

# COWEN PRIME ADVISORS

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This Brochure provides information about the qualifications and business practices of COWEN PRIME ADVISORS, a division of COWEN PRIME SERVICES LLC. If you have any questions about the contents of this Brochure, please contact us at (646) 562-1010 or at [www.Cowen.com](http://www.Cowen.com), Attn: Rep Poppell, Chief Compliance Officer. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Cowen Prime Advisors is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The purpose of this Brochure is to provide you with information that will help you decide whether to retain us as your investment adviser.

Additional information about Cowen Prime Advisors also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

This section of our Brochure contains a summary of any material changes we have made since our last annual Brochure, and we will provide you with a copy of that summary within 120 days of the end of our fiscal year each year. We will also provide you with copies of any new Brochure as necessary under the SEC rules.

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#### **Item 4. Advisory Business**

Cowen Prime Advisors (“CPA” or “we”) is a division of Cowen Prime Services LLC (“CPS”), a Delaware limited liability company. CPS is directly owned by Cowen PB Holdings, LLC, a Delaware limited liability company, which in turn is primarily owned by Cowen Inc., also a Delaware limited liability company. CPS is also registered as a broker-dealer with the United States Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority, Inc. (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”) and as an introducing broker with the Commodities Futures Trading Commission (“CFTC”) and the National Futures Association (“NFA”). CPS commenced its broker-dealer business operations in late 2010, and CPA became a SEC-registered investment adviser in March 2011.

Investment Advisory Services. CPA offers its clients several investment advisory services which provide differing types of investment management styles and/or services. In general, we offer discretionary investment management services to our clients, focusing on equities. In that regard, as agreed with any particular client, we may offer management services that would utilize investment strategies that invest in all segments of the securities markets, for instance fixed income, exchange traded funds, mutual funds, options, etc., or that focus on particular segments of the market, for instance, large- or small-capitalization equities or fixed income securities, or which take a more balanced asset allocation approach that allocates a client’s assets over several asset classes that do not all perform in the same manner in all economic circumstances to attempt to control or reduce risk. Options may be utilized as part of any of our investment strategies, either as investments or in order to hedge other positions to reduce risk. Investment strategies range from more aggressive, capital gains-oriented equity strategies, to more conservative balanced or income-oriented approaches.

The particular type of investment strategy that may be offered to any prospective client will be determined after meeting with the client to determine the client’s particular financial circumstances, investment objectives and risk tolerance. Within any particular investment strategy, a client would normally have the ability to impose reasonable restrictions on investing in certain securities or types of securities.

Assets under Management. As of the date of this Brochure, the Firm manages client assets of approximately \$305,978,429 on a discretionary basis.

#### **Item 5. Fees and Compensation**

We generally receive an asset-based management fee for managing our clients’ assets. Our fees are normally deducted directly from the client’s account (that is, our clients are not separately billed for the amount of the fee), and asset-based management fees are normally paid on a calendar quarterly basis in advance. Depending upon the terms of the particular advisory service offered, asset-based management fees will not be prorated for any additions to or withdrawals from a

client's account during a calendar quarter, but a prorated fee will be charged or refunded on accounts opened or terminated during a calendar quarter. Upon termination of any account, any prepaid, unearned fees for the balance of the quarter for which the account will not be under management will be promptly refunded

Pershing, LLC will serve as custodian for your account. The account statements you receive from Pershing, the custodian, will reflect the deduction of fees. You are responsible for verifying that the fee you are charged is accurate. The custodian will not determine whether the fee is properly calculated. Should you find an error, please contact your Portfolio Manager immediately. If you are not satisfied with the action your Portfolio Manager takes, you should contact CPA at the number on the cover page of this brochure

