

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

## **FORM ADV PART 2A**

### **BROCHURE**

#### **Item 1 – Cover Page**

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This brochure provides information about the qualifications and business practices of U.S. Capital Wealth Advisors, LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, Jon P. Meyer, by telephone at (512) 342-0202 or by email at [jmeyer@legacy1fa.com](mailto:jmeyer@legacy1fa.com). 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.

U.S. Capital Wealth Advisors, LLC is a registered investment advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about U.S. Capital Wealth Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

May 12, 2021

## **Item 2 – Material Changes**

Form ADV Part 2 requires registered investment advisors to amend their brochure when information becomes materially inaccurate. If there are any material changes to an advisor's disclosure brochure, the advisor is required to notify you and provide you with a description of the material changes.

Under Item 4 Advisory Business, it was noted that Legacy One Financial Advisors, LLC changed its name to U.S. Capital Wealth Advisors, LLC on May 12, 2021. As a result of the transaction that closed on May 10, 2021, USCWA is owned by U.S. Capital RIA Investors, LLC and Legacy One Financial Holdings, LLC. It is anticipated that some or all of the assets of USCA RIA, an investment advisory firm registered with the SEC and owned by U.S. Capital Advisors, LLC will be contributed to U.S. Capital Wealth on or about June 30<sup>th</sup>, 2021 after required notices are sought and obtained. This represents a merger of U.S. Capital Advisors' fee-based advisory wealth management business with U.S. Capital Wealth Advisors.

Under Item 12 Brokerage Practices it was noted that 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. 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. See Item 12 Brokerage Practice for additional information.

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## **Item 4 - Advisory Business**

### **A. Description of the Advisory Firm**

U.S. Capital Wealth Advisors, LLC (“U.S. Capital Wealth” “USCWA” or the “Firm”) is a limited liability company organized in Delaware and is an investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). Until May 12, 2021, U.S. Capital Wealth Advisors, LLC was known as Legacy One Financial Advisors, LLC. As a result of the transaction that closed on May 10, 2021, USCWA is owned by U.S. Capital RIA Investors, LLC and Legacy One Financial Holdings, LLC. It is anticipated that some or all of the assets of USCA RIA, an investment advisory firm registered with the SEC and owned by U.S. Capital Advisors, LLC will be contributed to U.S. Capital Wealth on or about June 30<sup>th</sup>, 2021 after required notices are sought and obtained. This represents a merger of U.S. Capital Advisors’ fee-based advisory wealth management business with U.S. Capital Wealth Advisors.

### **B. Types of Advisory Services**

U.S. Capital Wealth manages client investment portfolios on a discretionary or non-discretionary basis. In addition, 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 financial planning and consulting services as well as discretionary and/or nondiscretionary management of investment portfolios. In designing and implementing customized strategies, U.S. Capital Wealth can manage, on a discretionary or non-discretionary basis, a broad range of investment strategies and vehicles.

U.S. Capital Wealth primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), closed end funds, individual debt and equity securities, options, private investments and other types of investments in accordance with clients’ stated investment objectives and risk profile. U.S. Capital Wealth sometimes recommends to clients that all or a portion of their investment portfolio be managed on a discretionary basis by one or more affiliated or unaffiliated money managers, sub-advisors, partnerships, private investments or investment platforms (collectively “External Managers”). Some External Managers require the client to enter into a separate agreement which will set forth the terms and conditions of the client’s engagement of the External Manager. U.S. Capital Wealth generally renders services to the client relative to the discretionary selection of External Managers. U.S. Capital Wealth also assists in establishing the client’s investment objectives for the assets managed by External Managers, monitors the account performance and defines any restrictions on the account. U.S. Capital Wealth acts as a Series Advisor for certain private placements and selects the allocations into different underlying managers. 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 U.S. Capital Wealth.

