

SEC Mail Processing SECURITIES



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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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8-17264

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2019 AND ENDING 12/31/2019
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Crown Capital Securities, L.P.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

725 Town and Country Road, STE 530

(No. and Street)

Orange

(City)

California

(State)

92868

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Darol K. Paulsen

714 547-9481

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Bates Coughtry Reiss LLP

(Name - if individual, state last, first, middle name)

2601 Saturn Street, Ste 210

(Address)

Brea

(City)

California

(State)

92868-6202

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

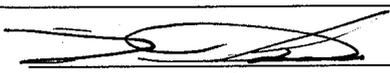
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

E.O.

OATH OR AFFIRMATION

I, Darol K. Paulsen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Crown Capital Securities, L.P., as of December 31st, 2019, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature
C.E.O

Title

*(see attached CA Jurat)

Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- N/A (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- xempt (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- xempt (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- xempt (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- N/A (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- N/A (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



**CROWN
CAPITAL**
SECURITIES, L.P.

**Annual Reports
December 31, 2019
(SEC File No. 8-17264)**

CALIFORNIA JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA }

COUNTY OF Orange }

Subscribed and sworn to (or affirmed) before me on this 25th day of February, 2020
Date Month Year

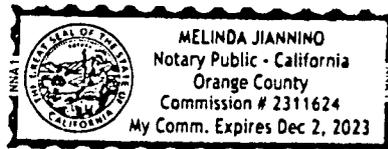
by Darol Paulsen

Name of Signers

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Signature:

Melinda Giannino
Signature of Notary Public



Seal

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent attachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____

Number of Pages: _____

Signer(s) Other Than Named Above: _____

CROWN CAPITAL SECURITIES, L.P.

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**Bates
Coughtry
Reiss
LLP**

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Companies Since 1967

David L. Bates
Wayne R. Coughtry
(1936 - 1997)
Stephen P. Janowicz*
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Jeffrey P. Reiss
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Brian D. Bates
Steve Bertolucci
Robyn R. Bjorklund
Kathy Evans
Lori Henderson
Debra L. Howe
Shawn B. LaBurn
Louis H. Lopez
Yvonne E. Tuff
Judith A. Pappe
(1946 - 2005)

*Professional Corporation

Report of Independent Registered Public Accounting Firm

**To the Partners and Management
of Crown Capital Securities, L.P.**

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Crown Capital Securities, L.P. (a Delaware Limited Partnership) as of December 31, 2019 and the related statements of income, changes in partners' capital, and cash flows for the year then ended; and the related notes, and schedules collectively referred to as the financial statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of Crown Capital Securities, L.P. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Crown Capital Securities', L.P. management. Our responsibility is to express an opinion on Crown Capital Securities', L.P. financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Crown Capital Securities, L.P. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Supplemental Information

The supplemental information, at pages 10 through 12, contained in Schedules I, II, III, IV and V has been subjected to audit procedures performed in conjunction with the audit Crown Capital Securities', L.P. financial statements. The supplemental information is the responsibility of Crown Capital Securities', L.P. management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information contained in Schedules I, II, III, IV and V is fairly stated, in all material respects, in relation to the financial statements as a whole.



We have served as Crown Capital Securities', L.P. auditor since year 1999.

Brea, California
February 26, 2020

CROWN CAPITAL SECURITIES, L.P.
STATEMENT OF FINANCIAL CONDITION
December 31, 2019

ASSETS

CURRENT ASSETS:

Cash & cash equivalents	\$ 4,933,801
Commissions receivable	3,198,910
Prepaid commissions	98,255
Prepaid professional fees	169,655
Prepaid expenses	<u>130,671</u>
Total current assets	<u>8,531,292</u>

Property & equipment, net of \$38,976 accumulated depreciation	<u>47,014</u>
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OTHER ASSETS:

Receivable - other	12,933
Deposit - Pershing, LLC	100,000
Deposit - National Financial Services, LLC	25,000
Deposit - FINRA	6,173
Deposits - other	55,044
Lease - rights of use	<u>2,189,306</u>
Total other assets	<u>2,388,456</u>
Total assets	<u>\$ 10,966,762</u>

LIABILITIES AND PARTNERS' CAPITAL

Commissions payable	\$ 3,518,439
Accounts payable	<u>631,345</u>
Total current liabilities	<u>4,149,784</u>

OTHER LIABILITIES

Conference deposits	181,637
Deferred revenues	335,029
Operating lease obligation	2,189,306
Contingency reserve	<u>556,175</u>
Total other liabilities	<u>3,262,147</u>
Total liabilities	<u>7,411,931</u>

COMMITMENTS

PARTNERS' CAPITAL	<u>3,554,831</u>
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Total liabilities and partners' capital	<u>\$ 10,966,762</u>
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The accompanying notes are an integral part of the financial statements.