Depending upon the advisory program in which a client participates, our asset-based management fees range between .50% per year and 2.00% per year, based on the value of the account as of the last business day of the calendar quarter. Such valuation is determined by the account's custodian in accordance with its standard policies and practices and is prepared on a trade date basis. (Client statements are normally prepared on a settlement date basis and therefore may differ as of the valuation date.) Such management fees will be paid in advance depending upon the terms of the advisory program in which a client's account is managed. The actual fee charged to a client will be subject to agreement with such client, and will be based upon the terms of the particular investment advisory program in which the client participates, the investment strategy used within that program, the types of securities in which the account invests (i.e., fixed income securities, which are normally not actively traded, are generally charged lower fees, while accounts that use investment strategies that involve more active management, such as some equity styles and options, would normally be charged higher fees), as well as the size of any particular account, with larger accounts sometimes paying a lower fee. Fees may be negotiable based upon several factors, including the size of the account, the relationship of the particular client to other existing or potential clients or accounts, the management style used in the management of the account, the particular services offered to the client, and possibly other factors that may be deemed significant by us in any particular instance.

Some advisory programs we offer charge a management fee as well as brokerage commissions, and such brokerage commissions are not credited against our management fee. In all cases, our fees are exclusive of related costs and expenses which will be incurred by the client. Clients will incur odd-lot differentials, transfer taxes, interest charges on margin transactions, wire transfer and electronic fund transfer fees, asset movement fees, postage, foreign currency exchange fees, foreign securities costs, deferred sales charges (if applicable), ticket charges, custodial fees, maintenance fees, confirmation fees, FX fees and other fees and taxes on brokerage accounts and securities transactions and for other optional services elected by you as applicable on a per event basis. If an account is invested in mutual funds or exchange traded funds, the managers of those funds also charge internal management fees, which are disclosed in a fund's prospectus. All of

such charges, fees and commissions are in addition to our asset-based management fee, and, if applicable, our performance-based fee, and with the exception of brokerage commissions that will be paid to us as opposed to an unrelated broker-dealer (as explained in the following paragraph), we will share in a portion of any margin interest charges paid by an account and , we will shares in a portion of the previously referenced commissions, fees, and costs paid by an account. All such fees are subject to the pricing schedule set by the Clearing Firm and in some cases are shared between the Clearing Firm and CPA.

As noted earlier, Cowen Prime Services LLC, of which we are a division, is also registered with the SEC, FINRA and MSRB as a broker-dealer, and therefore may execute the transactions that are affected for our clients' accounts. In the event that we do execute such transactions, we will retain any commissions earned on those transactions and will not credit those commissions against our fees. Such commissions we charge, will not be shared with those of our advisory personnel who manage portfolios under any of our advisory programs ("Portfolio Managers"). This will give us an incentive to recommend investments based upon the compensation received by us rather than on the needs of our clients. Our obligation is to recommend and effect transactions that are solely in the best interest of our clients, but prospective clients should be aware that the receipt of brokerage commissions in this manner creates a potential conflict of interest in that more active trading, which may not benefit the client, would benefit us by increasing our revenues from such accounts. Our firm's Code of Ethics, which sets forth the standard of conduct expected of our employees (see Item 11 for a discussion of our Code of Ethics), requires our personnel to act only in the best interests of our clients. Our supervisory personnel monitor the trading in our advisory accounts and the amount of commission income generated by such accounts in order to detect any level or type of trading that appears to be influenced by the compensation received by us or by our Portfolio Managers. Any possibly inappropriate trading will be brought to the attention of senior management for further review and analysis and will be dealt with in an appropriate manner. Clients have the option to purchase investment products we recommend through other broker-dealers that are not affiliated with us.

Adequate data is not available to provide any estimate of the percentage of transactions that will be effected by us as the broker-dealer as opposed to an unrelated broker-dealer, but it is likely that most, or at least a majority, of transactions will be effected by us.

In addition, at the present time we cannot estimate what percentage of our or our Portfolio Managers' income from any particular client will be from our asset-based or performance-based fees (if applicable) or from brokerage commissions, and therefore we cannot presently determine whether commissions received will make up the primary source of revenue of our Portfolio Managers.

