

**Part 2A of Form ADV: Firm Brochure**

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This brochure provides information about the qualifications and business practices of Crown Capital Securities, L.P. If you have any questions about the contents of this brochure, please contact us at 714-547-9481 [hsundstedt@crowncapitalsecurities.com](mailto:hsundstedt@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. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 6312.

## **Item 2 Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 3/30/2016 is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	10
Item 6	Performance-Based Fees and Side-By-Side Management	15
Item 7	Types of Clients	15
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	16
Item 9	Disciplinary Information	18
Item 10	Other Financial Industry Activities and Affiliations	18
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	20
Item 12	Brokerage Practices	21
Item 13	Review of Accounts	25
Item 14	Client Referrals and Other Compensation	26
Item 15	Custody	26
Item 16	Investment Discretion	26
Item 17	Voting Client Securities	27
Item 18	Financial Information	27

## **Item 4 Advisory Business**

Crown Capital Securities, L.P. (“Crown”), which is a SEC-registered investment adviser, is also a FINRA registered broker-dealer. 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”) who are also registered as securities representatives of our broker-dealer.

Crown offers the following advisory services to our clients:

- Financial Planning Services
- Investment Supervisory Services
  - Crown Heritage Adviser Advantage Program (Non-Wrap and Wrap Fee Program)
  - Sterling Advisory Program
  - Quest Management Program
  - Individual Portfolio Management
  - Manager Selection Programs
- Advisory Referral Services

### **Financial Planning Services**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client’s current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients may purchase this service in one or more of the following ways:

1. Hourly Financial Planning consultation services
2. A written Financial Plan
3. An annual Financial Planning service agreement

In general, the financial planning services can address any or all of the following areas:

*Personal:* We review family records, budgeting, personal liability, estate information and financial goals.

*Tax & Cash Flow:* We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.

*Investments:* We analyze investment alternatives and their effect on the client's portfolio.

*Insurance:* We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

*Retirement:* We analyze current strategies and investment plans to help the client achieve his or her retirement goals.

*Corporate Planning:* We assist the client with formulating long term business goals, strategic planning, performance metrics, executive compensation plans and employee benefits.

*Death & Disability:* We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.

*Estate:* We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

*Real Estate:* Advisory Associates with appropriate background, experience, and licenses in real estate may provide assistance with the valuation, structuring and disposition of real property. Advisory Associates in their separate capacity(ies), are able to offer these real estate services to advisory clients for separate and typical compensation (i.e., commissions, or other sales-related forms of compensation). These services are considered an outside business activity and are not offered by Crown.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. It is possible that recommendations made to any one client may be contrary to or exactly the opposite of recommendations made to other clients because many different Advisory Associates in different locations will be making investment recommendations to clients.

The recommendations provided in any of the following "Financial Planning Services" will be valid as of the date(s) provided and will not be valid for any period beyond that (those) date(s).

***Hourly Financial Planning consultation services:***

Clients can receive financial planning advice on a more focused basis for an hourly fee. This may include advice on only an isolated area(s) of concern such as specific investments, estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

***A written Financial Plan:***

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

This service may also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

The client will agree to the scope and depth of each financial plan in advance. In addition, all fees, deliverables and timeline will be determined in advance and presented to the client. Written financial plans will be delivered to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

***An annual Financial Planning service agreement:***

Over the course of a twelve (12) month period, we gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client and prepare an initial written financial analysis. We will update the analysis periodically as requested by the client. In addition, we provide consultation services throughout the course of the agreement upon the client's request. As appropriate, we may make recommendations to the client throughout the engagement based on the criteria above.

Should the client choose to implement the recommendations made, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan or investment recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

The client and the Adviser Representative will collectively agree to the scope and depth of each annual financial planning service engagement in advance. In addition, all fees, deliverables and timeline will be determined in advance of signing the agreements.

**Investment Supervisory Services**

**Crown Heritage Program (non-wrap program)**

The Heritage Program, through the Advisory Associate, will provide clients with various monitoring, supervision, consolidated reporting, and periodic recommendation services. The services are customized for each client to meet their personal investment goals and objectives.