CROWN CAPITAL SECURITIES, L.P.
STATEMENT OF INCOME
As of December 31, 2019

REVENUE:	
TSA and Variable annuities	\$ 14,881,204
Mutual funds & 12B-1	9,607,338
RIA and asset management	12,555,667
Limited partnerships	5,501,911
Securities	3,661,879
Marketing fees	210,996
Reimbursements - insurance	1,112,955
Reimbursements - net exchange	70,320
Reimbursements - albridge	148,420
Reimbursements - docupace etc	38,602
Other Income	299,457
Interest income	14,129
Total revenue	<u>48,102,878</u>
EXPENSES:	
Automobile expenses	28,503
Advertising, printing & postage	100,388
Bank charges	10,513
Commission expense	40,557,457
Contract service fees - personnel	2,554,625
Contract service fees - facilities & equipment	312,226
Conferences and seminars	52,739
Compliance expense	81,161
Computer services	596,456
Computer image processing	27,617
Depreciation expense	2,976
Dues and subscriptions	351,844
Insurance -various	1,026,258
Interest	22,899
Office supplies and expenses	89,709
Professional fees	487,483
Recruitment	28,845
Tax, license and permits	354,525
Travel, meals and entertainment	118,604
Settlements, resolutions & contingency provision	1,042,725
Total expenses	<u>47,847,553</u>
NET INCOME	<u>\$ 255,325</u>

The accompanying notes are an integral part of the financial statements.

CROWN CAPITAL SECURITIES, L.P.
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
As of December 31, 2019

	<u>General Partner</u>	<u>Limited Partners</u>	<u>Total</u>
Beginning Partners' Capital	\$ 2,869,270	\$ 1,392,236	\$ 4,261,506
Net Income	171,910	83,415	255,325
Distributions to Partners	<u>(647,715)</u>	<u>(314,285)</u>	<u>(962,000)</u>
Ending Balance at December 31, 2019	<u>\$ 2,393,465</u>	<u>\$ 1,161,366</u>	<u>\$ 3,554,831</u>

The accompanying notes are an integral part of the financial statements.

CROWN CAPITAL SECURITIES, L.P.
STATEMENT OF CASH FLOWS
for the Year Ended December 31, 2019
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income		\$ 255,325
Adjustments to reconcile net income to net cash provided by operating activities:		
Contingency reserve - provision increase	\$ 84,044	
Depreciation Expense	2,976	
Changes in operating assets:		
Increase in commissions receivable	(596,501)	
Increase in prepaid commissions	(20,994)	
Increase in prepaid professional fees	(169,655)	
Increase in prepaid expenses	(273)	
Increase in deposit - pershing	(50,000)	
Decrease in deposits	16,644	
Changes in operating liabilities:		
Increase in commissions payable	744,625	
Increase in accrued payables	412,463	
Increase in conference deposits	10,871	
Increase in deferred revenue	249,182	
Total adjustments		<u>683,382</u>
Net cash provided by operating activities		938,707
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(49,990)</u>	
Net cash used for investing activities		<u>(49,990)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to partners	<u>(962,000)</u>	
Net cash used for financing activities		<u>(962,000)</u>
Net Decrease in Cash and Cash Equivalents		(73,283)
Cash and Cash Equivalents at Beginning of Year		<u>5,007,084</u>
Cash and Cash Equivalents at End of Year		<u>\$ 4,933,801</u>

The accompanying notes are an integral part to the financial statements.

