

## Conflicts of Interest Client Disclosure Document

A conflict of interest exists in a financial services context whenever the investment advice or recommendation that you receive has the potential to be motivated by something other than what is in your best interest.

USCA Securities, LLC ("USCA Securities") and U.S. Capital Wealth Advisors, LLC ("USCWA") (herein also referred to as "we", "us", "our", or the "Firm") are owned by U.S. Capital Wealth, LLC ("USCW"), which is owned by Arax Investment Partners, LLC and its affiliates ("Arax"). Arax is a Redbird Capital Partners portfolio company with ownership in several wealth management firms. More detail regarding Arax can be found here: [www.araxpartners.com](http://www.araxpartners.com). USCW also owns USCA Insurance Agency, LLC, USCA Municipal Advisors, LLC, and USCA Management, LLC. The majority of employees of the Firm are indirect shareholders of USCW and direct shareholders of USCA, LLC (f/k/a U.S. Capital Advisors, LLC). USCA, LLC owns 100% of USCA Asset Management, LLC, and USCA Investment Holdings, LLC and also has partial ownership interest in USCA Ranchland, LLC.

Where appropriate, we use or recommend products, services, or investments offered by such affiliated or related entities to our clients. Management persons, owners and employees of USCA Securities and USCWA also use such products, services, and investments for themselves. Additionally, in order to conduct business on behalf of our clients, we enter into agreements with other service providers and product issuers.

The use or recommendation of products, services, or investments from affiliated or related entities, or other service providers or product issuers with which we have relationships, creates conflicts of interest. We are incentivized to use or recommend such products, services or investments over other options in order to increase the revenue and/or assets of our affiliated or related entities. USCA Securities and USCWA work to adopt and implement effective policies and procedures to manage these and other conflicts of interest, as discussed below. Please review this disclosure document and address any questions that you have to your financial professional or a member of the USCA Securities and/or USCWA management teams.

### Sources of Revenue

USCWA receives revenue from asset-based fees, calculated as a percentage of the total assets under management, held in advisory accounts or in accounts held away, fee-based financial planning, and consulting services.

USCA Securities receives the majority of its revenue from transaction-based commissions in brokerage accounts that it maintains at National Financial Services. In addition, USCA Securities receives revenue from:

- interest paid by clients for margin and non-purpose loans
- compensation paid by Program Banks for clients' cash balances in the Bank Deposit Sweep Program
- administrative fees charged to clients
- placement fees and concessions paid in connection with the sale of certain products
- credits under the terms of our clearing and custodial firm agreements with National Financial Services ("NFS")
- service fees, such as 12b-1 fees, paid in connection with the client's mutual fund and similar holdings
- investment banking and syndicate commissions
- research
- revenues related to subsidiaries and affiliates (shown below)

### Brokerage and Advisory Accounts

USCA Securities and its financial professionals are compensated by commissions in brokerage accounts. The more buys and sells in a brokerage account, the more money that is made by USCA Securities and your financial professional and the more you pay. This creates an incentive to break up investments into multiple smaller trades in order to earn more commissions. It also creates an incentive to make frequent recommendations or to recommend investment strategies that involve more active trading. In addition, in brokerage accounts, firms and financial professionals may be compensated from product sponsors, such as mutual funds or insurance products, through "trails" (essentially continuing commissions), which come from the expenses paid by the investors to the product sponsor, such as the mutual fund or insurance company, which can increase USCA Securities' and the financial professional's compensation.

In advisory accounts, USCWA and its financial professionals are compensated based on the total amount of assets held in client accounts. This creates an incentive to increase the value of assets under management in your account in order to increase the fees on your account. This also creates an incentive to recommend risky strategies, including the use of margin. Since investment returns are typically positively correlated with the riskiness of a portfolio, USCWA and its financial professionals have an incentive to place clients in risky portfolios, which are expected to grow more quickly and thereby increase the assets under management and thereby USCWA's and its financial professional's compensation. This also creates an incentive to recommend that you place assets in advisory accounts rather than other products or account types that may cost less than an advisory fee. For instance, recommending you convert a brokerage account to an advisory account or move additional assets into an advisory account.