Where appropriate, U.S. Capital Wealth also provides advice about positions clients held in their portfolios prior to engaging U.S. Capital Wealth. Clients can also engage U.S. Capital Wealth to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance, private placement life and annuity contracts and assets held in employee sponsored retirement plans and qualified tuition plans (for example, 529 plans). In those situations, U.S. Capital Wealth directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the products' provider.

U.S. Capital Wealth also offers fee-based financial planning for clients to develop a customized financial plan designed to illustrate their entire current financial situation. It is primarily offered by 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 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. An 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. USCWA's advisers generally estimate an hourly rate for all financial planning performed. While the scope of each planning relationship is unique, the annual engagement typically spans 40 hours over the course of one year for relatively simple cases up to 150 hours for families with complex planning needs.

Financial Planning Services will generally include quarterly meetings. There is no obligation for the continuation of financial planning services unless a client gives express approval through a renewed agreement. 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 billed separately.

### **C. Client-Tailored Advisory Services**

Each client's needs are different. U.S. Capital Wealth tailors its wealth management services to the specific needs of each client. Each wealth management client is provided an advisor whose role is to facilitate the provision of wealth management services that are tailored to the client's unique circumstances. U.S. Capital Wealth consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. If a client's financial situation changes, or if their investment objectives or risk tolerance changes, clients are advised to promptly advise U.S. Capital Wealth of such changes or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions on the management of their accounts if U.S. Capital Wealth determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for USCWA's management efforts.

### **D. Assets Under Management**

As of April 30, 2021, U.S. Capital Wealth has Regulatory Assets Under Management (RAUM) of \$1,453,756,459 of which \$1,452,500,846 were discretionary assets under management and \$1,255,613 were non-discretionary assets under management.

## **Item 5 - Fees and Compensation**

### **A. Fee Schedule for Services**

U.S. Capital Wealth charges an annual advisory fee based upon the assets under management that is agreed upon with each client and set forth in an agreement executed by U.S. Capital Wealth and the client. USCWA's fees for wealth management services are negotiable and vary based on several factors, including the account size and nature of the relationship as well as the complexity of the investments and services involved. The advisory fee generally ranges between .75% and 1.25% annually of the client's total assets under management. Different fees, including lower fees, are sometimes negotiated on a case-by-case basis with clients. Employees of the Firm are sometimes charged reduced and/or no fees. The fees are calculated based on quarter-end valuations provided by the custodian and/or External Manager(s). The advisory fee charged by the Firm will apply to all the client's assets under management, unless specifically excluded or provided for in the client agreement.

The fee for the initial quarter shall be calculated on a pro rata basis commencing on the day the assets are initially designated to U.S. Capital Wealth for management under the client agreement,

in arrears, at the beginning of the following quarter, based on the number of days invested and the quarter-end value. For subsequent quarters, the fee shall be paid, in advance (except for services to participant-directed 401k plans, which generally are payable in arrears), based on the value of the assets under management on the last day of the previous quarter as provided by third-party sources, such as pricing services, custodians, fund administrators, External Managers and client-provided sources.

Clients can make additions to and withdrawals from their account at any time, subject to USCWA's right to terminate an account. Additions will be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client's account. Clients can withdraw account assets at any time upon notice to USCWA, subject to the usual and customary securities settlement procedures. However, the Firm generally 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 transferring securities when appropriate. Clients are advised that when transferred securities are liquidated, some are subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

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. An 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. USCWA's advisers generally estimate an hourly rate for all financial planning performed. Fees will be due upon delivery of the financial plan or the start of services.

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 and what value they are based on will be disclosed separately if an External Manager is used. These will be disclosed in offering documents, client agreements, Manager's ADV Part 2a and/or other documents.

Clients have five (5) business days from the date of execution of the client agreement to terminate USCWA's services. The investment advisory agreement between U.S. Capital Wealth and the client can be terminated at will by either U.S. Capital Wealth or the client. U.S. Capital Wealth does not impose termination fees when the client terminates the investment advisory relationship.

