



**Part 2A Appendix 1 of Form ADV:**  
**Crown Heritage Wrap Fee Program Brochure**

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This firm brochure ("Brochure") provides information about the qualifications and business practices of Crown Capital Securities, L.P. ("Crown" or the "Firm"), a SEC registered investment advisor.\* If you have any questions about the contents of this brochure, please contact us at 714-547-9481 or [jfrench@crowncapitalsecurities.com](mailto:jfrench@crowncapitalsecurities.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Crown Capital Securities, L.P., is also-available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using the Firm's full name or a unique identifying number, known as a CRD number. Our firm's CRD number is 6312.

\*Registration with the SEC does not imply a certain level of skill or training.

## ITEM 2. MATERIAL CHANGES

This *Wrap Fee Program Brochure* ("Wrap Brochure"), dated April 30, 2020, is the disclosure document for some of our wrap fee programs, the Crown Heritage Wrap Fee Programs.

Per SEC rules, Crown Capital will send clients a summary of any material changes to this Brochure within 120 days of our fiscal year end, December 31. In other words, any material changes since delivery of our last Brochure will be communicated to clients by April 30. Crown may elect to send an updated copy of this entire Brochure, rather than a summary, if the number of material changes warrants. If there are no material changes for the past year, we will not send either document.

### Obtaining the Brochure

1. Contact your Advisory Associate at any time to request Crown's most recently updated Brochure.
2. Download the updated Brochure from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Select "Firm" tab and enter our full name or CRD number: "6312".

### Summary of Material Changes

The following is a summary of material changes since the last annual update of the Brochure on July 8, 2019.

**Item 4 – Services, Fees and Compensation:** This section has been updated to include more available account options for advisory clients:

- As of March 30, 2020, Crown will be offering a new Wrap Account option in the Crown Heritage program, known as the Advisor360 Wrap, that uses Pershing as custodian. We've added a section describing this account option.
- We've added a statement clarifying the difference between discretionary and non-discretionary account management services.
- We've re-iterated the account minimums for each account option
- We've clarified that accounts using sub-advisers grant those sub-advisers discretionary trading authority

**Item 4 – Services, Fees and Compensation – Billing:** We've specified that the Adviser360 Wrap bills monthly in arrears, whereas other options bill quarterly in advance.

**Item 4 – Services, Fees and Compensation – Additional Expenses:** We've expanded our disclosures about the additional fees, aside from the main wrap fee, that the client will be responsible for, depending upon the services they use.

**Item 4 – Services, Fees and Compensation – Crown Advisory Associates Compensation:** We've added a disclosure title that expands on some of the advantages or disadvantages of a wrap fee structure in specific scenarios, suggesting the client discuss this with their advisor.

**Item 4 – Services, Fees and Compensation – Crown Advisory Associates Compensation:** We've added a disclosure to reiterate that Crown, barring special circumstances, does not allow the use of commission-based products in wrap accounts.

**Item 6 – Portfolio Manager Selection and Evaluation:** We've added a paragraph describing this process, especially as it relates to sub-advisers for the Wrap Strategists and

Separate Account options.

**Item 7 – Client Information Provided to Portfolio Managers:** We’ve added a paragraph describing information that is shared and referencing our Privacy Policy.

**Item 9 – Additional Information - Other Financial Industry Activities and Affiliations:** We’ve added disclosures to further explain that Crown advisors engage in outside business activities for which they earn separate and customary compensation.

**Item 9 – Additional Information – Client Referrals and Other Compensation:** We’ve expanded this section to help customers better understand existing conflicts of interest relating to other compensation received by Crown and, in some cases, its advisors. We specifically describe in greater detail payments received for the following activities:

- Technology and other assistance received from custodian(s)
- Mutual Fund 12b-1 fee arrangements
- Mutual Fund service fee arrangements
- Money Market Mutual Fund and FDIC-Insured Bank Deposit Program distribution assistance
- Strategic distribution arrangements with Third Party Money Managers and other product providers
- Distribution and marketing assistance from Alternative Investment and Direct Participation Program sponsors

### **ITEM 3.      TABLE OF CONTENTS**

ITEM 1.	COVER PAGE	1
ITEM 2.	MATERIAL CHANGES	2
ITEM 3.	TABLE OF CONTENTS	4
ITEM 4.	SERVICES, FEES AND COMPENSATION	5
ITEM 5.	ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS	11
ITEM 6.	PORTFOLIO MANAGER SELECTION AND EVALUATION	12
ITEM 7.	CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS	16
ITEM 8.	CLIENT CONTACT WITH PORTFOLIO MANAGERS	16
ITEM 9.	ADDITIONAL INFORMATION	17

#### **ITEM 4. SERVICES, FEES AND COMPENSATION**

Crown Capital Securities, L.P. ("Crown"), which is a SEC-registered investment adviser, is also a registered broker-dealer with the Financial Industry Regulatory Authority ("FINRA"). Crown began conducting business in 1999 with its principal place of business located in Orange California.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- Mr. Darol K. Paulsen, CEO
- Delta Broker Holding, LLC, Shareholder

Delta Broker Holding, LLC, is a Limited Partner of Delta Capital Holdings, LLC. The general partner, Delta Capital Holdings, LLC, is controlled by RET, LP, and the Paulsen Trust, collectively referred to as the "members".