CROWN CAPITAL SECURITIES, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – NATURE OF OPERATIONS and SIGNIFICANT ACCOUNTING POLICIES

- A. Crown Capital Securities, L.P., (the “Partnership”) was formed on January 4, 1999 in the State of Delaware. Effective June 1, 1999, the Partnership purchased the broker-dealer license from Eric Equities, Inc. The Partnership is a licensed Broker-Dealer and is also a Registered Investment Advisor with the Securities and Exchange Commission (“SEC”). The Partnership is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

The Partnership operates as an introducing (non-carrying) broker-dealer that clears customers’ securities transactions with clearing broker-dealers Pershing, LLC or National Financial Services, LLC on a fully disclosed basis. The clearing broker-dealers carry the customers’ accounts and maintain records pertaining thereto. The Partnership also maintains business relations with various Mutual Funds and Insurance Companies. The Partnership provides advisory fee services and hosts seminars and conferences. As of December 31, 2019 the Partnership is registered in fifty states and in Washington, D.C. and has independent registered representatives throughout the United States.

- B. The Partnership has an on-going service and expense reimbursement agreement with Consolidated Brokerage Services, Inc. (a California corporation), where Consolidated Brokerage Services, Inc. provides professional and administrative personnel and various office services for the Partnership. In addition to the expense reimbursements, the Partnership pays a monthly processing fee to Consolidated Brokerage Services, Inc., as indicated in Note 6.
- C. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. All transactions are recorded using the accrual method of accounting.
- E. Commission revenues from securities transactions and other investment products are recognized as earned on a trade-date basis. Residual Revenues, such as insurance trail commissions, are recognized as earned on the effective transaction date provided by the insurance company. Fees and commissions received in advance, such as those for quarterly investment advisory services to be performed, are recorded as deferred revenue until earned. Commissions payable from the Partnership to their independent registered representatives are recorded as an expense, or prepaid expense, in a manner corresponding to the revenue recognition.
- F. Management has reviewed the December 31, 2019 commission receivable balance of \$3,198,910. All significant receivables have been collected within 30 days following the close of the year. As such, no allowance for bad debts has been included in the financial statements. Approximately \$211,448 of the commission’s receivable as of December 31, 2019 were from Pershing LLC and NFS LLC.
- G. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 is \$33,973.
- H. The Statement of Cash Flows is prepared on the cash and cash equivalent basis using the indirect method. For purposes of the Statement of Cash Flows, the Partnership considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CROWN CAPITAL SECURITIES, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 – NATURE OF OPERATIONS and SIGNIFICANT ACCOUNTING POLICIES (continued)

- I. The Partnership accounts for its financial instruments in accordance with FASB ASC - 820, *Fair Value Measurements*. The Partnership's financial assets consist of cash and cash equivalents, commissions receivable, and commissions payable which approximate their estimated fair values based on their short-term nature.
- J. Depreciation is computed using the straight-line method over the estimated useful life of three to seven years. Betterments and improvement are capitalized, while repairs and maintenance costs are expensed in the period incurred.
- K. The Partnership implements FASB ASC 740, *Income Taxes* (formerly SFAS Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*), which changes the framework for accounting for uncertainty in income taxes. Management has considered its tax positions and believes that the positions taken by the Partnership are more-likely-than-not to be sustained upon examination.

The federal and state income tax returns of the Partnership are subject to examination by the IRS for three years after the tax returns are filed and for state authorities the examination period is four years after the tax returns are filed. The Partnership is no longer subject to a federal examination for the years before 2015 and for state examination for the years before 2014.

All material tax effects of the Partnership's income or loss are passed through to the partners individually.

- L. The Partnership's management has evaluated subsequent events through February 26, 2020 the effective date at which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial of the Partnerships as of that date.

NOTE 2 – CASH AND CASH EQUIVALENTS

As of December 31, 2019 cash and cash equivalents consist of:

Cash in Union Bank of California	\$ 3,934,801
Certificates of Deposit: Four	<u>999,000</u>
Total	<u>\$ 4,933,801</u>

At December 31, 2019 the certificates of deposit are each under \$250,000 and are held at four separate financial institutions. Each certificate of deposit has a maturity terms of less than ninety days.

NOTE 3 – CONFERENCE DEPOSITS

The net conference deposits of \$181,637 at December 31, 2019 are for attendance fees received for participation in Crown Capital Securities, L.P.'s Marketing Programs that are scheduled to be held during year 2020.

CROWN CAPITAL SECURITIES, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 – REPURCHASE AGREEMENTS

The Partnership acts as an agent in selling tax-sheltered annuities for certain insurance companies. In the event of cancellation of any tax-sheltered annuity contracts by the purchasers, the Partnership may incur a liability for return of unearned commissions. However, the number of cancellations experienced by the Partnership to date has been insignificant.