## **B. Payment of Fees**

U.S. Capital Wealth generally deducts its advisory fee from a client's investment account(s) held at his/her custodian. Upon engaging U.S. Capital Wealth to manage such account(s), a client grants U.S. Capital Wealth this limited authority through a written instruction to the custodian of his/her account(s). The client is responsible to verify the accuracy of the calculation of the advisory fee;



the custodian will not determine whether the fee is accurate or properly calculated. The fee generally is billed in advance on a quarterly basis.

Although clients generally are required to have their investment advisory fees deducted from their accounts, in some cases, U.S. Capital Wealth will directly bill a client for investment advisory fees if it determines that such billing arrangement is appropriate given the circumstances.

For financial planning services, the client will generally be billed for the fees when a financial plan is completed or services are initiated.

If External Managers are used, the deduction of fees will be separate from and in addition to the U.S. Capital Wealth advisory fee.

The custodian of the client's accounts provides each client with a statement, at least quarterly, indicating separate line items for all amounts disbursed from the client's account(s), including any fees paid directly to U.S. Capital Wealth from the client's custodial account, except for any advisory fees that are paid directly by the client to U.S. Capital Wealth outside of the client's advisory account.

### **C. Clients Responsible for External Manager, Custodial and Brokerage Fees**

In connection with USCWA's management of an account, clients often incur fees and/or expenses separate from USCWA's management fee. These additional fees could include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF, separate account manager (and the manager's platform manager, if any), limited partnership, strategy consultant, External Manager or other advisor. Other fees or expenses include transfer taxes, odd lot differentials, exchange fees, management fees, interest charges, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees. The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

### **D. Prepayment of Fees**

As noted in Item 5(B) above, USCWA's management fees generally are paid in advance. Upon the termination of a client's investment advisory relationship, U.S. Capital Wealth will issue a refund equal to any unearned management fee for the remainder of the quarter, based on the number of days remaining in the quarter. The client can specify how he/she would like such refund issued (*i.e.*, a check sent directly to the client or a check sent to the client's custodian for deposit into his/her account).

### **E. Outside Compensation for the Sale of Securities or Other Investment Products to Clients**

Certain Advisory persons of U.S. Capital Wealth 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 advisory persons who are insurance professionals are separate from and in addition to USCWA's advisory fee. This practice presents a conflict of interest as an advisory person 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.

### **Item 6 - Performance-Based Fees and Side-by-Side Management**

U.S. Capital Wealth does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management 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. USCWA's fees are calculated as described in Item 5 above.

### **Item 7 - Types of Clients**

U.S. Capital Wealth offers wealth management services to individuals, including high net-worth individuals, family offices, trusts, institutions, charitable foundations, and retirement/profit-sharing plans.

### **Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss**

#### **A. Methods of Analysis and Risk of Loss**

The first step in USCWA's investment strategy is getting to know the clients – to understand their financial condition, risk profile, investment goals, tax situation, liquidity constraints – and assemble a complete picture of their financial situation. To aid in this understanding, U.S. Capital Wealth offers clients financial planning, upon request. This comprehensive approach is integral to the way that U.S. Capital Wealth does business. Once U.S. Capital Wealth has a true understanding of its clients' needs and goals, the investment process can begin, and the advisor can recommend strategies and investments that it believes are aligned with the clients' goals and risk profile.

U.S. Capital Wealth generally employs a long-term investment strategy for its clients, consistent with their financial goals. When appropriate, shorter investment periods will be used with purpose

of rebalancing a portfolio, adjusting for current market conditions or meeting the cash needs of clients. U.S. Capital Wealth also sometimes buys and sells positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class.

Client advisors invest client assets in mutual funds, exchange-traded funds (“ETFs”), closed end funds, fixed income and equity securities, options, private investments, External Managers as well as other types of investments in accordance with clients’ stated investment objectives and risk profile.

Client portfolios with similar investment objectives and asset allocation goals will sometimes own different securities and investments. The client’s portfolio size, tax sensitivity, desire for simplicity, income needs, long-term wealth transfer objectives, time horizon and choice of custodian are all factors that influence USCWA’s investment recommendations.