Advisory Associate will gather personal financial data from the client based on personal discussions in which goals and objectives are established. The Advisory Associate will assist a client in determining the suitability of the Program and assist Client in setting appropriate investment objectives. Advisory Associate will maintain regular communications with Client in order to determine any change in Client's goals and objectives. Each Advisory Associate chooses his or her research methods and investment strategies, and will operate according to his or her individual investment management philosophy. Selection and use of available research reports and analytical tools, or other resources will be determined by the Advisory Associate.

Based upon the investment objectives and risk tolerances of the client, Advisory Associate will assist the client in the selection of a portfolio, initiate the steps necessary, including receipt of investment funds, to open client's Heritage account and to initiate purchases and sales of various asset classes which will be funded by investments chosen by the client from a list of investments approved for use

by Crown. The client will authorize Crown to purchase and sell on a non-discretionary basis: mutual funds, equities, fixed income and other investments approved by client and crown pursuant to investment objectives chosen by the client. We currently manage \$188,871,070 on a non-discretionary basis and \$24,637,861 on a discretionary basis in the Heritage Programs as of 12/31/2016.

### **Crown Heritage Adviser Advantage Wrap Programs (Wrap Fee Program)**

The Crown Heritage Wrap Program consists of three distinct programs; 1.) The Crown Heritage Adviser Model Management Program, 2.) The Crown Heritage Wrap Strategists Program and 3.) the Crown Heritage Separate Accounts Program (hereafter collectively referred to as “the Heritage Wrap Program”).

The Heritage Adviser Model Management Program is a versatile asset management service offered by Crown in which clients pay an asset-based advisory fee for individualized portfolio management services and the execution of transactions. The Crown Heritage is a wrap fee program sponsored and managed by Crown. Crown and its Advisory Associates may participate as a manager(s) or sub-advisers in the Crown Heritage program.

Through the Heritage Adviser Model Management Program, Crown provides continuous advice regarding the investment of client funds based on the individual needs of the client. The Heritage Adviser Model Management Program accounts are managed in the same manner as the other investment supervisory services offered by Crown. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

We will manage Heritage Adviser Model Management Program accounts on a non-discretionary. Thus, we will contact and obtain the client's approval prior to the investment of the assets in a client's account. Under certain circumstances Crown and its Advisory Associates may manage Heritage Adviser Model Management Program accounts on a discretionary basis. Portfolio supervision is guided by the stated objectives of the client (e.g., growth, income, or growth and income), with account management influenced by account type (e.g., IRA, Roth, or Community Property).

***The Crown Heritage Adviser Model Management Program:*** Crown will create a portfolio consisting of one or more of the following: load or load-waived mutual funds, variable products, stocks, bonds, commercial paper, money market shares, CDs, exchange traded funds (“ETF”) and other investment products. Crown will recommend an allocation of assets among various investments taking into consideration the overall management style selected by the client. Portfolio weighting between securities and market sectors will be determined by each client's individual needs and circumstances. Clients will retain individual ownership of all securities.

***The Crown Heritage Wrap Strategists Program:*** With the Heritage Wrap Strategist program investors can select from a list of Third Party Asset Managers that offer individual investors actively managed portfolios comprised of either mutual funds or exchange-traded funds.

- Access to actively managed investment strategies
- An objective, unbiased investment process
- Ongoing portfolio management

***The Crown Heritage Separate Accounts Program:*** The Heritage Separate Accounts program provides individual investors with direct access to global investment managers, many of whom were once available exclusively to large institutional investors. With a separately managed account, client will retain direct ownership of the securities in the portfolio. This allows for greater flexibility, more control and possible tax advantages over other investment vehicles.

- Professional asset management with access to the knowledge and expertise of respected institutional asset managers. If accessed directly, many of these firms are only available for accounts of \$25 million or more.
- Clients can instruct the portfolio managers to make minor adjustments to the portfolio to fit a client's needs.
- Tax efficiency management of your account (i.e. since each security transaction has a separate cost basis, capital gains and losses can be recognized as necessary to mitigate the impact of taxes).

Crown and its Advisor Associates receive a portion of the Wrap Fee associated with the Crown Heritage Program. Clients should refer to the Wrap Fee Program Brochure (Form ADV Part 2A Appendix 1) for the Crown Heritage program for more detailed information about the services offered in the program.

### **The Sterling Advisory Wrap Fee Program**

The Sterling Advisory Wrap Fee Program (“Sterling Program”) is a versatile portfolio management platform sponsored and offered by Crown. The Sterling 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 the Sterling 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.

