

## Client Disclosure Regarding U.S. Capital Advisors LLC's Business Continuity Plan

U.S. Capital Advisors LLC, on behalf of itself and its subsidiaries, USCA Securities LLC and USCA RIA LLC (collectively "USCA" or "the firm") has developed a Business Continuity Plan addressing how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

**Contacting Us** – If after a significant business disruption you cannot contact your Financial Advisor or the office as you usually do by using the direct phone numbers provided by your Financial Advisor or Financial Advisor Team or contacting the Houston branch at 713-366-0500 you should call our alternative number 713-824-7267 or go to our website at [www.uscapitaladvisorsllc.com](http://www.uscapitaladvisorsllc.com) or [www.uscallc.com](http://www.uscallc.com). If you cannot access the firm through any of these means, you may contact our clearing firm, NFS Customer Service at (800) 801-9942 for instructions on how it can assist you in accessing your accounts.

**Our Business Continuity Plan** – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our clients to transact business. Our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption. Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our clients prompt access to their funds and securities if we are unable to continue our business. Our clearing firm, National Financial Services Inc., backs up important client records in a geographically separate area. We have been advised by our clearing firm that in the event of a SBD affecting the clearing firm, its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments within the same business day. However orders and requests for funds and securities could be delayed during this period.

**Varying Disruptions** – Significant business disruptions can vary in their scope and severity. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and fully resume business within one to two business days or less. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within one to two business days or less. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through our website [www.uscapitaladvisorsllc.com](http://www.uscapitaladvisorsllc.com), or [www.uscallc.com](http://www.uscallc.com) or our client emergency number, 713-824-7267 on how to contact us and obtain necessary services. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our clients prompt access to their funds and securities.

**For more information** – If you have questions about our business continuity planning, you can contact us at (713) 366-0500.

## Important Client Information

**Clearing Agreements** U.S. Capital Advisors LLC and its subsidiaries USCA Securities LLC and USCA RIA LLC (collectively "USCA") do not custody client funds or perform trade execution. Funds and securities held in client accounts are maintained by our clearing firm which performs all trade executions and account services such as providing statements, confirmations, check writing, disbursements and related account services. USCA has a clearing relationship with National Financial Services LLC (NFS). USCA may enter into clearing agreements with similar firms. Clients will be informed as to any clearing firm handling the client's accounts.

**Check Acceptance Policy** Since all funds and securities in client accounts are maintained by NFS and USCA does not have custody of any client funds or securities, all checks for deposit into client accounts should be made out to National Financial Services or NFS. Checks written out to Fidelity will be returned to the customer. Checks received in the name of USCA, USCA Securities LLC, U.S. Capital Advisors LLC or the like will be returned to the client.

**Depositing Checks** Checks provided to USCA for deposit into client accounts at NFS will be converted into an electronic fund transfer. By sending completed, signed checks to USCA for deposit into the client's account, clients authorize USCA to copy the check and use the account information from the check to make an electronic funds transfer from the client account for the same amount as the check. If the electronic funds transfer cannot be processed for technical reasons, USCA may choose to process the check in the standard manner and not as an electronic funds transfer. Please note that an electronic funds transfer from a bank account will usually occur within 24 hours, which is faster than a check is normally processed. Checks that are converted to electronic fund transfer. By sending completed, signed checks to USCA for deposit into the client's account, clients authorize USCA to copy the check and use the account information from the check to make an electronic funds transfer from the client account for the same amount as the check. If the electronic funds transfer cannot be processed for technical reasons, USCA may choose to process the

check in the standard manner and not as an electronic funds transfer. Please note that an electronic funds transfer from a bank account will usually occur within 24 hours, which is faster than a check is normally processed. Checks that are converted to electronic funds transfers will not be returned to the client by the client's bank. For security reasons USCA will destroy clients' original checks that are converted into electronic funds transfers; however USCA will keep a copy of the check for recordkeeping purposes.

**How You Will Be Charged** In transaction based accounts clients will be charged on a per service basis. Transaction based charges will generally be in the form of commissions charged for the purchase or sale of equities and fixed income products or sales loads, commissions or concessions included as part of the purchase price of certain investment products, such as mutual funds, alternative investment funds, unit investment trusts, insurance and annuities. In fee (or "wrap") based accounts clients will be charged a fee on a quarterly basis in advance. In general the fee will be based on the amount of eligible assets in the account, regardless of the transactions in the account. Typically fee based accounts occur in connection with advisory programs that allow limited discretionary trading in the account either by third party money managers or by an authorized USCA Financial Advisor. In addition clients may be charged fees for other services such as interest on margin and loan accounts and account service fees including but not limited to annual account fees and charges for specific products and services such as electronic bill pay and debit and credit card programs. For more information about specific charges and fees please contact your USCA Financial Advisor.

**Potential Conflicts of Interest** In connection with its clearing relationship with NFS, USCA may receive certain benefits, such as revenue from NFS in the form of business development credits. Any such benefits will generally be based on the amount of assets that USCA has placed in NFS custody. In some cases USCA may receive benefits from NFS or other third party service providers in connection with services or products made available to clients.