U.S. Capital Wealth uses Fiduciant Advisors as appropriate 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 sometimes used 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.

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and involve a high degree of risk. Past results are not necessarily indicative of future results.

## **B. Material Risks Involved**

The mutual funds, ETFs and External Managers that U.S. Capital Wealth frequently invests client assets with or recommends to clients generally own securities and therefore also 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 that U.S. Capital Wealth uses 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.

The following risks also could cause mutual funds, ETFs, equities and fixed income securities and other investments managed for clients, as well as those managed by External Managers, to decrease in value:

- **Market Risk**: The price of an equity security, bond, or mutual fund can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's underlying circumstances. For example, changes in political, economic and social conditions could trigger adverse market events.
- **Interest-rate Risk**: Fluctuations in interest rates often cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- 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.
- Leverage Risk: The use of leverage often leads to increased volatility of a fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the fund's portfolio, which could lead to increased market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares that take place from changes in short-term interest rates sometimes reduces the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.
- 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: Fund Advisors and other ETF 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, that could negatively impact the ETF.

- 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.
- Illiquid Securities: Investments in hedge funds and other private investment funds could underperform publicly offered and traded securities because such investments:
  - typically require investors to lock-up their assets for a period and then be unable to meet redemption requests during adverse economic conditions;
  - Have limited or no liquidity because of restrictions on the transfer of, and the absence of a market for, interests in these funds;
  - Are more difficult to monitor and value due to a lack of transparency and publicly available information about these funds;
  - Could have higher expense ratios and involve more inherent conflicts of interest than publicly traded investments; and
  - Involve different risks than investing in registered funds and other publicly offered and traded securities. These risks often include those associated with more concentrated, less diversified investment portfolios, investment leverage and investments in less liquid and non-traditional asset classes.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss.

### **Use of External Managers**

U.S. Capital Wealth sometimes selects certain External Managers to manage a portion of its clients' assets, which has some additional risks. In these situations, U.S. Capital Wealth conducts due diligence on such managers, or relies on the due diligence performed by such managers, performed by platform managers, performed by Fiduciant Advisors or other service providers, but the success of such recommendations relies to a great extent on the External Managers' ability to successfully implement their investment strategies. Details about additional risks are often

detailed in offering documents, client agreements, ADV Part 2a and other relevant documents. In addition, U.S. Capital Wealth generally does not have the ability to supervise the External Managers on a day-to-day basis.

### **C. Additional Unusual Risks of Specific Securities**

#### **Risk Associated with 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.

#### **Risks Associated with 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.

#### **Risks Associated with Structured Notes**

**Complexity.** 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.



Market risk. 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.

Issuance price and note value. 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.

Liquidity. 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.

Credit risk. 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.

### Risks Associated with Private Investments

Private investments include private equity, private real estate, private credit, venture capital, hedge funds, interests in limited liability companies and similar offerings that are often be subject to legal or other restrictions on transfer and redemptions since a liquid market often does not exist for these offerings. 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.

### Risks Associated with Trading Options

Certain strategies employed by U.S. Capital Wealth and External Managers, ETFs or mutual funds involve the use of options.

***Call Options.*** The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option could be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

***Put Options.*** The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

***Index or Index Options.*** The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset,

whether the client will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

### Risks Associated with Using Margin

On certain accounts, margin will be used either to enhance trading or for financing purchases apart from a portfolio. There are additional risks associated with the use of margin. These include:

Leverage Risk. Unfavourable 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.

### Business Continuity Risk

U.S. Capital Wealth One 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, USCWA's ability to conduct business could be impacted by a disruption in the infrastructure supporting operations, and the regions in which USCWA'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 Risks

The computer systems, networks and devices used by U.S. Capital Wealth and service providers to U.S. Capital Wealth and USCWA's clients to carry out routine business operations 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 often 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.

### **Item 9 – Disciplinary Information**

U.S. Capital Wealth has no legal or disciplinary events to report.