Prospective clients should also see Item 12 for further information about the factors that we will consider in selecting or recommending broker-dealers for client transactions (when such

transactions are not effected by us) and determining the reasonableness of their compensation (e.g., commissions).

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

A performance-based fee is one in which an investment adviser is paid a fee that is based upon the gains made in the client's account. Although we currently do not charge a performance fee in the CPA Program, certain of our Portfolio Managers are principals in entities that act as the general partner or investment adviser to pooled investment vehicles (hedge funds) that pay a performance-based incentive fee to their general partner or investment adviser. As stated previously, at present, CPA does not offer any advisory program that provides for the payment of a performance fee. Performance-based fee arrangements may create an incentive for such Portfolio Managers to favor such potentially higher fee-paying accounts over other accounts that they manage in the allocation of available investment opportunities. Under our Code of Ethics, we and our personnel are required to treat all clients fairly, and not to intentionally favor any one client or type of client over any other client in allocating investment opportunities. Our Supervisory personnel will monitor our clients' accounts and the trading in such hedge funds to assure that all clients are treated fairly in all respects.

#### **Item 7. Types of Clients**

We offer our investment advisory services to individuals, including high net worth individuals, trusts, estates and charitable institutions, pension and profit-sharing plans, pooled investment vehicles, and corporations and other business organizations. Accounts normally need to be of a certain minimum size in order to be accepted for management, but such requirements differ depending upon the particular investment advisory program offered or investment strategy employed.

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

Investing in securities involves risk of loss that clients should be prepared to bear, and no assurance can be given that any of the investment strategies described below will achieve their objectives.

**General** We offer several different investment strategies and advisory programs to our clients based on the financial circumstances, investment objectives and risk tolerance of the client. Such strategies, in general involve the use of equities, but may include fixed income securities, options, exchange traded funds, derivative instruments or any combination of such securities and investments as determined by the Portfolio Manager handling a client's account. Within any of the investment strategies utilized by our Portfolio Managers, specific investments may be selected on the basis of fundamental analysis, or on the basis of some form of quantitative analysis that seeks to predict future stock prices based on various mathematical formulas or analysis, including,

possibly, technical analysis. The limitations and risks of the latter type of analysis is that such formulas may not accurately reflect the way in which markets or securities act under certain circumstances or in reaction to certain events. Fundamental analysis, which seeks to determine whether a security's current price is undervalued or overvalued based on various economic and company-specific measurements and projections of future revenues and earnings, is often subjective, and the market in general may not evaluate the security in the same manner as the person making the analysis. In addition, the estimates of future performance may prove to be inaccurate. Also, the use of strategies which involve a higher level of trading, such as some equity or options strategies, may negatively affect performance because of the increased costs associated with more frequent trading activity.

#### **Item 9. Disciplinary Information**

In this Item, registered investment advisers are required to disclose certain disciplinary information regarding the investment advisory firm itself or about any of its "management persons," which generally includes all of an investment adviser's principal executive officers and directors, as well the adviser's investment committee if it has one, or, if not, the persons who determine general investment advice to be given to clients. In that regard, we disclose the following information:

CPA has no disciplinary information to disclose.

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

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

As noted previously, CPA is also registered as a broker-dealer with the SEC, FINRA, MSRB and it is registered with the CFTC and the National Futures Association as a commodities future introducing broker. All our senior management personnel, as well as our Portfolio Managers who manage client accounts, are or will be registered with FINRA as registered representatives, and some, but not all, of our personnel will be registered as associated persons with the National Futures Association. In addition, as described in Item 6 above, some of our Portfolio Managers may be associated with the general partner to a pooled investment vehicle that is not managed by us. Such Portfolio Managers may have a conflict of interest as described in Item 6.

The Adviser is affiliated with the following U.S. registered broker-dealers: Cowen and Company, LLC, Cowen Execution Services LLC, ATM Execution LLC, Cowen Securities LP and Westminster Research Associates LLC. The Adviser's non-U.S. affiliates include Cowen International Limited and Cowen Execution Services Limited, both UK FCA registered broker-



dealers and Cowen & Company (Asia) Limited, a Hong Kong SFA registered broker dealer. The above referenced entities are all (directly or indirectly) wholly owned subsidiaries of Cowen Inc., a publicly traded company (NASDAQ: COWN).