Crown provides investment advisory services to a variety of clients. Our investment advice is delivered through our investment advisor representatives ("Advisory Associates") whom are also registered as securities representatives of our broker-dealer. Advisory Associates provide advisory services on a non-discretionary or discretionary basis. Clients who select a non-discretionary agreement must be contacted by their Advisory Associate and give prior consent to any transactions. Clients with discretionary agreements have authorized their Advisory Associate to manage the account without prior consent for each transaction. Clients may impose reasonable limitations on discretionary agreements, if preferred.

Crown sponsors the following Wrap Fee Programs:

- The Crown Heritage Adviser360 Wrap Program
- The Crown Heritage Adviser Advantage Model Management Wrap Program
- The Crown Heritage Adviser Advantage Wrap Strategists Program
- The Crown Heritage Adviser Advantage Separate Accounts Wrap Program

#### **The Crown Heritage Adviser360 Wrap Fee Program**

The Crown Heritage Adviser360 Wrap Fee Program is a versatile portfolio management platform sponsored and offered by Crown. The Advisor360 Program is designed to offer clients a diversified, long-term approach to their personal investment goals and objectives through asset allocation, portfolio monitoring, consolidated reporting, and, most importantly, individualized portfolio management. It allows clients to invest in no-load or load-waived mutual funds, variable products, stocks, bonds, commercial paper, money market shares, CDs and exchange traded funds, according to the investor's needs, goals, objectives and preferences.

Clients considering participation in Adviser360 Program will receive an initial consultation with a Crown Advisory Associate to determine the client's financial situation including investment history, goals and objectives, and special interests or concerns. Based on this consultation and client account documents, the client and the Crown Advisory Associate will design a portfolio using appropriate investments intended to meet the client's long-term goals. Accounts will be rebalanced to ensure they stay within the client's established allocation. The Crown Advisory Associate will review the strategy periodically, and may make changes in the asset allocation among securities as needed. It is imperative, therefore, for the client to contact the Crown Advisory Associate if the client's financial situation or objectives change. The Adviser360

account will be managed by the advisor on a discretionary basis. Clients can specify reasonable restrictions on the discretionary agreement.

Client must have a minimum investment of \$25,000 for this program.

### **The Crown Heritage Adviser Advantage Model Management Wrap Program**

The Crown Heritage Adviser Model Management Program is a versatile portfolio management platform sponsored and offered by Crown. The Model Management Program is designed to offer clients a diversified, long-term approach to their personal investment goals and objectives through asset allocation, portfolio monitoring, consolidated reporting, and, most importantly, individualized portfolio management. It allows clients to invest in no-load or load-waived mutual funds, variable products, stocks, bonds, commercial paper, money market shares, CDs and exchange traded funds, according to the investor's needs, goals, objectives and preferences.

Clients considering participation in Model Management Program will receive an initial consultation with a Crown Advisory Associate to determine the client's financial situation including investment history, goals and objectives, and special interests or concerns. Based on this consultation and client account documents, the client and the Crown Advisory Associate will design a portfolio using appropriate investments intended to meet the client's long-term goals. Accounts will be rebalanced to ensure they stay within the client's established allocation. The Crown Advisory Associate will review the strategy periodically, and may make changes in the asset allocation among securities as needed. It is imperative, therefore, for the client to contact the Crown Advisory Associate if the client's financial situation or objectives change.

Client must have a minimum investment of \$25,000 for this program.

### **The Crown Heritage Adviser Advantage Wrap Strategists Program**

In the Wrap Strategists Program clients can select from a list of Third Party Asset Managers ("Strategists") that offer actively managed portfolios, comprised of either mutual funds or exchange-traded funds. Crown will provide the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's personal Statement of Investment Services ("SIS").

Once we determine the most suitable Strategists for the client, we provide the selected Strategists with the client's SIS. The Strategists then creates and manages the client's portfolio on a discretionary basis based on the client's individual needs as exhibited in the SIS.

We monitor the performance of the selected Strategists. If we determine that a particular selected Strategist is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's SIS, we may suggest that the client contract with a different Strategist. Under this scenario, our firm assists the client in selecting a new Strategist. However, any move to a new Strategist is solely at the discretion of the client. Clients retain individual ownership of all securities.

Client must have a minimum investment of \$25,000 for this program.

### **Crown Heritage Adviser Advantage Separate Accounts Wrap Program**

The Heritage Separate Accounts Wrap program provides clients with direct access to global investment managers ("Separate Account Manager"), many of whom were once available exclusively to large institutional investors.