NOTE 5 – LEASES

During the year the Partnership implemented FASB ASC 842 - *Leases* which requires that each type of lease (operating or finance) is to be reported separately in the balance sheet. The Partnership has an operating lease for office space in Orange, California. The lease was amended in May 2019 and expires July 2025. In accordance with ASC 842 the Partnership as of December 31, 2019 is reporting a right of use lease asset and a corresponding lease liability with a present value of \$2,189,306. The present value is based on an estimated incremental borrowing rate of 5.5%. We will recognize the lease payments in the statement of income as an operating expense on a straight-line basis over the term of the lease.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Partnership is reimbursed by their registered representatives for insurance, and other third-party online services. For the year ended December 31, 2019 the Partnership was insurance income reimbursements of \$1,112,955 and an additional \$257,342 for third-party services was reimbursed through commission expense payment reductions.

Various administrative and office services for the Partnership are performed by Consolidated Brokerage Services, Inc. (CBS) pursuant to a service agreement that requires the monthly reimbursement of operating expenses and a monthly processing fee of \$7,500 to be paid by the Partnership. The individual that is the 100 percent owner of Consolidated Brokerage Services, Inc. also has an ownership interest in Delta Capital Holdings, LLC (DCH) and Delta Broker Holding, LLC, (DBH) which are, respectively, the general and limited partners of Crown Capital Securities, L.P. During the year ended December 31, 2019, the Partnership paid \$3,745,523 to Consolidated Brokerage Services, Inc. for the reimbursement of the various general and administrative expenses, and processing fees pursuant to the service agreement. The Partnership records the service agreement payments by expense categories consisting of: personnel, facilities and equipment, and various other general and administrative expense categories.

The Partnership also has affiliation agreements with Crown Capital Insurance Agency, L.L.C. (CCIA) and CCIA Nevada, Inc., where they agree to provide the Partnership with the exclusive use of their licenses that the Partnership reasonably requires to operate its business as a full-service broker/dealer and investment advisor. For the year ended December 31, 2019 total revenues generated, respectively, from these agreements was \$5,090,776 and \$45,6059. In consideration for the CCIA entities providing the use of their licenses, the Partnership shall advance funds or reimburse each CCIA for any and all expenses they incur with obtaining or maintaining their licenses.

During the year ended December 31, 2019, the Partnership paid CCIA L.L.C., \$11,800, DBH \$16,075 and DCH \$17,450 for their pass-through expense reimbursements.

CROWN CAPITAL SECURITIES, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 – STATEMENT OF CASH FLOWS

A. Supplemental disclosure of Cash Flow information:

Cash paid during the year for:

Interest Expense	\$ 22,899
State Income, Franchise and Revenue tax	28,317

Supplemental schedule of noncash investing and financing activities: none.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially expose the Company to concentrations of credit risk, consist primarily of:

A. Commissions Receivable

Most of the Partnership's business activity of selling various types of registered securities and investments on a commission basis is done through regulated investment companies located nationwide.

B. Cash Accounts

The Partnership maintains its general non-interest earning cash account in Union Bank of California and periodically purchases short term certificates of deposit from other banks through UnionBanc Investment Services, LLC. Insurance provisions of the Federal Deposit Insurance Corporation ("FDIC") is \$250,000 per account ownership category. As of December 31, 2019 the Partnership's general checking account, before outstanding items, had \$3,718,586 of cash in excess of the FDIC insurance limit. Each of the four certificates of deposit was respectively insured by the FDIC.

NOTE 9 – NET CAPITAL REQUIREMENTS

The Partnership is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to allowable net capital, both as defined, shall not exceed 15 to 1. At December 31, 2019, the Partnership had net allowable capital of \$2,683,247 as computed in supplementary schedule I, which was \$2,335,072 in excess of its required minimum net capital of \$348,175. The required minimum net capital is the greater of \$50,000 or \$348,175 as computed at .0666667% of the \$5,222,625 aggregate indebtedness. The Partnership's liabilities to net capital ratio was 1.95 to 1.

The aggregate indebtedness of \$5,222,625 excludes the operating lease obligation of 2,189,306 which is offset by a matching specific lease right to use asset of \$2,189,306 that is indicated on the December 31, 2019 Statement of Financial Condition and that is disclosed at note 5. The exclusion is pursuant to an SEC issued "no-action" letter regarding the treatment of the new accounting standard *FASB ASC 842*.

