM 18 – FINANCIAL INFORMATION**

The following statements conform to the specific requests required by the SEC with respect to this portion of this Form ADV brochure. The Firm does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. The Firm has discretionary authority over client accounts but is not a qualified custodian of client assets. The Firm has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. The Firm has never been the subject of a bankruptcy petition.

The uncertainty associated with the COVID-19 virus and the market volatility experienced in March and April 2020 led to significant concern that the primary subsidiaries of USCA Capital Advisers, LLC would have to materially reduce staffing levels, which they believed could have impacted certain services available to USCA RIA clients. Thus, USCA RIA's parent company, U.S. Capital Advisers LLC, applied for and received a \$2.88 million PPP loan. U.S. Capital Wealth did

not take this PPP loan or any PPP loan, U.S. Capital Wealth does not currently foresee risks resulting from this that would impact its specific duties to service its clients, perform advisory functions, or meet its contractual commitment to its clients.