Other than Cowen Prime Services LLC, the Adviser generally operates separately from its other broker-dealer affiliates and does not direct any client business to its other broker-dealer affiliates (however, the Adviser is permitted to direct business to its other affiliated broker-dealers for the affiliate-owned Managed Accounts it advises. To the extent that any conflict may arise with respect to its affiliated broker-dealers, the potential conflict is addressed by Cowen Inc.'s Conflicts Committee which is headed by Cowen Inc.'s General Counsel. At this time the Adviser does not believe there is any material conflict related to this relationship.

The Adviser maintains the following financial industry affiliations (broker dealers, investment advisors registered with the U.S. Securities and Exchange Commission or rely upon the registration of an affiliated investment adviser registered with the SEC, etc.): ATM Execution LLC; Cowen and Company, LLC; Cowen Execution Services limited; Cowen Execution Services LLC; Cowen Healthcare Investments II GP LLC; Cowen International Limited; Cowen Investment Advisors, LLC; Cowen Investment Management LLC; Cowen Private Investments GP LLC; ; Cowen Sustainable Advisors LLC; Cowen Trading Strategies LLC; CSI GP I LLC, HCR H.O.P. Fund GP, LLC; HCR Molag Fund GP, LLC; HCR Stafford Fund GP, LLC; HCRP Overflow Fund GP, LLC; Healthcare Royalty GP II, LLC; Healthcare Royalty GP III, LLC; Healthcare Royalty GP IV, LLC; Healthcare Royalty GP, LLC; Healthcare Royalty Management, LLC; ; ; RCG Longview Equity Management, LLC; ; RCG Longview Partners II, LLC; ; TriArtisan Capital Advisors LLC; TriArtisan IS MM LLC; TriArtisan Orlando MM LLC; Westminster Research Associates LLC; Cowen Financial Products LLC; Quarton International AG; CHI Advisors LLC; Cowen Healthcare Investments III GP LLC; RCG RE Manager LLC; HCR Collateral Management, LLC; HCR Potomac Fund GP, LLC; TriArtisan PFC MM LLC; TriArtisan TGIF MM LLC. All are directly or indirectly wholly owned subsidiaries of Cowen Inc., a publicly traded company (NASDAQ: COWN).

There are no material conflicts related to these affiliations. For a complete description of these advisors and the funds they manage, please refer to their Form ADV Part I's.

## **Item 11. Code of Ethics**

CPA and/or its Portfolio Managers and other associated persons involved with its investment advisory business (such Portfolio Managers and other associated persons being referred to as "advisory personnel" in this section of the Brochure) are permitted to buy or sell securities that are recommended to clients for purchase and sale, but no such transactions may be made in such a manner as will adversely affect any client. However, since our own or our advisory personnel's investment objectives or trading strategies may differ from those of our clients, we

and/or our advisory personnel may take action with respect to ourselves or themselves that is different from action taken with respect to clients. It is also possible that we may give advice and take action for some clients which differs from advice given, or the timing and nature of action taken, with respect to other client accounts.

We have adopted a “Code of Ethics” which sets forth the standards of conduct expected of our advisory personnel, and which addresses the conflicts that can arise from personal trading by them. This Code of Ethics requires that advisory personnel obtain pre-approval of any brokerage accounts they wish to open and requires pre-approval of any transactions by them which are not to be executed as part of a bunched order on behalf of clients and advisory personnel. The Code of Ethics also requires periodic reporting by advisory personnel through duplicate copies of confirmations and account statements or otherwise so that we can monitor their trading to prevent any violations of the Code of Ethics or other conflicts of interest which could result from trading by our advisory personnel. The Code of Ethics also includes provisions relating to the confidentiality of client information, a prohibition on trading on inside information, and restrictions on the outside business activities of our advisory personnel, among other things. All of our advisory personnel must acknowledge the terms of the Code of Ethics annually. A copy of the Code of Ethics will be provided to clients or prospective clients upon request.