Sterling Advisory Accounts will be custodied at Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab),

*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.

*Sterling Wrap Fees:* The Sterling Program is an All-Inclusive account in which clients pay an asset-based advisory fee and, occasionally, fees such as a stock reorganization fees passed on by the clearing firm. The following are the maximum advisory fees applied to this program. These fees may be negotiable at the sole discretion of management.

*Sterling Advisory 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%
Over \$1,999,999	Negotiable

Crown and its Advisor Associates receive a portion of the Wrap Fee associated with the Sterling Program. Clients should refer to the Wrap Fee Program Brochure (Form ADV Part 2A Appendix 2) for the Sterling Advisory program for more detailed information about the services offered in the program.

**Individual Portfolio Management**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We may manage individual portfolios on a non-discretionary and discretionary basis. We currently manage \$137,292,320 on a non-discretionary basis and \$0.00 on a discretionary basis as of 12/31/2016.

Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities: exchange-listed securities, securities traded over-the-counter, foreign issuers, warrants, corporate debt securities (other than commercial paper), commercial paper, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares, exchange traded funds (“ETF”), United States governmental securities, options contracts on securities, Interests in partnerships investing in real estate, Interests in partnerships investing in oil and gas interests and Interests in partnerships investing in other alternative asset classes.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **Advisory Referral Services**

Crown acts as a solicitor on behalf of various independent registered investment advisers. Based on a client's individual circumstances and needs, we will assist the client in determining which independent adviser's portfolio management services are appropriate for that client. Factors considered in making this determination, including account size, risk tolerance, and a client's investment experience, are discussed during our consultation with the client.

Crown will meet with the client on a regular basis, or as determined by the client, to review the account. We will, when needed, suggest changes in the client's portfolio ("rebalancing"), to more effectively address each client's goals. The client may then instruct the independent adviser to make any or all of the changes we recommended. These recommendations are our own, and are neither recommended nor approved by any independent advisers.

Any rebalancing of the portfolio is done with the client's approval, and will be reviewed and implemented by the independent investment adviser. At the time of conducting the advisory solicitation, Crown will ensure that all federal and/or state specific requirements governing solicitation activities are met.

## **Item 5 Fees and Compensation**

### **Financial Planning Services Fees**

Crown's Financial Planning fees are determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are negotiated and agreed upon prior to entering into a contract with any client.

***Hourly Financial Planning Consultation Services:*** Our Financial Planning fees are calculated and charged on an hourly basis, ranging from \$25 to \$300 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. The total fees may be higher than estimated. Fees for hourly financial planning consultation services will be billed to the client after the services have been rendered and will be payable upon receipt of the bill. Any financial planning consultation services terminate upon the delivery of such services to client.

***A Written Financial Plan:*** The fee for a financial plan will vary depending upon the nature of the services being provided and the complexity of each client's circumstances. The fees for this service generally range from \$1,000 to \$25,000 and will vary based on the depth and scope of the plan and the experience of the Advisory Associate. The fee will be stated and agreed upon in advance. Fees for a financial plan will be payable half in advance and the balance upon completion of the services. A client will have a period of five (5) business days from the date of the signing the engagement agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, a client engagement agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of an engagement, any prepaid, unearned fees will be promptly refunded. Clients will be liable for any fees earned but not paid at the time of cancellation. The client engagement agreement will terminate upon delivery of the written financial plan.

***An Annual Financial Planning Service Agreement:*** An Annual financial planning service agreement includes a financial analysis, any updates in the financial analysis as requested by the client and consultation services upon the client's request during the year's period. The fee for the annual financial planning agreement will be charged as a flat dollar amount and generally range from \$2,500 to \$20,000 annually. Fee will not be based upon capital gains or capital appreciation of a clients account. The annual fee will be stated and agreed upon in advance. Fees for an annual financial planning service agreement will be payable quarterly in advance. A client will have a period of five (5) business days from the date of the signing the service agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, a service agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of a service agreement, any prepaid, unearned fees will be promptly refunded. Clients will be liable for any fees earned but not paid at the time of cancellation. The client service agreement will terminate one (1) year from the execution of the service agreement.

**Investment Supervisory Services Fees**

**Crown Heritage Program Fees (Wrap Fee Program)**

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, including 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.