## **Asset Protection at U.S. Capital Advisors LLC**

U.S. Capital Advisors LLC and its subsidiary companies, USCA Securities LLC and USCA RIA LLC (collectively "USCA"), would like to take this opportunity to remind you of the comprehensive protections in place to help protect your assets. Brokerage services are provided through USCA Securities LLC which is a member of FINRA, and subject to its regulations and oversight. USCA Securities LLC is also a member of the Securities Investor Protection Corporation ("SIPC"). Investment advisory services are provided through USCA RIA LLC which is a Registered Investment Advisor with, and subject to the regulations and oversight of, the Securities Exchange Commission.

### **Custody of Client Assets**

No client assets will be custodied by USCA. As part of our effort to provide you with quality service, we have a fully disclosed clearing relationship with National Financial Services LLC, Member NYSE, SIPC, a Fidelity Investments® company ("NFS"), to provide trade execution, custody and other related services for your USCA accounts. As custodian of your USCA accounts, NFS, at the direction of your USCA Financial Advisor is responsible for:

- The execution, clearance and settlement of securities transactions.
- Preparing and sending periodic statements of your account and transaction confirmations.
- The custody (or safekeeping), receipt, and delivery of funds and securities.

### **Regulatory Oversight**

As a registered broker-dealer, NFS is subject to the rules and regulations of the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and other exchanges of which NFS is a member, including the Municipal Securities Rulemaking Board (MSRB). These regulatory organizations each have certain rules and regulations that NFS must follow to safeguard your assets, including:

- Protecting client assets that are fully paid for by segregating them and ensuring they are not used for any other purpose.
- Keeping accurate records of your assets held at NFS.
- Maintaining net capital at required levels.

In compliance with these rules, NFS has its financial information audited on an annual basis and is subject to regulatory oversight examinations. As of June 30, 2010, NFS had net capital of \$2.0B, which exceeds its minimum regulatory requirements by \$1.7B.

### **SIPC Protection**

Assets in accounts custodied by NFS are protected in accordance with SIPC, the Securities Investor Protection Corporation, up to \$500,000. The \$500,000 total amount of SIPC protection is inclusive of up to \$250,000 protection for claims for cash, subject to periodic adjustments for inflation in accordance with terms of the SIPC statute and approval by SIPC's Board of Directors. NFS also has arranged for coverage above these limits. Neither coverage protects against a decline in the market value of securities, nor does either coverage extend to certain securities that are considered ineligible for coverage. For more details on SIPC, or to request a SIPC brochure, visit [www.sipc.org](http://www.sipc.org) or call 1-202-371-8300.

## Excess SIPC Protection

In addition to SIPC protection, NFS provides for additional "excess of SIPC" coverage from Lloyd's of London together with other insurers.<sup>1</sup>

The "excess of SIPC" coverage would only be used when SIPC coverage is exhausted. Like SIPC protection, "excess of SIPC" protection does not cover investment losses in client accounts due to market fluctuation. It also does not cover other claims for losses incurred while broker-dealers remain in business. Total aggregate "excess of SIPC" coverage available through NFS's "excess of SIPC" policy is \$1 billion.

Within NFS's "excess of SIPC" coverage, there is no per account dollar limit on coverage of securities, but there is a per account limit of \$1.9 million on coverage of cash awaiting investment. This is the maximum "excess of SIPC" protection currently available in the brokerage industry.

Lloyd's of London currently has an A (Excellent) rating with "Stable Outlook" from ratings firm A.M. Best and an A+ (Strong) with "Stable Outlook" from Fitch Ratings and Standard & Poor's.<sup>2</sup> It is important to bear in mind that SIPC coverage only applies when a firm is closed due to insolvency or other financial difficulties and then only if client assets are missing from accounts. Finally, "excess of SIPC" protection would only be used were SIPC protection to be exhausted.

If you have any additional questions about NFS, please go to [www.mybrokerageinfo.com](http://www.mybrokerageinfo.com) or feel free to contact your USCA Financial Advisor or any USCA manager at (713) 366-0500.

## Margin Disclosure Document

Your brokerage firm, USCA Securities LLC, is furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account, you should carefully review the margin agreement provided by your firm. Consult your firm regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds from your firm, you will open a margin account with the firm. The securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities in your account, in order to maintain the required equity in the account. It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

**You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities in your account.

**The firm can force the sale of securities in your account.** If the equity in your account falls below the maintenance margin requirements under the law, or the firm's higher "house" requirements, the firm can sell the securities in your account to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.

**The firm can sell your securities without contacting you.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.

**You are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, the firm has the right to decide which security to sell in order to protect its interests.

**The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you with advance written notice.** These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account.

**You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

<sup>1</sup> Fidelity's "excess of SIPC" insurance is provided by Lloyd's of London together with Axis Specialty Europe Ltd. and Munich Reinsurance Co.

<sup>2</sup> As of August 2010 and subject to change. For ratings and explanations, please go to [http://www.lloyds.com/Lloyds\\_Market/Ratings/](http://www.lloyds.com/Lloyds_Market/Ratings/). Lloyd's of London is an independent company and not affiliated with National Financial Services LLC.