Crown will provide the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's personal Statement of Investment Services ("SIS").

Once we determine the most suitable Separate Account Manager for the client, we provide the selected Separate Account Manager with the client's SIS. The Strategists then creates and manages the client's portfolio on a discretionary basis based on the client's individual needs as exhibited in the SIS.

Crown will monitor the performance of the selected Manager. If we determine that a particular selected Manager is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's SIS, we may suggest that the client contract with a different Separate Account Manager. Under this scenario, our firm assists the client in selecting a new Separate Account Manager. However, any move to a new Separate Account Manager is solely at the discretion of the client. Clients retain individual ownership of all securities.

Client must have a minimum investment of \$100,000 for this program.

## **Services**

Affiliated and unaffiliated service providers may develop asset allocation models. The Crown Advisory Associate may also develop asset allocation models or use others from outside independent sources. Each Advisory Associate develops his or her own methods of analysis, sources of information, and investment strategies. As such, recommendations by Advisory Associate and individual investment portfolios will differ.

The Advisory Associate will manage accounts on an ongoing basis and will review accounts at least annually with the client or upon the client's request. The purpose of the review is to determine whether there have been any changes in the client's financial situation and investment goals and to determine whether any changes in the client's investment portfolio are appropriate. The Advisory Associate also reviews the client's asset mix and makes recommendations regarding changes to the portfolio.

Clients will receive monthly brokerage statements, except for months in which no account activity has occurred, and quarterly statements and performance reports. Clients may call at any time during normal business hours to speak directly with their Advisory Associate or the Crown home office about their account, financial situation, or investment needs.

## **Crown Heritage Wrap Fees**

As the Crown Heritage is a wrap fee program, transactions are effected "net" (i.e., without commission), and a portion of the wrap fee is generally considered to be in lieu of commission. Therefore, Crown does not negotiate commission rates with broker dealers. Clients pay a single fee for advisory, brokerage and custodial services. However, there are other fees the client may pay in addition to the wrap fee ("Additional Expenses," below).

Clients will be charged advisory fees based on an annualized percentage of the value of the assets in the Crown Heritage account. These fees may be negotiable at the sole discretion of management.

Clients will pay a maximum advisory fee according to the following schedule:

### *Crown Heritage Program Wrap Fee Schedule*

<u>Value of Account Assets</u>	<u>Annual Fee</u>
First \$500,000	2.00%
Next \$500,000	1.50%
Next \$1,000,000	1.00%

For example, if a client's account is valued at \$1,500,000, the annual fee will be calculated as follows:  $(\$500,000 \times 2.00\%) + (\$500,000 \times 1.50\%) + (\$500,000 \times 1.00\%)$ .

### **Billing**

The fee will be assessed and billed quarterly in advance if the client selects the Model Management, Wrap Strategists, or Separate Account options. The Adviser360 Wrap account option is billed monthly in arrears.

The fee for any given calendar quarter is debited by the custodian from the client's account **at the** beginning of the calendar quarter, based on the total portfolio value as of the last business day of the preceding calendar quarter. The fee for the Adviser360 option is debited by the custodian from the client's account on the first or second business day of each calendar month, based on the total portfolio value as of the last business day of the preceding calendar month.

The first fee will be billed upon execution of the Agreement and will be based upon the opening value of the account. If the Agreement is executed at any time other than the first day of a calendar quarter, the payment will be prorated. The first fee for the Adviser360 option will be billed on the first or second business day of the month beginning after execution of the Agreement. If the Agreement is executed at any time other than the first day of a calendar month, the payment will be prorated.

A client will have a period of five (5) business days from the date of the signing the Advisory Services Agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, an advisory service agreement may be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice. Upon termination of an Advisory Services Agreement, any prepaid, unearned fees will be promptly refunded.

Alternatively, clients may elect to pay all advisory fees described above from a National Financial Services ("NFS") or Pershing, LLC ("Pershing") brokerage account(s) other than their Crown Heritage account. Direct payments will be calculated in the same manner and billed on the same time frame.

### **Additional Expenses**

Other fees the client may pay in addition to the wrap fee include fees and expenses charged by mutual funds and ETFs to their shareholders, mark-ups, mark-downs, spreads paid to market makers, IRA maintenance fees, exchange fees, transfer taxes or certain administrative fees for wire transfers and certificate issues. You should review mutual funds' prospectus and/or the custodian's pricing schedule, available from your Adviser, to understand these set-apart fees.

Account options that make use of third party sub-advisers, such as the Wrap Strategists program and the Separate Accounts program, will pay a portion of the overall wrap fee to the portfolio manager(s). This will not be in addition to your overall Wrap fee, but included in it. The exact amount of this fee depends on the managers selected, ranging from 0.27% - 1.17%. The platform



manager could change the lineup of available managers, which could alter this range, so you should discuss all fees with your advisor.