These facts all present conflicts of interest. We have adopted procedures designed to mitigate these conflicts of interest, and we require our financial professionals to make recommendations that are in their clients' best interests.

## Financial Professional Compensation

The way that USCA Securities and USCWA compensate financial professionals creates incentives for them to recommend certain products, services, or investments. We address these conflicts through suitability policies and supervision of the products and services offered and by disclosing conflicts. USCA Securities and USCWA financial professionals are compensated through sharing in a portion of the various revenue streams that USCA Securities and USCWA receive. Generally, the more gross revenue the financial professional generates, the higher their payout. The payout rate varies and is subject to change, but typically ranges from 42% - 50% based on gross revenue and other factors. In cases where a promoter is used the payout rate is usually lower, and in cases where a financial professional has forgone certain other benefits, such as loans, bonuses, and other compensation, the payout rate can be significantly higher (up to 80% of gross revenue). A few professionals receive a base salary either in addition to or in lieu of revenue-based compensation.

Additionally, certain products offered by USCA Securities and USCWA have defined revenue structures. As a result, your financial professional can earn more or less based on the products and services you select. Sales of syndicate offerings by USCA Securities (IPOs) are paid at a reduced grid of 40%. Fee-based financial planning is generally paid at 72%. No financial professional receives compensation derived from margin interest, non-purpose loans or the Bank Deposit Sweep Program.

Clients should be aware that higher payouts create additional conflicts of interest between the financial professional and their clients in that they provide added incentive to increase assets or transactions in the account or recommend certain products or services. Clients are advised to ask their financial professionals for details about their payout percentages and other compensation and are welcome to discuss financial professional compensation with a member of management at any time.

While U.S. Capital Wealth is majority owned by Arax, most of the Firm's financial professionals, including the principal executive officers and management persons, have indirect ownership interests in U.S. Capital Wealth and direct ownership interests in USCA, LLC.

These ownership interests create an incentive for financial professionals to recommend products, services, and investments of U.S. Capital Wealth, USCA, LLC, and their affiliates and subsidiaries over those of similar providers in order to increase growth and profitability of such entities. While the Firm requires its financial professionals to make recommendations that are in the best interest of their clients, clients should carefully consider these conflicts and are encouraged to discuss them with their financial professional.

Many USCA Securities and USCWA financial professionals also receive a compensation package at time of hire that is based on an estimate of the amount of client assets that they expect to transfer to USCA Securities and/or USCWA. These hiring packages typically consist of one or more, usually sizable, payments from the firm which are subject to ten-year vesting periods. Employees who leave before their cash payments and equity have been repaid are required to repay any unvested cash balances and forfeit unvested equity positions when their employment terminates.

## Clearing Firm Agreement and Custodial and Services Agreements

USCA Securities has a Fully Disclosed Clearing Agreement with National Financial Services ("NFS"). Many USCWA advisory clients use USCA Securities as an introducing broker dealer to NFS, with clearing, execution and custody services provided by NFS. Although USCA Securities pays NFS to provide clearing, execution and custody services for USCA Securities and USCWA clients, the terms of the Clearing Agreement also provide for substantial direct and indirect financial benefits to USCA Securities and USCWA. In addition, USCWA has custodial and services agreements with Charles Schwab & Co., Inc. ("Schwab") and Fidelity Brokerage Services, LLC. These also provide substantial direct and indirect financial benefits to USCWA. USCWA advisory accounts opened through Fidelity Brokerage Services, LLC are custodied at NFS, and accounts opened through Schwab are custodied at Schwab. The benefits provided to the Firm through these relationships, and related conflicts, are discussed in more detail below.

## Revenue Sharing in Connection with Margin and Non-Purpose Loans

USCA Securities and USCWA make margin and non-purpose loans available through NFS or Schwab to qualified clients in certain circumstances. NFS 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. NFS pays USCA Securities a substantial portion of the interest paid by clients above the base rate charged on clients' margin and non-purpose loans. Although such interest received by USCA Securities is not shared with financial professionals, it could incentivize your financial professional to recommend the use of margin and non-purpose loans with NFS in order to increase revenue to USCA Securities and its affiliates. Although USCA Securities negotiates almost all rates directly with our clients and marks them up below the standard grid established by NFS, the fact that USCA Securities marks up margin and non-purpose loan interest rates creates an incentive for USCA Securities to set a higher rate in order to increase its compensation.