CROWN CAPITAL SECURITIES, L.P.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 10 – COMMITMENTS AND CONTINGENCIES

As of December 31, 2019 the Partnership is named as a defendant in three arbitration proceedings, one complaint and one class action. Such matters arise in the course of business and it is common in the broker-dealer industry. The amount sought for compensatory damages, in the aggregate of the minimum range, approximates \$1,025,000 but does not include potential amounts for punitive damages, legal fees and other costs. The Partnership has established a 6.667% contingency reserve of \$16,675 based on an aggregate of \$250,000 for liability insurance deductibles.

With regards to the aforementioned issues, the Partnership's management believes it has meritorious defenses and will be vigorously defending itself against the claims with their legal counsel proceeding accordingly. The Partnership maintains liability insurance, and in the event of any excess settlement balance, management expects to be covered by their Errors and Omissions ("E&O") insurance provider.

The Partnership is subject to an industry wide SEC Share Class Disclosure Initiative (the "SCSD" Initiative). The SEC is investigating the receipt of certain fees charged to customers when making certain share class transactions that may have a conflict of interest. The SEC claims Clients were placed in a more expensive share class of mutual fund and that their Advisors received 12b-1 fees without proper disclosure. The SEC has identified a potential of \$1,057,585 in such fees and is considering seeking disgorgement. The Company has meritorious defenses and is vigorously defending the investigation. However, Management estimates that there could be a more than likely possibility of some disgorgement and therefore has increased their contingency reserve by \$539,500 for a total legal contingency reserve of \$556,175 as of December 31, 2019.

The Partnership self-reported under FINRA Notice to Members 19-04 to voluntarily take part in FINRA'S 529 Plan Class Initiative. FINRA has raised concerns that the firm's supervision of share-class recommendations to customers was inconsistent with the account investment objectives, and to return money to harmed investors as quickly and efficiently as possible. The Partnership is conducting an analysis of these type of transactions and as of December 31, 2019 has an estimate ranging from \$78,000 - \$155,000. Management intends to issue refunds soon after more accurate figures are known. Management has accrued \$78,000 in accounts payable.

SUPPLEMENTARY INFORMATION

CROWN CAPITAL SECURITIES, L.P.
SUPPLEMENTAL SCHEDULES
December 31, 2019

SCHEDULE I

Part 1 - Computation of net capital

Total Partners' Capital, at December 31, 2019		\$ 3,554,831
Liabilities subordinated to claims of general creditors		-
Total capital and allowable subordinated liabilities		3,554,831
<u>Less non-allowable assets:</u>		
Commissions receivable, aged over 30 days or not offset by a liability	\$ (342,371)	
Prepaid commissions	(98,251)	
Prepaid expenses	(300,327)	
Receivable – other	(12,933)	
Deposits	(61,219)	
Fixed assets - net	(47,014)	
Total non-allowable assets		(862,115)
<u>Less: haircuts and other deductions</u>		
Certificates of deposit, maturity terms over 30 days less than 91 days	(1,250)	
Fidelity bond deductible	(8,219)	
Total other deductions		(9,469)
Net Capital pursuant to Rule 15c3-1		\$ 2,683,247

Part 2 - Computation of required minimum net capital

Minimum net capital		
• 6 2/3 percent of aggregate indebtedness	\$ 348,175	
• Minimum dollar net capital required	\$ 50,000	
• Required Net Capital (greater of above)		\$ 348,175
Excess Net Capital		\$ 2,335,072
Aggregate indebtedness, net of \$2,189,306	\$ 5,222,625	
Ratio of aggregate indebtedness to net capital	1.95 to 1	

The \$2,189,306 is being excluded from the aggregate indebtedness in accordance with an SEC issued "no-action" letter regarding the treatment of the new accounting standard *FASB ASC 842 – Leases*. The Partnership's operating lease is described at note 5 of the notes which accompany the December 31, 2019 financial statements.

SCHEDULE II

Computation of reserve requirement pursuant to Rule 15c3-3:

The Partnership is exempt from any reserve computation requirements under the exemption provided for in Rule 15c3-3(k)(2)(ii).