It is our policy to treat all client accounts fairly and equitably, and we do not favor one group of client accounts over any other. In order to handle transactions for all of our clients in the fairest and most cost-effective manner possible, we will often bunch orders to get a better price for the particular security for a number of client accounts. In other words, rather than effecting multiple transactions, i.e., one for each client account, we will buy one or more larger blocks of the security in question and allocate the securities among the appropriate designated accounts at the average price paid or received in filling the order. These bunched orders may include orders for the accounts of our advisory personnel.

In the event that an entire bunched order cannot be filled on the same day, our policy is as follows:

- (1) First, any part of the order which was placed for our advisory personnel will be eliminated in order to determine whether all client orders can be satisfied with the portion of the order that was filled. If any balance remains after all client orders have been filled in this manner, orders for our advisory personnel will then be filled on a *pro rata* or other appropriate basis.
- (2) Second, if the quantity filled is still insufficient to satisfy all of the client orders after elimination of the orders for advisory personnel, we will allocate the amount filled on a *pro rata* basis based upon the amount of the order that was intended to be bought or sold for each such client account (e.g., if only 60% of an order was filled, each client account

would receive 60% of the amount originally intended for such account). In making such *pro rata* allocations, however, accounts that would otherwise receive an odd lot allocation may be rounded up to a round lot unless doing so would, in our view, unreasonably affect allocations to all other clients.

(3) If an order cannot be completely filled on a single trading day, it is our policy to cancel the unfilled balance of the order. Depending upon the market in that security on the following trading day(s), an order may be placed for the balance of the order on another day, with allocations to be made among the accounts in a manner that will fill, as nearly as possible under the circumstances, the original amounts intended for each of the clients' accounts. Orders for associated persons which had been eliminated in the previous allocation may be included with such later orders in the same manner as our general policy described above.

It is our policy that the firm will not affect any principal or agency cross securities transactions for client accounts, nor will it cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is a transaction in which an investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Since CPA is also registered as a broker-dealer, we have the ability to effect such agency cross transactions, but we have established a policy not to do so.

## **Item 12. Brokerage Practices**

In general, we will have discretionary authority to (i) determine the type and amount of securities to be bought or sold for client accounts, and (ii) negotiate the commission rates to be paid. In addition, we will have the authority to select the broker-dealer to be used to execute such transactions. In that regard, most, but not necessarily all, transactions for client accounts will likely be executed by us as the broker-dealer. With respect to such executions, we have determined that the combination of our execution capability, our commission rates, the general level of service available from our clearing broker in settling the trades, and other factors warrant the execution of most such transactions by us or through one of our clearing brokers. As described under Item 11 above, we will generally execute transactions in which several clients will participate in a bunched order in which all participating clients will pay or receive the average price obtained in all of the transactions.

As described in Item 5 above, we may have a conflict of interest when we execute client transactions as the broker-dealer, rather than selecting another broker-dealer to execute such transactions, since we will receive the brokerage commissions in such transactions. Our Portfolio

Managers do not receive any brokerage commissions in such transactions. Please refer to item 5 for a discussion of the manner in which we deal with such conflict.

It is likely, however, that not all transactions for client accounts will be executed by us. In some cases, we may not have the expertise to efficiently and economically execute transactions in certain types of securities. In addition, we may consider the availability of research or other products and services that may be available in connection with executions made through other broker-dealers.