### **Item 10 – Other Financial Industry Activities and Affiliations**

#### *Recommendation of External Managers*

U.S. Capital Wealth recommends that some clients use External Managers based on the client's needs and suitability. U.S. Capital Wealth does not receive separate compensation, directly or indirectly, from such External Managers for recommending that clients use their services, though owners of U.S. Capital Wealth One would benefit (as shown below).

#### *Licensed Insurance Agents*

As discussed above in Item 5, certain of the Firm's advisory persons are licensed insurance agents and offer certain insurance products on a fully disclosed commissionable basis. Advisory persons will benefit financially from the sale of these insurance products.

#### *Piton Investment Management, LP*

Piton Investment Management, LP ("Piton") is an SEC-registered investment advisor primarily focusing on fixed income investment management services to institutions and high net worth individuals. The general partner of Piton is Piton Management LLC ("Piton Management"). Mr. James Fortescue and other 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 One. Willa Sheridan, Chief Operating Officer of U.S. Capital Wealth is also Chief

Operating Officer of Piton. Jon P. Meyer, Chief Compliance Officer at U.S. Capital Wealth is also the Chief Compliance Officer of Piton. Conflicts could arise from each of these dual roles because 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. U.S. Capital Wealth refers to Piton's Form ADV Part 2A for additional disclosures and relationships regarding Piton and its owners and executive officers.

#### *Halo Investing, Inc.*

Halo Investing, Inc. ("Halo") is a Structured Note Platform used to create customized Structured Note investments, and Halo Defined Notes. USCWA'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. Clients of U.S. Capital Wealth own Structured Notes either directly or indirectly through Piton that are sometimes purchased using the Halo Structured Notes Platform.

#### *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). Mr. Fortescue and other owners of USCWA own minority, non-controlling interests in ClearShares, LLC through an LLC structure. They also own minority, non-controlling interests in Piton which would also benefit from clients investing in the ClearShares ETFs since Piton acts as a sub-advisor to PIFI and also provides investment services to OPER and OCIO.

U.S. Capital Wealth has recommended, and will in the future recommend, that clients use Piton's, Halo's, and/or ClearShares services or products. Piton, Halo, ClearShares and their owners benefit financially if U.S. Capital Wealth recommends that its clients retain or use the products of Piton, Halo and/or ClearShares. This includes Mr. Fortescue and other owners of USCWA. To mitigate the conflict of interests that arise out of clients' retention of Piton, Halo and/or ClearShares due to the relationships described above, U.S. Capital Wealth will only recommend that clients retain any or all of them if the client's Advisor determines they are in the best interests of the relevant client. Clients this is applicable to should understand the conflicts and make an informed decision. Any questions regarding these conflicts can be directed to the Firm. U.S. Capital Wealth clients are not obligated to use Piton's or Halo's services, or the ETFs offered through ClearShares.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions**

#### **A. Description of Code of Ethics**

U.S. Capital Wealth has adopted a *Code of Ethics* (the “Code”) which requires the Firm’s Supervised Persons to comply with their legal obligations and fulfill the fiduciary duties owed to the Firm’s clients. Among other things, the Code of Ethics sets forth policies and procedures related to conflicts of interest, outside business activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by Firm personnel (called “Supervised Persons”). Personal securities transactions of advisory personnel present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, Supervised Persons to report their personal securities holdings and transactions to U.S. Capital Wealth for review by compliance personnel. The Code also requires Supervised Persons to obtain pre-approval of certain investments, including some stocks, initial public offerings and limited offerings.

U.S. Capital Wealth will provide a copy of the *Code of Ethics* to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker-Dealers**

U.S. Capital Wealth does not maintain custody of client assets on which U.S. Capital Wealth advises. Client assets must be maintained in an account at a “Qualified Custodian.”

U.S. Capital Wealth generally recommends that its investment management clients custody their accounts/assets at unaffiliated broker-dealer/custodians with which U.S. Capital Wealth has an institutional relationship. Currently, this includes Schwab Advisor Services, a division of Charles Schwab & Co., Inc. (“Schwab”), which is a “Qualified Custodian” 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 Schwab, Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to.