For margin and non-purpose loans available through Schwab or Fidelity Brokerage Services, there is no "cost to carry" or "markup" that benefits USCA Securities or USCWA. Schwab and Fidelity Brokerage Services establish the interest rate to be

charged to qualified clients and neither USCA Securities nor USCWA receive any portion of the interest revenue received by Schwab or Fidelity Brokerage Services.

## Revenue Sharing in Connection with the Bank Deposit Sweep Program

USCA Securities, through NFS, offers a Bank Deposit Sweep Program (the "Program") for clients' cash balances in all eligible USCA Securities accounts and USCWA accounts custodied at NFS through USCA Securities. The Program is the default cash sweep vehicle for eligible USCA Securities Accounts; however, clients have the option to select a designated money market fund as an alternative cash sweep vehicle. In the Program, clients' uninvested cash balances are automatically deposited or "swept" into interest bearing FDIC insurance eligible accounts at one or more participating FDIC insured banks ("Program Banks") subject to per bank and total coverage thresholds. To offer the Program, NFS contracts with the Program Banks to make available specific amounts of deposit capacities in exchange for certain all-in funding rates, which are generally based on the Federal Funds Rate. Such all-in funding rates are then shared between NFS, vendors involved in administration of the Program, the client, and for accounts other than discretionary retirement accounts, USCA Securities. USCA Securities dictates the portion of the all-in funding rate that will be paid to the client as interest and the portion USCA Securities will retain as compensation for making available and maintaining the Program. Therefore, USCA Securities is incentivized to select a lower interest rate schedule for clients so it can earn more compensation. USCA Securities receives more compensation in connection with the Program than from other available sweep options, and the compensation USCA Securities and NFS receive may be greater than that generated by sweep options at other brokerage firms. In certain interest rate environments, such as when rates are higher, USCA Securities will receive more compensation than clients will earn in interest payments. While the compensation received by USCA Securities is not directly shared with financial professionals, it could incentivize your financial professional to maximize the amount and duration of assets in the Program, or to encourage clients to maintain or increase their cash balances in the Program, or to recommend the Program over other available sweep options in order to increase the revenue of USCA Securities, U.S. Capital Wealth and USCA, LLC (which receives certain payouts based on revenue generated by the Program).

Interest rates paid to clients in the Program are generally lower than those available from other non-FDIC-insured options, like money market funds, or options that may be available at other brokerage firms or directly from a bank. Interest rate schedules for the Bank Deposit Sweep Program along with current yields on Fidelity Fund money market funds can be found on the Legal & Compliance page of the USCA Securities website at [www.uscwealth.com](http://www.uscwealth.com).

## Non-Cash Compensation

USCA Securities, USCWA and their financial professionals also receive non-cash compensation from mutual fund companies, investment managers, UIT sponsors, annuity providers, insurance vendors and sponsors of products that are sold to clients.

Such compensation consists of occasional gifts of 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 that financial professionals 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. The receipt of such non-cash compensation creates an incentive for financial professionals to recommend these entities' products over others.

## Subsidiaries and Affiliates

As discussed above, in addition to USCWA and USCA Securities, U.S. Capital Wealth owns USCA Insurance Agency, LLC, USCA Municipal Advisors, LLC, and USCA Management, LLC. The majority of employees of the Firm are indirect shareholders of USCWA and direct shareholders of USCA, LLC (f/k/a U.S. Capital Advisors, LLC). USCA, LLC owns 100% of USCA Asset Management, LLC and USCA Investment Holdings, LLC and also has partial ownership interest in USCA Ranchland LLC.

USCA Insurance Agency facilitates the offering of certain types of insurance products from major carriers to clients of USCWA and USCA Securities. When insurance is sold through USCA Insurance Agency, both USCA Insurance Agency and the financial professional selling the product receive compensation. This creates conflicts of interest as financial professionals who are insurance professionals have an incentive to recommend insurance products for the purpose of generating compensation for themselves and USCA Insurance Agency. However, financial professionals are required to make recommendations that are in the best interest of the client, and clients are under no obligation to purchase insurance products through USCA Insurance Agency.