CROWN CAPITAL SECURITIES, L.P.
SUPPLEMENTAL SCHEDULES
December 31, 2019

SCHEDULE III

Information relating to the possession or control requirements under Rule 15c3-3:

The Partnership clears all transactions with and for customers on a fully disclosed basis with a clearing broker or dealer, and promptly transmits all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

The Partnership is exempt from possession or control requirements under the exemption provided for in Rule 15c3-3(k)(2)(ii).

SCHEDULE IV

Reconciliation of net capital computation to the reserve computation pursuant to Rule 17a5(d)(4):

The Partnership is exempt from any reserve requirements under Rule 15c3-3(k)(2)(ii). Accordingly, no computation or reconciliation is required.

CROWN CAPITAL SECURITIES, L.P.
 SUPPLEMENTAL SCHEDULE V
 December 31, 2019

RECONCILIATION OF THE AUDITED NET CAPITAL TO UNAUDITED FOCUS REPORT

	<u>Partners' Capital</u>	<u>Non-Allowable Items</u>	<u>Net allowable Capital</u>
Unaudited Fourth Quarter, Focus Report, 12/31/2019	\$ 4,266,135	\$ (820,578)	\$ 3,445,557
<u>Subsequent Adjustments:</u>			
Increase/(Decrease) in Revenue:	(468,538)	-	(468,538)
Decrease/(Increase) in Expenses:	(242,766)	-	(242,766)
(Increase)/Decrease in Assets:			
Commissions Receivable - non-allowable	-	35,936	35,936
Prepaid and other assets- non-allowable		(90,481)	(90,481)
Decrease/(Increase) in Other Reductions:			
Fidelity Bond - haircut	-	3,539	3,539
Net Capital, 12/31/19	<u>\$ 3,554,831</u>	<u>\$ (871,584)</u>	<u>\$ 2,683,247</u>

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Kathy Evans
Lori Henderson
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Shawn B. LaBurn
Louis H. Lopez
Yvonne E. Tuff
Judith A. Pappe
(1946 - 2005)

*Professional Corporation

Report of Independent Registered Public Accounting Firm

To the Partners and Management
of Crown Capital Securities, L.P.

We have reviewed management's statements, included in the accompanying Management's Exemption Report in which (1) Crown Capital Securities, L.P. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Crown Capital Securities, L.P. claimed an exemption from 17 C.F.R. §240.15c3-3:(k)(2)(ii) (the "exemption provisions") and (2) Crown Capital Securities, L.P. management stated that Crown Capital Securities, L.P. met the identified exemption provisions throughout the most recent fiscal year without exception. Crown Capital Securities', L.P. management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Crown Capital Securities, L.P. compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.



Brea, California
February 26, 2020



**CROWN
CAPITAL**
SECURITIES, L.P.

Management's Exemption Report – Pursuant to Paragraph (d)(4) of SEC Rule 17a-5

The Management of Crown Capital Securities, L.P. (“the Partnership”) is responsible for compliance with the reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934, as amended and effective June 1, 2014 and thereafter, for certain broker-dealers’ annual reporting.

This report is for the Partnership’s most recent fiscal year ended December 31, 2019.

I, Darol K. Paulsen, to the best of my knowledge and belief make these assertions regarding the exemption provision as follows:

Identified Exemption Provision:

The Partnership claims exemption from the requirements of Rule 15c3-3 [17 CFR 240.15c3-3] of the Securities and Exchange Commission under paragraph (k)(2)(ii) [17 CFR 240.15c3-3(k)(2)(ii)].

Definition: (k)(2)(ii) Exemption – Applies to broker-dealers who, as introducing broker-dealers, clear all customer transactions on a fully-disclosed basis with a clearing broker-dealer, and who promptly transmit all customer funds and securities to such clearing broker-dealer. In these arrangements, the clearing broker-dealer carries all of the customer accounts of the introducing broker-dealer and maintains and preserves such books and records related to customer accounts as required by SEC Rules 17a-3 and 17a-4.

Statement Regarding Meeting Exemption Provision:

To the best of my knowledge and belief the Partnership is therefore exempt from rule 15c3-3 because it met the exemption requirement to Rule 15c3-3 [17 CFR 240.15c3-3] of the Securities and Exchange Commission, under paragraph (k)(2)(ii) [17 CFR 240.15c3-3(k)(2)(ii)], throughout the Partnership’s most recent fiscal year ended December 31, 2019 without exception.

Crown Capital Securities, L.P.


Darol K. Paulsen, Chief Executive Officer

February 26, 2020