In deciding to recommend 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;
- Access to trading desks;

- 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.

U.S. Capital Wealth places portfolio transactions through Schwab, the broker-dealer/custodian where the clients' accounts are custodied. In exchange for using the services of 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.

Schwab also makes available to the Firm products and services that benefit the Firm but not directly benefit the client or the client's account. These products and services assist us in managing and administering client accounts. They include investment research, both 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 Schwab. In addition to investment research, 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.

Schwab also offers other services intended to help us 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.

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

Transition-related expenses: In connection with the launch of USCWA's recommendation that clients custody their assets with Schwab, Schwab reimbursed Account Exit Fees to clients. These funds were used toward exit fees for client accounts that were transferred to Schwab. Schwab has also agreed to pay for eligible third party vendor services and services provided by Schwab affiliates for marketing, technology, consulting or research expenses. U.S. Capital Wealth will also receive benefits related to marketing services, compliance services and the use of client relationship management ("CRM") systems.

These products and services from Schwab benefit U.S. Capital Wealth in that it does not have to purchase them. The benefits incentivize U.S. Capital Wealth to routinely recommend Schwab as custodian over custodians who do not offer such products and services.

U.S. Capital Wealth will periodically review its arrangements with the broker-dealer/custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to, the following:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends



and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and

- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

As described above, Schwab provides to U.S. Capital Wealth, without cost, research and trade execution services. U.S. Capital Wealth has not entered into any formal "soft dollar" arrangements with other broker-dealers/custodians.

In addition, 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.

USCWA's clients utilize qualified custodians other than Schwab for certain accounts and assets, particularly where clients have a previous relationship with such qualified custodians. These other custodians include Fidelity Clearing and Custody ("Fidelity") and Nationwide ("Nationwide"), each of which is a Qualified Custodian. Some 401(k) and Simple IRA clients maintain assets with Ascensus, LLC, TIAA-CREF and Aspire Financial Services, LLC.



## Brokerage for Client Referrals

U.S. Capital Wealth does not select or recommend broker-dealers based solely on whether it receives client referrals from a broker-dealer or third party.

## 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.

### Trade Errors

USCWA's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, U.S. Capital Wealth endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected using a "trade error" account or similar account at Schwab, or another broker-dealer/custodian. In the event an error is made in a client account custodied elsewhere, U.S. Capital Wealth works directly with the broker-dealer/custodian in question to take corrective action. In all cases, U.S. Capital Wealth will take the appropriate measures to return the client's account to its intended position.

## **B. Trade Aggregation**

Client accounts are managed on an individual basis. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's Supervised Persons invest, the Firm will generally do so in a fair equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

## **Item 13 – Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

U.S. Capital Wealth monitors client investment management portfolios as part of an ongoing process. Client advisors review the accounts they manage on behalf of clients at least annually. These reviews are dependent on the needs of the client and sometimes include the following: (i) comparing the account's allocation with stated goals; (ii) reviewing holdings and consider alternatives; (iii) monitoring the size of individual positions relevant to their sectors, asset classes, and overall account size; (iv) analyzing an account's composition and performance, income, appreciation, gains/losses, and asset allocation; and (v) assessing account performance.

### **B. Other Reviews**

Each portfolio maintains a long-term target asset allocation. During periodic reviews, U.S. Capital Wealth advisors generally review with the client the extent to which the actual allocation

matches the target allocation on the Investment Policy Statement. When a U.S. Capital Wealth advisor considers the variance excessive (in general greater than 5%), the advisor will seek to bring the actual allocation within an acceptable range of the target. This process, known as “rebalancing,” offers a systematic and disciplined way to trim investment classes that have been in favor and redeploy capital to asset classes that have been out of favor. Exceptions will often be made if market conditions warrant.