USCA Municipal Advisors is a registered municipal advisor. USCA Municipal Advisors provides financial advisory services to municipalities and other governmental entities. Individuals registered with USCA Municipal Advisors are also registered with USCA Securities and USCWA.

<sup>1</sup> Currently, NFS does not permit Keogh Plans and accounts with mailing addresses outside of the U.S. and Canada to participate in the Bank Deposit Sweep Program.

USCWA and USCA Securities financial professionals may recommend investments in certain “feeder funds” offered through USCA Investment Holdings, LLC, which include USCA LL&B Co-Investment LP, USCA LL&B Co-Investment II LP, USCA Resource Minerals Co-Investment LP, USCA Tailwater Midstream LP, USCA Badger Midstream LLC, USCA BPCAP LP, USCA BPCAP Co-Invest LP I LP, USCA CR Fund II Levered LP, USCA CR Fund II Unlevered LP, USCA 6 Blvd Place Investors LP, USCA Tailwater Midstream III LP, USCA Resource Minerals Co-Investment II LP, and USCA Fifth Corner Property Fund LP. USCWA and USCA Securities financial professionals may also recommend investments in Ranchland, LLC. USCA Securities representatives whose clients invest in these funds may receive sales compensation (initial and/or ongoing), which will be disclosed to the client. Some of these funds are no longer open to new investment.

USCWA and USCA Securities financial professionals may also recommend investments in funds offered through USCA Asset Management, including: USCA All-Terrain Fund, a closed-end mutual fund; USCA Absolute Return Strategies and HRG Appreciation Fund, LP., each private, unregistered funds; and the USCA Futurum Funds Platform. They may also recommend investments in 13Capital Energy Transition Fund (“13Capital Fund”). USCA Asset Management provides investment advisory services to 13Capital Fund through a contractual arrangement with 13Capital, LLC. 13Capital, LLC is an exempt reporting adviser that is partially owned by USCA Asset Management. The investments offered through USCA Asset Management and USCA Investment Holdings are managed and overseen by senior managers of USCWA and USCA Securities (David King is a portfolio manager of the USCA Futurum Funds, provides services to 13Capital, LLC, and manages the USCA feeder funds) and/or by financial professionals of USCWA and USCA Securities (Phil Pilibosian is a portfolio manager of the USCA All-Terrain Fund and USCA Absolute Return Strategies; Bryan Prihoda is a portfolio manager of the USCA All-Terrain Fund; and Christian Bauman is a portfolio manager of the HRG Appreciation Fund). They receive compensation for these roles, although their primary roles are as Financial Advisers and/or management persons of USCWA and USCA Securities. Additionally, Financial Advisers whose clients invest in these funds may receive selling compensation (initial and/or ongoing) or may charge an advisory fee for managing the investment, which will be disclosed to the client.).

There are conflicts of interest when USCWA and USCA Securities or their financial professionals recommend products, services, or investments from affiliated or related entities or funds. USCWA, USCA Securities, and their financial professionals are incentivized to recommend these products, services, or investments over other similar options to increase the assets and revenue of U.S. Capital Wealth or USCA, LLC, which many financial professionals own, or their own compensation. USCWA and USCA Securities maintain policies and procedures designed to address these conflicts and require that recommendations be in the best interest of the client. Clients should ask for additional information if they do not fully understand these conflicts. Clients are not obligated to purchase products and services from any affiliates or related entities, and they can request that no recommendations or investments be made in funds associated with affiliated and related entities.

In addition to the foregoing related and affiliated entities, USCWA and USCA Securities have relationships with Piton Management, LLC, ClearShares, Halo Investing, and Robin Glen. These relationships and related conflicts of interest are discussed below.

Piton Management LLC has ownership in and control of Piton Investment Management, LP (“Piton”) an SEC Registered Investment Adviser and external money manager that is sometimes recommended to USCWA and USCA Securities clients. James Fortescue is a senior officer of USCWA and he also has ownership and management roles with Piton Management LLC. Due to these relationships, there is a conflict of interest when a financial professional recommends that a client engage Piton because a USCWA manager benefits financially from such recommendations. Conflicts also arise in the management of USCWA due to this manager role at Piton. The amount of compensation received from each entity is different and the amount of time spent at each entity is different. The compensation and time spent in the role will change over time.