### **Crown Advisory Associates Compensation**

The Advisory Associate(s) managing the Crown Heritage account will receive a portion of the overall wrap fee as a result of their services and the client's participation in the program. The Advisory Associate's portion of this fee ranges from .50% to 2.00% per year. The amount of this compensation may be more or less than the amount the Advisory Associate would receive if the client participated in other programs or paid separately for investment advice, brokerage, and other services. Therefore, Crown and its Advisers may have a financial incentive to recommend the Crown Heritage Wrap programs over other programs or services. Clients have no obligation to work with a Crown Adviser, it is entirely at the client's discretion. In evaluating the relative cost of the Crown Heritage Wrap program, clients should consider the following (and discuss them with their Adviser): the amount of the portfolio activity in the client's account, the size of a client's account, the nature of the investments to be managed, the broker dealer's usual commission rates (a.k.a. ticket charges, as distinguished from Adviser/Representative commissions), custodial expenses, and other factors.

Mutual funds and variable insurance contracts that were not purchased at their Net Asset Value ("NAV") may only be deposited into a Crown Heritage program account if they were purchased through Crown at least two years prior to opening the account, or if they were purchased at any time through another broker dealer, unless there is an economic or practical reason for doing so. Clients should discuss the suitability of this transaction specifically with their Adviser and review the fund or variable product prospectus. In some cases, Crown will not approve the transaction, or will exclude the asset from the asset-based charges of the wrap account, or will offset the wrap fee to account for the ongoing commission.

### **Conflict(s) of Interest**

Advisory Associates are responsible for disclosing all conflicts of interest that arise through the management of clients accounts in connection with the Crown Heritage program and are responsible to disclose such conflicts to the Crown Investment Committee. The Investment Committee will determine the materiality of such conflicts. All material conflicts will be mitigated, if possible, or disclosed to the clients involved. Such clients will be offered an opportunity waive such conflicts, to work with another Advisory Associate, or to move their assets to another investment advisory firm.

Crown looks for potential conflicts of interest during account review. Any individual knowingly placing their own interest above that of clients may be subject to termination.

Associates are not permitted to initiate transactions in fee-based managed accounts that result in commissions being paid to them as a dually-licensed registered representative. Commission-based transactions are only permitted in a traditional brokerage account or directly with the product issuer. Also, as elaborated in "Item 9, Additional Compensation," we have initiated steps to eliminate and/or mitigate the specific conflict presented by the purchase of mutual funds paying 12(b)-1 trail commissions to the Adviser (in his capacity as a Registered Representative) for the fund's inclusion in a managed portfolio.

Also, please see "Item 9, Additional Compensation" for more information about our conflicts of interest at the firm or advisor level and how we take steps to address and/or disclose them.

### **Account Termination**

Client may terminate the Crown Heritage account without penalty within five (5) business days of Client's signature.

This Agreement may be terminated by either party effective upon receipt of written notice to the other party ("Termination Date") provided that such termination does not cause the client to forfeit any prepaid fees or such otherwise forfeitable fees are reimbursed to client. Crown will advise the account custodian to deliver securities and funds held in the account as instructed by Client unless Client requests that the account be liquidated.

If an account is liquidated as a result of a termination notice, proceeds will be payable to Client upon settlement of all transaction in the account. The Client will be entitled to a prorated refund of any pre-paid quarterly advisory fee based upon the number of days remaining in the quarter after the termination date. The Transaction Charges set forth in Exhibit A will remain in effect for 30 days from the Termination Date. Thereafter, the Crown Heritage account assets will be transferred to a standard brokerage account unless the Client otherwise directs in writing.

If an account is closed within the first six months by Client or as a result of withdrawals which bring the account value below the required minimum, Crown reserves the right to cancel and rebill all transactions in the account at normal and customary brokerage commission rates, in order to cover the administrative cost of establishing the Crown Heritage account.

Termination of the Agreement will not affect the liabilities or obligations of the parties arising from transactions initiated prior to termination. The Client shall be responsible for any transactions initiated prior to termination, and may also have tax consequences. In special cases where a commission-based product was permitted, early redemption fees or similar fees for mutual funds and other products may be applicable as described in product's prospectus or other offering documents. Certain assets that may be transferred or held in the Account may not be accepted by another broker dealer. Crown will use reasonable efforts to follow Client instructions regarding the disposition of Account termination. Such redemption or liquidation may affect the asset allocation and/or market value of the assets to the extent permitted by law and policies of the receiving firm.

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

Crown provides investment advice in the Crown Heritage program, where appropriate, to individuals, trusts, estates, charitable organizations, corporations, ERISA and other retirement plans and other business entities.