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:

*Heritage Program 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:  $(\$500,000 \times 2.00\%) + (\$500,000 \times 1.50\%) + (\$500,000 \times 1.00\%)$ .

The fee will be assessed and billed quarterly in advance. 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 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.

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

The amount of compensation received by Crown and its Adviser Representatives as a result of a client's participation in the Crown Heritage program may be more than what Crown and its Adviser Representatives would receive if the client paid separately for investment advice, brokerage and other services. Therefore, Crown and its Adviser Representatives may have a financial incentive to recommend the Crown Heritage program over other advisory programs or services. In evaluating the relative cost of the Crown Heritage program, clients should consider the following: 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, custodial expenses, and other factors.

A minimum of \$25,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Crown may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Clients should refer to the Wrap Fee Program Brochure (Form ADV Part 2A Appendix 1) for the Crown Heritage program for more detailed information on this wrap fee arrangement and the fees charged.

### **Sterling Wrap Fee**

The Sterling Program is an All-Inclusive account in which clients pay an asset-based advisory fee and, occasionally, fees such as a stock reorganization fees passed on by the clearing firm. The following are the maximum advisory fees applied to this program. These fees may be negotiable at the sole discretion of management.

As the Sterling Advisory Program 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, including 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.

#### *Sterling Advisory Wrap Fee Schedule*

Value of Account Assets

Annual Fee

First	\$500,000	2.00%
Next	\$500,000	1.50%
Next	\$1,000,000	1.00%
Over	\$1,999,999	Negotiable

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

The fee will be assessed and billed quarterly in advance. 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 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.

Alternatively, clients may elect to pay all advisory fees described above from a brokerage account other than their Sterling Advisory account. Direct payments will be calculated in the same manner and billed on the same time frame.

The amount of compensation received by Crown and its Adviser Representatives as a result of a client's participation in the Sterling Advisory program may be more than what Crown and its Adviser Representatives would receive if the client paid separately for investment advice, brokerage and other services. Therefore, Crown and its Adviser Representatives may have a financial incentive to recommend the Sterling Advisory program over other advisory programs or services. In evaluating the relative cost of the Sterling Advisory program, clients should consider the following: 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, custodial expenses, and other factors.

A minimum of \$25,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Crown may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Clients should refer to the Wrap Fee Program Brochure (Form ADV Part 2A Appendix 2) for the Sterling Advisory program for more detailed information on this wrap fee arrangement and the fees charged.

Crown has an agreement with Charles Schwab & Co., Inc. (Schwab) whereby Schwab pays Crown a fee equal to a fixed percentage of the total assets of Crown for certain of its clients invested in Schwab's Mutual Funds OneSource® service (exclusive of the Schwab and/or Laudus family of funds, however designated) in accounts held at Schwab. The fee that Schwab pays Crown represents a significant amount of Schwab's OneSource service fees (Schwab receives from 25 to 40 basis points annually depending on the particular OneSource fund, but the amount that Crown receives does not vary based on the fund). The fee is in recognition of certain shareholder servicing that Crown performs in respect of those assets. Because Crown receives an economic benefit, Crown Capital has a potential conflict of interest in recommending to clients that they use Schwab as custodian and invest their assets in OneSource funds.

assets of between \$250,000 and \$1,000,000 are charged 1/4 percentage point per quarter. Amounts above \$1,000,000 are negotiable. These fees may be waived or altered on a case by case basis with the approval of all parties. This is a cumulative fee based on the prior quarter's total assets.

Crown may on a case by case basis manage 457 and 403(b) Plans not under custody at Charles Schwab for a fee of \$90 per quarter. The client is responsible for making the changes that are recommended by QSI. You may pay other expenses in addition to the advisory fees paid to QSI. For example, you may pay brokerage commissions, transaction costs, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes which are unrelated to the fees paid to Crown. Mutual funds and exchange-traded funds also charge internal management fees, which are detailed in the prospectuses. Such charges, fees and commissions are exclusive of and in addition to QSI's advisory fee.

Clients may close their accounts by giving QSI written notice at least 30 days in advance. Final client fees will be prorated through the termination date.

### **Individual Portfolio Management Fees**

Our annual fees for Individual Portfolio Management services are based upon a percentage of assets under management and generally range from 0.25% to 2.00%. The fee will be charged either in arrears or in advance and on a monthly or quarterly basis and will be agreed to by the client. The exact details of the fees will be described and agreed to in the advisory service agreement signed by the client. A client will have a period of five (5) business days from the date of the signing the advisory service agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, a 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 service agreement, any prepaid, unearned fees will be promptly refunded.