In selecting the broker-dealers to execute portfolio transactions for those occasions when we do not execute these transactions, we consider numerous factors, including, but not limited to, the broker-dealer's execution capabilities, the furnishing of research, their commission rates, and their overall level of service. Although we do not presently have any arrangements in which we will receive research or other services in connection with securities transactions effected for client accounts through broker-dealers other than ourselves ("soft dollar arrangements"), we may enter into such arrangements in the future. The research obtained may be created or developed by the executing broker-dealer, or it may be created or developed by a third party and provided to us by the executing broker-dealer. In the event that we enter into any such soft dollar arrangements, the research or other products or services obtained in such arrangements may be used for the benefit of all of our clients, not just those whose securities transactions paid for the products or services. While any broker-dealers we may use to execute transactions may charge commissions that may be higher than those obtainable from other broker-dealers for any particular transaction, including ourselves or our clearing brokers, we will only cause clients to pay brokerage commissions that we have determined in good faith to be reasonable in relation to the value of the research and brokerage services provided by such broker-dealers.

If we use broker-dealers other than ourselves to execute client transactions and receive research from or through such broker-dealers, we may be viewed as receiving a benefit because we will not have to produce or pay for such research ourselves. We may also have an incentive to select a broker-dealer to execute such transactions based on our receipt of those soft dollar benefits rather than on the basis of our clients' interest in receiving the most favorable execution. Our Code of Ethics prohibits us from acting otherwise than in the best interests of our clients.

### **Item 13. Review of Accounts**

Our Portfolio Managers will review and monitor client accounts assigned to them on an ongoing basis subject to the continuing review and oversight of our supervisory personnel. Such

Portfolio Managers will be responsible for the overall management of client accounts, including tracking and continually reviewing the performance of client investments and client portfolio allocations. Account reviews may also occur as a result of (a) client requests, (b) changes in a client's personal or financial condition (when we are advised of such changes), (c) changes in tax laws or in economic factors that could affect a client's financial position, or (d) the occurrence of economic or political events that may impact clients. Our supervisory personnel will also review client accounts on a periodic basis in order to monitor relative performance and adherence to investment criteria.

Supervisory personnel, including the MD/Global Head of Trading of CPS, will randomly review client accounts for suitability on an annual basis.

In addition to such reviews, our Portfolio Managers will review trade executions on a continual basis, and our operations personnel will review trade reports on a next-day basis, to ensure that each transaction was properly executed and correctly reported.

Clients will receive confirmations of all transactions executed for their account, monthly account statements sent by our clearing broker, which acts as the independent custodian for our clients' accounts. See also Item 15 below regarding custody of client accounts.

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

##### **Referrals:**

We do not presently have any arrangements under which we receive any benefit from a third party for providing investment advice to our clients, nor do we compensate any third party for referring any investment advisory client to us.

##### **Other Compensation:**

###### Business Development Credits

CPA receives credits from Pershing LLC each time it surpasses certain thresholds for total assets, which include client assets, maintained with Pershing as the clearing firm. CPA has received these substantial Business Development Credit payments and stands to receive additional payments for any additional asset thresholds added to the custody platform at CPA. This creates a conflict of interest in that it incentivizes CPA to maintain its relationship with and continue to direct assets, including client assets, to Pershing LLC.

###### Credit Interest and Money Market Account Revenue

When clients open accounts with CPA and Pershing LLC, their Portfolio Manager typically recommends a “sweep option” to hold funds awaiting investment. The sweep options available through Pershing LLC include cash and several money market funds. Some of the money market fund options pay a distribution or 12b-1 fee, and pursuant to its clearing agreement with Pershing LLC, CPA receives a portion of that fee based on average net assets of CPA clients beneficially owning shares of such funds. Pershing LLC also offers money market fund options that do not pay a distribution of 12b-1 fees. CPA has an incentive to recommend a 12b-1 fee paying money market fund because such shares provide increased compensation to the Firm, although this revenue is not shared with the Portfolio Manager. A conflict of interest exists when CPA recommends 12b-1 fee paying fund and an equivalent lower cost fund is available.

Additionally, when a client does not select a money market fund or selects cash as the sweep option for their account, CPA is eligible to receive credit interest from Pershing. This creates a conflict in that it may incentivize CPA to recommend cash as the sweep option in order to increase compensation to CPA.