### **Minimum Account Size**

As previously disclosed in Item 4, the minimum account size for each program is as follows:

<u>Program Name</u>	<u>Minimum Account Size</u>
• The Crown Heritage Adviser360 Wrap	\$25,000
• The Crown Heritage Model Management Program	\$25,000
• The Crown Heritage Wrap Strategists	\$25,000
• The Crown Heritage Separate Accounts Wrap	\$100,000

These minimum account values may include the value of previously purchased securities that are transferred into the client's Crown Heritage account and the aggregate of multiple Crown

Heritage accounts. The minimum requirement may be waived for certain accounts at the sole discretion of Crown.

## **Custody**

Crown Heritage clients must direct Crown as to the broker dealer/custodian to be used in managing their account. For clients using the Adviser360 option, Crown requires that clients direct it to custody the client's assets with and to place trades through Pershing, LLC. For clients using the Adviser Advantage Model Management, Wrap Strategists, or Separate Account options, Crown requires that clients direct it to custody the client's assets with and to place trades through National Financial Services, LLC ("NFS"). Pershing and NFS are industry-leading FINRA-member broker dealers and two of the clearing firms Crown uses for its brokerage accounts. Crown has evaluated both Pershing and NFS and believes that both will provide Crown's clients with a blend of execution services, commission costs, and professionalism that will assist Crown in meeting its fiduciary obligations to clients. Clients always retain all indicia of ownership of the cash and securities in the account, the right to vote proxies for the securities and the right to pledge and hypothecate such securities.

Crown has negotiated arrangements with both Pershing and NFS to provide custodial and brokerage services as part of the Crown Heritage Wrap Programs, as determined by the account option selected. As such, Crown reserves the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than Pershing or NFS, respectively, for the account options described above. In evaluating such an arrangement, the client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by Crown on a trade-by-trade basis, and best execution may not be achieved. In addition, as noted above in Item 4, transactions in the client's account are effected "net" (i.e., without separate commission charge to the client) and a portion of the wrap fee is generally considered as being in lieu of commissions. Not all advisers require clients to direct it to use a particular broker dealer, though the sponsors of wrap fee programs typically do.

As custodian, Pershing or NFS will credit their respective accounts with dividends and interest paid on securities held in the client account and with principal paid on called or matured securities.

## **ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

Crown Advisory Associates are the sole portfolio managers in the Adviser360 and the Adviser Advantage Model Management options. Crown's Advisory Associate must possess, minimally, a college degree and/or appropriate business experience and all required licenses.

Investnet, as platform manager for the Wrap Strategists and Separate Accounts options, is responsible for due diligence reviews of the portfolio managers participating in these programs as sub-advisers. Your Adviser and Crown Capital are responsible for ensuring that your investment strategy is aligned with the strategy of the sub-adviser(s) managing the account, based on investment objectives, risk tolerance, financial situation and other relevant factors. Crown Capital does not review the performance of the sub-advisers. Investnet has the authority to replace the sub-advisers if they decide it is in the best interests of the platform and its clients. Crown does not replace sub-advisers for the platform, but, if desired, the client and his advisor could decide to select an alternative sub-adviser for their objective, or use a different platform. The criteria used by Crown and its Advisers in the investment or manager selection process are listed below.

As noted above in Item 5, Crown has partnered with NFS and Pershing to provide brokerage, custodial and other services for the Crown Heritage Programs. Crown relies upon NFS and Pershing to calculate portfolio manager performance and does not undertake an additional validation of performance data. Both Pershing's and NFS's reporting methodologies are compliant with Global Investment Performance Standards ("GIPS," formerly known as the AIMR Performance Presentation Standards). GIPS is a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients.

Please see the disclosure in Item 4 for the services provided by our Advisory Associates and the fees charged within the Crown Heritage Programs. We do not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Methods of Analysis, Investment Strategies and Risk of Loss**

We may use the following methods of analysis in formulating the investment advice we provide to clients in the Crown Heritage Program.

#### **Fundamental Analysis**

We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indication it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

#### **Technical Analysis**

We also analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement. Also, past performance does not guarantee future results.

#### **Cyclical Analysis**

In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Cyclical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

#### **Asset Allocation**

Rather than focusing primarily on securities selection, Crown also attempts to identify an appropriate ratio of equities, fixed income, and cash or cash equivalents suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equities, fixed income, and

cash or cash equivalents will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

### **Mutual Fund Analysis**

Mutual funds in client portfolios will be recommended on the basis of any or all of the following criteria: the fund's performance history; the asset class and industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure.

A risk of mutual fund analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund, which could make the fund less suitable for the client's portfolio. We also rely on third party institutions, such as Envestnet, which have established themselves as authoritative sources in this area.

### **Third-Party Manager Analysis**

We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. We also rely on third party institutions, such as Envestnet, which have established themselves as authoritative sources in this area.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

### **Risks for All Forms of Analysis**

Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. There is always a risk that our analysis may be compromised by inaccurate or misleading information. We may use the following investment strategies, as appropriate, when managing client assets:

### **Long-term Purchases**

Where appropriate, our firm employs a long-term investment strategy when formulating the investment advice given to clients. This entails the purchase of securities with the idea of holding them in the client's account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

### **Short-term Purchases**

Where appropriate, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and may result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

### **Short Sales**

In addition, we may borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. We then sell the shares we have borrowed. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If the stock has gone down since we purchased the shares from the original owner, the client keeps the difference.