### **Advisory Referral Services**

We do not enter into an advisory agreement with any client nor do we charge a fee to any client for referrals to another Adviser(s). Our fees for such referrals are paid by the referred Adviser(s) who shares with our firm a percentage of the fees received from the client. Client advisory fees are not increased in any way as a result of our referral of any clients to another Adviser(s). We typically receive 50% of the advisory management fee paid by the client to that Adviser.

Clients will receive a separate disclosure document describing the fee paid to us by such Adviser(s). Clients should refer to that Adviser's' disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

### **Commission Compensation**

Management personnel and Advisory Associates of our firm are licensed as registered representatives of our broker-dealer. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). In so doing, these individuals will earn separate compensation in the form of commissions and/or 12b-1 fees (trail fees earned from the sale of mutual funds and/or ETFs). These commission fees represent more than half of Crown's annual revenue. The total amount of these commissions will not exceed what is considered fair and reasonable in accordance with the NASD Rules of Fair Practice.

In addition, Crown, may act as underwriter or as a member of a selling group of certain mutual funds. In these situations, Crown and its Advisory Representatives may have an increased incentive to recommend to its financial planning clients that they purchase these mutual fund securities. Crown may only recommend mutual funds that are on the approved product list and for which it has a selling agreement.

This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients 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.

### **Additional Compensation Received by Crown or Advisory Associates**

In addition, Management personnel and Advisory Associates who are properly licensed also sell insurance, real estate, prepare income tax returns, 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 (i.e. commissions or fees) 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. Certain Advisory Associates who are appropriately licensed may receive commissions upon the sale of life or disability insurance products recommended to clients. These commissions can range from less than 55% to more than 100% of the first year premium.

While Crown and Advisory Associates 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.

In some instances, depending on the size of the transaction, advisory fees will be discounted, at our discretion, for commissions earned. Commissions will not be credited towards future advisory fees.

Notwithstanding the above, advisory fees will always be offset for commissions earned on securities transactions executed in pension, profit-sharing, 401k, IRA or other client accounts where to do otherwise would constitute a prohibited transaction under the provisions of ERISA or the Internal Revenue Code.

### **General Information**

***Limited Negotiability of Advisory Fees:*** Although Crown has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

***Mutual Fund Fees:*** All fees paid to Crown for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs and Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Crown's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** Crown is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. . As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Crown may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Crown's advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.



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

Crown does not charge performance-based fees.

## **Item 7 Types of Clients**

Crown provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

*Charting.* In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

*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 (indicating 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 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.

*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.

*Quantitative Analysis.* We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

*Qualitative Analysis.* We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

*Asset Allocation.* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash 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 securities, fixed income, and cash 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 and/or ETF Analysis.* We look at the experience and track record of the manager of the mutual fund or ETF 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 also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF 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 or ETF, 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 or ETF, which could make the holding(s) less suitable for the client's portfolio.

*Third-Party Money 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.

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, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

*Risks for all forms of analysis.* Our securities analysis methods rely 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. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### ***Investment Strategies***

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

*Long-term purchases.* We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- 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 advantage 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.* When utilizing this strategy, we 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.

*Risk of Loss.* Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

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 was an allegation by the State of Nevada that Crown failed to properly license two investment advisor representatives in Nevada. Crown agreed to comply with Nevada revised statutes and consent to a \$15,000 penalty.

The second 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 third 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.

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.

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

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

In addition to Crown being a registered investment adviser, our firm is registered as a FINRA member broker-dealer. A list of affiliated broker-dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

### ***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.  
Jewel Insurance Agency, Inc.  
Crown Capital Insurance Agency, LLC

CCIA Insurance Agency of Nevada, Inc.  
CCIA Insurance Agency of Alabama, LLC  
CCIA Insurance Agency of Washington, LLC

### ***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, 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 interests***

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.

Clients should be aware that the receipt of additional compensation by Crown and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Crown endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; 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 employees 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 employees 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;
- our firm's management conducts regular reviews of client accounts to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees 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 employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees 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 registered investment advisers to its clients. In exchange for this recommendation, we receive a referral fee from the selected investment adviser. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. We will only recommend advisers 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.