#### Margin Interest and Non-Purpose Loans

CPA makes margin and non-purpose loans available through Pershing LLC to qualified clients in certain circumstances. Pershing LLC establishes a base cost charged to CPA, which is the “cost to carry” the loans. CPA has discretion to charge more than this base interest rate or “mark up” the interest rate that is charged to the client. Pershing LLC pays CPA a substantial portion of the interest above the base rate charged on clients’ margin and non-purpose loans. This creates a conflict in that it incentivizes CPA to recommend the use of margin and non-purpose loans to clients in order to increase revenue to the Firm. The use of margin and non-purpose loans increases asset-based fees. Although CPA negotiates almost all rates directly with our clients, the fact that CPA marks up margin and non-purpose loan interest rates incentivizes CPA to set a higher rate in order to increase compensation to CPA.

### **Item 15 – Custody**

As noted in Item 13 above, clients will receive monthly statements from Pershing, LLC, the independent custodian which holds and maintains our clients’ accounts and assets. Clients should carefully review such statements and compare them to any other information you may receive from us.

CPS has limited custody of our clients’ funds and/or securities when clients authorize us

to deduct our management fees directly from their accounts. CPA is also deemed to have custody of a client's funds and/or securities when a client has on file a standing letter of authorization ("SLOA") with the account custodian to move money from the client's account to a third party and under the SLOA authorizes us to designate, based on your instructions from time to time, the amount or timing of the transfers. The SEC has set forth a set of procedural safeguards intended to alleviate a firm being held to the full requirements of the SEC's Custody Rule under these circumstances, which we follow.

CPA has an arrangement with Pershing to provide clearance and custody of accounts. Pershing: (a) maintains custody of all account assets, (b) executes and performs clearance of purchase and sale orders in accounts, and (c) performs all custodial functions customarily performed with respect to securities brokerage accounts, including but not limited to the crediting of interest and dividends on account assets. Pershing forwards client account statements as well as confirmation of each purchase and sale to you. Pershing acts as the general administrator of each account, which includes charging and collecting account fees on CPA's behalf and processing, pursuant to CPA's instructions, deposits to and withdrawals from the account. Pershing does not assist clients in selecting CPS

You should receive at least quarterly statements from Pershing, the qualified custodian that holds your advisory account assets. CPA urges you to compare the holdings listed on the custodian's statement to those listed on reports CPA or your Portfolio Manager may provide. If you have a question about a discrepancy, you should direct it to your Portfolio Manager. If the Portfolio Manager is unable to adequately address your concern, you should contact CPA at the phone number on the cover page of this Brochure.

#### **Item 16. Investment Discretion**

At the outset of an advisory relationship with a client, we will normally receive discretionary authority from the client to determine the identity and amount of securities to be bought and sold. In all cases, however, that discretion will be exercised in a manner consistent with the agreed-upon investment objectives for the particular client account and with any reasonable limitations and restrictions that the client may place upon the account, which limitations and restrictions must be provided to us in writing. The investment discretion granted to us by the client is included in the Investment Management Agreement or other power of attorney we will execute with the client at the start of our relationship.

#### **Item 17. Voting Client Securities**

We will not vote, or give advice about how to vote, proxies for securities held in client accounts. If the account is for a pension or other employee benefit plan governed by ERISA, Client directs CPA not to vote proxies for securities held in the Account because the right to vote

such proxies has been expressly reserved to either 1) The Plan's Trustees, or 2) The Named Fiduciary. Accordingly, the client will retain the sole right to vote such proxies and we will instruct our clearing firm or other custodian to forward proxy solicitation materials directly to the client.

#### **Item 18. Financial Information**

In this Item 18, registered investment advisers are required to provide clients with certain financial information or disclosures about their financial condition which are reasonably likely to impair their ability to meet contractual commitments to clients. We have no such financial condition to disclose.

#### **Item 19. Other Legal Actions**

The Client agrees that CPA will not advise or act for Client in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the Account or the issuers of these securities ("Legal Proceedings").