One risk in selling short is that losses are theoretically unlimited; we are obligated to repurchase the stock no matter how much the price has climbed. In addition, even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place. Short selling may not be appropriate in times of inflation, as prices may adjust upwards regardless of the value of the stock.

***Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.***

### **Voting Client Securities**

Crown does not vote client proxies. Our clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the client's investment assets. Therefore, Crown and/or the client shall, as required in each case, instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Crown also does not typically provide advice to clients regarding the clients' voting of proxies.

## **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Crown Capital and its Advisory Associates collect non-public personal information from clients when they open a Crown Capital account (or make changes to it). Advisers meet with clients at least annually to review the account and update any relevant information. This data, in some cases, will be shared with unaffiliated third parties, for instance when the Advisory Associate makes use of portfolio managers to sub-advise on the account. (Some account options do not

involve sub-advisers, and are directed solely by the Advisory Associate.) Examples of information that would be likely to be shared would include investment objectives, risk tolerance, occupation, income, net worth, age, or marital status.

Aside from portfolio managers, information will also be shared with other third party providers, such as a custodian, to effectuate account services like trading, execution, and reporting. In cases where client data needs to be shared, the information is safeguarded in accordance with Crown's Privacy Policy, which is guided by financial industry protocols and regulations. The Privacy Policy is available from your Adviser. The third parties we partner with are also subject to industry regulatory requirements.

## **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Crown does not place any restrictions on a client's ability to contact and consult with their portfolio manager(s). All clients have direct access to the Crown Advisory Associate(s) managing their account(s), who will review the account(s) with the client periodically or as needed. In accounts that make use of sub-advisers as portfolio managers, the client will likely find it more useful to communicate with their Adviser regarding a portfolio manager, than to try to contact the sub-adviser directly, though this is at the client's discretion.

## **ITEM 9. ADDITIONAL INFORMATION**

### **Legal & Disciplinary Info**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Crown Capital has three disciplinary events relating to our firm that occurred within the last ten years:

The first is an allegation by FINRA that the firm failed to transmit its reportable order events to the order audit trail system during a specific period, and did not provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning OATS. On 6/20/2013, without admitting or denying the allegations, Crown agreed to settle the issue by paying a \$15,000 penalty.

The second is an allegation that the firm failed to properly disclose Alaska orders against a representative from 1984 and the representative's website failed to properly disclose that his firm was licensed to sell insurance in products in Oregon, Utah and Washington. This order was entered against Crown Capital Securities and two other non-affiliated entities. The entities agreed to settle the matter for \$12,500 with \$6,250 suspended for a period of five years.

The third is a 6/20/2019 FINRA finding that the firm failed to establish and maintain a supervisory system, including written supervisory procedures, for reviewing and monitoring mutual fund switches reasonably designed to achieve compliance with FINRA suitability requirements. The findings stated that the firm failed to reasonably supervise short-term switches of Class A mutual fund shares conducted by two firm registered representatives. The firm's supervisory system was not reasonably designed to supervise mutual fund switches because it relied solely upon the registered representative to alert the firm of a mutual fund switch. The firm had no supervisory mechanism in place to initiate a review of mutual fund switches in the event a representative failed to complete the mutual fund switch form. As a result, mutual fund switch transactions by the two registered representatives in this matter escaped supervisory scrutiny by the firm. The firm voluntarily paid approximately \$395,000 in restitution to affected customers and without admitting or denying the allegations agreed to a censure and fine of \$75,000.

A list of all legal and disciplinary events for Crown and our advisory affiliates are disclosed as required in response to Item 11 of Form ADV, Part 1A, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

### **Other Financial Industry Activities and Affiliations**

#### ***FIRM Registrations:***

Crown Capital Securities, L.P. ("Crown"), which is a Registered Investment Adviser, is also a securities broker dealer and provides contract services to licensed securities representatives. As a broker-dealer, Crown provides due diligence and clears selected products which are sold by registered representatives who may also be associated with Crown's registered investment advisory service ("Advisory Associates"). The client of an Advisory Associate may pay both a fee and commission during the development and implementation of a financial plan, if the client chooses to implement the Advisory Associate's recommendations through Crown and the Advisory Associate.