U.S. Capital Wealth performs compliance and/or supervisory reviews of a sampling of client accounts. These reviews include comparing an account’s strategy and/or allocation to the account’s stated objectives and reviewing the billing rate and calculations for the fees charged.

For financial planning services, details regarding reviews for the financial plan or services provided will be outlined in the agreement between U.S. Capital Wealth and the client.

### **C. Content and Frequency of Regular Reports Provided to Clients**

#### **Investment Management Accounts**

Clients will receive brokerage statements no less than quarterly from the qualified custodian. These brokerage statements are sent directly from the custodian to the client. The client can also establish electronic access to the custodian’s website so that the Client can view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the client’s account[s]. The client advisor sometimes also provides clients with periodic reports regarding their holdings, allocations, and performance.

For financial planning services, details regarding reports for the financial plan or services provided will be outlined in the agreement between U.S. Capital Wealth and the client.

### **Item 14 – Client Referrals and Other Compensation**

#### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

U.S. Capital Wealth does not receive benefits from third parties for providing investment advice to clients.

#### **B. Compensation to non-Supervised Persons for Client Referrals**

##### **Referral Arrangements with Individuals**

U.S. Capital Wealth has entered into referral arrangements with certain unaffiliated individuals 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 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 USCWA's ADV 2A and Part 3 (Form CRS) as well as the terms of the specific referral arrangement. The client is not charged for the cost of the solicitation of his/her account(s), i.e., U.S. Capital Wealth does not charge a referred client investment management fees that are higher than its standard rates.

### **Item 15 – Custody**

All clients must utilize a “qualified custodian” as detailed in item 12. Clients are required to engage the custodian to retain their funds and securities and direct U.S. Capital Wealth to utilize the custodian for the client's securities transactions. USCWA's agreement with clients and/or the clients' separate agreement with the broker-dealer/custodian usually authorizes U.S. Capital Wealth through such broker-dealer/custodian to debit the client's account for USCWA's fee and to directly remit that fee to U.S. Capital Wealth in accordance with applicable custody rules.

The broker-dealer/custodian recommended by U.S. Capital Wealth has agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to U.S. Capital Wealth. U.S. Capital Wealth encourages clients to review the official statements provided by the custodian, and to compare such statements with investment reports received from U.S. Capital Wealth, and promptly report any discrepancies. For more information about Custodians and brokerage practices, see “Item 12 - Brokerage Practices.”

### **Item 16 – Investment Discretion**

For clients that have hired U.S. Capital Wealth for wealth management services, U.S. Capital Wealth generally has discretionary authority to manage their investments, such authority having been granted by an investment advisory agreement executed by U.S. Capital Wealth and the client.

With respect to USCWA's exercising investment discretion over an account, this authority is granted through a limited power of attorney granted by the client to U.S. Capital Wealth through a client-executed custodial application and/or related custodial form. A client retains the right and ability to remove any and all of USCWA's discretionary authorities over his/her account.

For some clients, U.S. Capital Wealth provides ongoing supervisory and investment advice with respect to non-discretionary accounts and/or assets as agreed upon by U.S. Capital Wealth and the client.

As explained above in Item 4(C), a client can impose reasonable restrictions or limitations on the management of his/her account. Any such restrictions or limitations generally are reflected in an Investment Policy Statement executed by U.S. Capital Wealth and the client and/or other written instructions provided to U.S. Capital Wealth.

**Item 17 – Voting Client Securities**

As a matter of Firm policy and practice, U.S. Capital Wealth does not accept authority to vote proxies or other corporate actions on behalf of clients. Clients retain the responsibility for receiving and voting proxies or other corporate actions for any and all securities maintained in their portfolios. Clients receive proxies or other solicitations directly from the custodian or transfer agent.

**Item 18 – Financial Information****A. Balance Sheet**

U.S. Capital Wealth does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not need to include a balance sheet with this Brochure.

**B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither U.S. Capital Wealth nor its management has any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to clients.

**C. Bankruptcy Petitions in Previous Years**

U.S. Capital Wealth has not been the subject of a bankruptcy petition.