ClearShares is an investment advisory firm whose core business is providing investment and strategic advice, investment solutions and related 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 and USCA Securities financial professionals can purchase shares of OCIO, OPER, and PIFI in discretionary accounts or recommend them in non-discretionary accounts. A conflict of interest arises when financial professionals purchase or recommend these products because it increases revenue to ClearShares and owners of ClearShares, which includes indirect owners of USCWA.

Halo Investing, Inc. (“Halo”) is a Structured Note Platform used to create customized Structured Note investments and Halo Defined Notes. Clients can purchase structured notes using the Halo Structured Notes platform either directly or through Piton. James 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 and USCA Securities 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.

Robin Glen, LLC is a financial planning and consulting firm that, like U.S. Capital Wealth, is owned by Arax. USCWA and USCA Securities financial professionals can refer clients to Robin Glen, LLC for financial consulting and insurance services. The financial professionals do not receive compensation for referrals to Robin Glen, but when clients purchase insurance products through Robin Glen, client's financial professional, USCA Insurance Agency, and Robin Glen receive compensation. The compensation received by USCA Insurance Agency and client's financial professional is typically higher when insurance products are purchased through Robin Glen rather than other similar providers. This creates a conflict of interest as a financial professional who is an insurance professional has an incentive to recommend insurance products sold by Robin Glen in order to increase their commissions or to increase the revenue of USCA Insurance Agency, Robin Glen, and/or Arax. However, clients are under no obligation to purchase insurance products through Robin Glen, and financial professional must act in the best interests of their clients.



Additionally, from time to time, financial professionals may recommend the products, services, or investments of other Arax portfolio companies to clients. Such recommendations can create conflicts of interest, which will be disclosed to the client.

While these relationships create conflicts of interest, financial professionals are obligated to make recommendations in the best interests of their clients. Additionally, clients are not required to purchase products or services offered by Piton, ClearShares, Halo, Robin Glen, or other Arax portfolio companies.

## Rollovers to an IRA

When USCWA or USCA Securities provide investment advice and/or recommendations regarding an employer sponsored retirement plan and/or an individual retirement account (IRA), we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal revenue Code.

When clients rollover assets from an employer-sponsored retirement plan (such as a 401(k), 403(b), 457(b), profit sharing or defined benefit pension plan) or transfer their IRA to a USCA Securities or a USCWA managed account, the Firm and its financial professionals receive substantial direct and indirect financial benefits. This creates a conflict of interest, as there is an incentive to recommend that the client rollover assets due to the compensation received. Fees and services differ among employer sponsored plans, investment advisers, and broker-dealers. In some cases, clients will pay more in fees after a rollover to a USCA Securities or USCWA managed account. However, our financial professionals are required to make rollover recommendations that are in the best interest of the client. Additionally, clients will be provided a disclosure document titled USCA and USCWA Client Disclosure Document Factors to Consider When Deciding Whether to Rollover or Transfer Your Employer-Sponsored Retirement Plan into an Individual Retirement Account (IRA), which compares fees and services. Clients should carefully review this disclosure document before initiating any rollovers of employee-sponsored plans or IRA transfers. Clients should discuss any questions with their financial professional or a member of the USCA Securities or USCWA Management Team.

## Additional Information

We encourage you to reach out to your financial professional should you have any questions regarding the information contained in this document. If you would like additional information or a copy of this disclosure, please call our office at 512-342-0202 or 713-336-0500.

For more information regarding additional conflicts specific to the advisory services provided by U.S. Capital Wealth Advisors, LLC, please see its Form ADV here: [www.adviserinfo.sec.gov/Firm/288199](http://www.adviserinfo.sec.gov/Firm/288199).

For more information regarding additional conflicts specific to the advisory services provided by USCA Asset Management LLC and the funds it manages, please see its Form ADV here: [www.adviserinfo.sec.gov/Firm/137045](http://www.adviserinfo.sec.gov/Firm/137045).