#### ***FIRM Affiliations:***

Crown is under common ownership and control with the following other financial institutions (referred collectively with Crown as the "Related Companies"):

Consolidated Brokerage Services, Inc.	CCIA Insurance Agency of Nevada, Inc.
Jewel Insurance Agency, Inc.	CCIA Insurance Agency of Alabama, LLC
Crown Capital Insurance Agency, LLC	CCIA Insurance Agency of Washington, LLC

Where appropriate, Crown, its employees and Advisory Associates will recommend the various investment-related and non-investment services of the Related Companies to its advisory clients. The Related Companies and their employees may also recommend the investment advisory services of Crown to their customers. The services provided by the Related Companies are separate and distinct from the advisory services of Crown, and are provided for separate and customary compensation. There may also be arrangements between Crown and these Related Companies where Crown and/or the Related Companies and their employees receive payment in exchange for client leads and referrals

#### ***Management Personnel Registrations:***

The principle business of Crown and its executive officers is that of a securities broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"). In that capacity, Crown, its officers, branch managers and registered representatives, who may also be Advisory Associates, buy and sell securities on behalf of clients. Crown's officers and Advisory Associates spend approximately 80% of their time devoted to their activities as a securities broker dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

#### ***Advisory Associates Registrations:***

In addition, Management personnel and Advisory Associates who are properly licensed also sell insurance, real estate, prepare income tax returns, consult on pension plans, and provide accounting services. Some of Crown's Advisory Associates may also be licensed as lawyers, and as lawyers, may provide legal advice. As such, these individuals are able to receive separate, yet customary compensation resulting from implementing product transactions or providing services on behalf of advisory clients. Clients, however, are not under any obligation to engage these



individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

### ***How we handle conflicts of interest***

While Crown and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. Please refer to Item 5 for a detailed explanation of these relationships and important disclosures.

We take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our Advisers to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our Advisers or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- we require that our Advisers provide written notification to Crown of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside business activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our Advisers regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

As previously disclosed, we recommend the services of various Third Party Asset Managers to our clients. In exchange for this recommendation, we receive a referral fee from the selected TPAM. The fee received by us is typically a percentage of the fee charged by that TPAM to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected TPAM by the client. We do not charge the client any fees for these referrals. We will only recommend TPAMs that pay us a referral fee.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our Advisers, including compliance with applicable federal securities laws.

Crown and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be

submitted by the firm's Advisers. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Crown's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all personnel are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [jfrench@crowncapitalsecurities.com](mailto:jfrench@crowncapitalsecurities.com), or by calling us at (714) 547-9481.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our Advisers will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing Advisers to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no Adviser or other personnel may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such personnel from benefiting from transactions placed on behalf of advisory accounts.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

### **Review of Accounts**

**Reviewers:** Generally, the supervision of activity on behalf of Crown is by the Branch Manager of each branch where advisory services are conducted. Specific client reviews are conducted by the Advisory Associate assigned to the account. Although Crown does not dictate a specific number of client accounts that any Advisory Associate may supervise or be involved in, the Branch Manager and Home Office monitor the size, number and type of advisory clients assigned to each Advisory Associate to maintain the quality of service to clients. The number of accounts overseen by an Advisory Associate will vary from individual to individual.

The primary reviewer is the Advisory Associate assigned to the account. The Branch Manager and Home Office Personnel conduct secondary reviews.

**Reviews:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**Statements:** Statements are prepared at least quarterly by the custodian. Monthly statements and confirmations are sent whenever there is activity in the account. Crown does not typically provide any additional statements unless otherwise contracted for. Some Advisory Associates

may offer clients additional reports as agreed upon in advance of clients entering into the advisory agreement. Any additional reports are for information purposes only, and do not replace the custodian's statement as official account records.

## **Client Referrals and Other Compensation**

### *Client Referrals*

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this *Wrap Brochure* and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is Crown's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### *Other Compensation*

Crown receives economic benefits from third parties other than clients (such as custodians, investment product issuers, and Third Party Asset Managers) when providing advisory services. This additional revenue, distribution and marketing support, Advisory Associate training, and technology creates conflicts of interest. Below is a detailed explanation of each of these arrangements and how we manage the conflicts:

Crown receives bundled products and services from its custodians at reduced or zero cost that facilitate Crown's administration of client accounts. For instance, custodian technology helps us provide client account data and performance reporting, facilitate execution of trades, access research and market data, view pricing information, administer fee payments to Advisers from client accounts, maintain required records, etc. Custodians often provide other services, such as training or consulting for Advisory Associates. These services could be seen as a direct benefit to Crown but only an indirect benefit to clients, and some clients may benefit more than others. This is a conflict of interest, in that we have an incentive to use custodians who provide these holistic services rather than basing our determination solely on brokerage costs.

Mutual funds presented by Crown's Advisory Associates are offered in multiple share classes for different objectives. All of a Fund's share classes represent an ownership interest in the same securities portfolio. Some share classes pay a 12(b)-1 fee to the custodian (the institution where the fund is held in the client's name in the managed account) for distribution expenses, marketing expenses and shareholder services. The custodian may retain this 12(b)-1 payment or share it with Crown as the introducing broker-dealer, which in turn may share it with the Advisory Associate in their capacity as a dually-licensed Registered Representative of Crown's broker-dealer. (In most cases, for funds of this description, these distribution expenses have been shared with Crown and RRs.) Shares that pay a 12(b)-1 fee often have higher overall cost than

shares that do not. This creates a conflict of interest for the AA to recommend mutual funds that pay a 12(b)-1 fee, when a lower cost “Adviser” or “Institutional” share is often available (though many mutual fund families do not offer these shares, or may only make them available to select distribution partners under special contracts not offered to Crown, or with high account minimums). As of December 2019, Crown has initiated an effort to mitigate this conflict by crediting any 12(b)-1 fees back to the client’s account, meaning that neither Crown nor any AA (in his capacity as a broker-dealer RR) is now compensated with 12(b)-1 fees. As of December 2019, in the interest of simplicity and further transparency, Crown has also initiated an effort to convert holdings in shares that pay 12(b)-1 fees to the lower cost share class, if available and known to Crown. There is no cost to clients nor a taxable event, and clients will not be notified prior to conversion. Until conversion is completed for all relevant mutual funds, or in cases where a lower cost share is not offered, Crown will continue to credit 12(b)-1 fees back to the client account.

Crown offers mutual funds from Pershing’s Fundvest mutual fund platform and from NFS’s FundsNetwork mutual fund platform, which feature a collection of no-transaction-fee (NTF) products, which means no transaction-based charges from the clearing firm. In a “wrap fee” account, wherein the Advisory Associate must choose to either (1) pay transaction costs from his portion of the wrap fee for mutual funds that do not participate in these platforms, or (2) choose NTF products where he will not pay transaction costs from his portion of the wrap fee, he will have a conflict of interest in fund selection. Nonetheless, Advisory Associates have a fiduciary duty to select the best option for the client, to eliminate or mitigate conflicts of interest when possible, and to disclose them if other options are not available. AAs are trained to discuss and offer the account types that are expected to be most suitable for a client’s individual situation.

When Crown meets specified asset minimums on the Pershing or NTF platforms, we receive revenue-sharing on some Fundvest or FundsNetwork assets. Crown clients do not pay revenue-sharing fees directly, but the payments are often deducted from the fund’s total assets and thus impact the fund’s investment returns. These fees compensate Crown for our shareholder services, administration, distribution, technology and education of AA/RRs. Crown does not maintain any “preferred product” mutual fund list for revenue-sharing NTF funds, and AAs receive no direct compensation from revenue-sharing, but the indirect educational or technology benefits to the AA could be construed as a potential conflict of interest. Crown also receives 12(b)-1 payments for some NTF purchases on Fundvest and FundsNetwork, but as of December 2019 has commenced crediting all 12(b)-1 fees back to client accounts, as previously discussed.

Pershing and Fidelity share revenue from their money market mutual funds and FDIC-insured bank sweep accounts with Crown for our shareholder services, administration, distribution and technology related to these accounts. Crown clients do not pay revenue-sharing fees directly, but the payments are often deducted from the fund’s total assets and thus impact the fund’s investment returns or interest payments. Crown does not require AAs to use these revenue-sharing funds or accounts, and AAs receive no direct compensation from revenue-sharing, but the indirect benefit to the AA’s firm could be construed as a potential conflict of interest.

Crown receives payments from several third party asset managers, variable annuity distributors, and alternative investments distributors for our shareholder services, administration, distribution and education of AA/RRs. These distributors collaborate with us in marketing efforts, such as paying Crown to attend and participate at our industry educational events. Crown does not maintain any “preferred manager” list for products that offer marketing assistance, and AA/RRs receive no direct compensation from these payments, but the indirect educational benefit to the AA/RR could be construed as a potential conflict of interest.

Crown makes some alternative investments, such as REITs, available in managed or wrap accounts only under certain conditions. However, owing to the additional operational, servicing, reporting, account maintenance, due diligence and ongoing research necessitated by these non-traded alternative products, Crown generally only offers share classes that pay Crown a marketing and due diligence fee, usually up to 1.5%, when a less expensive share class is sometimes available. Crown clients do not pay these marketing and due diligence fees directly, but the payments are often deducted from the offering's total assets and thus impact the fund's investment returns. These fees are not shared with the Advisory Associate, thus they have no direct conflict of interest, but Crown's decision not to offer a less expensive share due to operational costs creates a firm-level conflict.

Crown receives transition credit payments from Pershing for accounts transferred onto the Pershing clearing platform if the account was previously held at another clearing firm. These payments are consideration for costs that are often incurred by Crown when transferring or terminating these accounts. These payments are not shared with Advisory Associates, thus AAs have no direct conflict of interest, but the additional compensation received by Crown creates a firm-level conflict of interest in that Crown has an incentive to encourage its Advisers to open accounts at Pershing rather than a custodian who does not offer these incentives.

### **Financial**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a balance sheet for our most recent fiscal year.

As a Registered Investment Adviser firm, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Crown has no financial circumstances to report in this regard.