## **Item 11 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 employees, 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 access persons. 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 employees 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 [hsundstedt@crowncapitalsecurities.com](mailto:hsundstedt@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 employees 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 employees 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 person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) 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.

## **Item 12 Brokerage Practices**

Crown does not have any soft-dollar arrangements and do not receive any soft-dollar benefits for directing trades to brokers. We do not request or accept the discretionary authority to determine the broker dealer to be used for or the commission rates to be paid by client accounts. Clients must direct Crown as to the broker-dealer/custodian to be used in connection with our advisory services.

### **Financial Planning Services**

As disclosed in Item 10, Crown is also a FINRA-member broker-dealer. In general, Crown and its Advisor Associates will recommend its own brokerage services for the implementation of financial planning recommendations, provided that this recommendation is consistent with Crown's fiduciary duty to the client. Any commissions or other compensation received from the implementation of financial planning recommendations is separate and distinct from Crown's advisory fee. No financial planning client is obligated to use Crown to implement any recommended transactions and is free to use any broker-dealer. Please see the disclosures in Item 5 for additional information regarding the additional compensation earned by Crown and its registered representatives if clients purchase securities through Crown.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through Crown.

## **Brokerage Practices for Investment Supervisory Services**

### **Crown Heritage program (Wrap Fee Program)**

Crown Heritage Program clients must direct Crown as to the broker-dealer/custodian to be used. Crown requires that clients direct it to custody the clients assets with and to place trades through Pershing, LLC (“Pershing”), member FINRA/SIPC or National Financial Services, LLC (“NFS”), member FINRA/SIPC. Crown has evaluated Pershing and NFS and believes that they 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.

Crown has negotiated an arrangement with Pershing and NFS to provide custodial and brokerage services as part of the Crown Heritage wrap fee program. 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. 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, 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. The client should consider therefore that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Not all advisers require clients to direct it use a particular broker dealer, though the sponsors of wrap fee programs typically do.

### **Sterling Advisory Program (Wrap Fee Program)**

Sterling Advisory Program clients must direct Crown as to the broker-dealer/custodian to be used. Crown requires that clients direct it to custody the clients assets with and to place trades through Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab) Crown has evaluated Schwab and believes that they 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.

Crown has negotiated an arrangement with Schwab to provide custodial and brokerage services as part of the Crown Heritage wrap fee program. 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 Schwab. 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, 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. The client should consider therefore that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Not

all advisers require clients to direct it use a particular broker dealer, though the sponsors of wrap fee programs typically do.

### **Individual Portfolio Management**

Clients must direct us as to the broker dealer to be used for all client securities transactions. In directing the use of a particular broker or dealer, it should be understood that we will not have authority to negotiate commissions among various brokers, and best execution may not be achieved. This may result in higher transaction costs for clients. Not all advisers require their clients to direct brokerage.

Depending on client circumstances and needs, Our Advisor Associates may recommend clients use our broker-dealer services. As previously disclosed in Item 10 Crown is also a registered broker-dealer, member FINRA. Our Advisor Associates are also registered representatives of our broker-dealer. Crown's broker-dealer is an introducing firm that custodies client accounts at National Financial Services, LLC ("NFS"), an unaffiliated SEC-registered broker-dealer and FINRA member and Pershing, LLC ("Pershing") an unaffiliated SEC-registered broker dealer and FINRA member. Additionally, in making this recommendation there is an inherent conflict of interest as previously disclosed in Item 10. Our Advisor Associates will only recommend Crown if our firm's prices, commissions, products, and services are competitive in the brokerage marketplace. Advisory clients are under no obligation to select Crown for brokerage services and are free to implement advisory recommendations with any broker-dealer.

The factors considered by Crown when making brokerage and custodian recommendations include: the broker's existing relationship with Crown, the broker's ability to provide professional services, Crown experience with the broker, the broker's reputation, and the broker's quality of execution services and costs of such services. Clients are not under any obligation to place trades through any recommended broker. However, if Crown believes that the use of that broker would hinder Crown in meeting its fiduciary obligations, Crown will not be able to accept the account.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through Crown's broker-dealer. Not all advisers require their clients to direct brokerage.

Crown will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Crown will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Crown's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Crown, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's



investment objectives and with any investment guidelines or restrictions applicable to the client's account.

3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Crown to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Crown's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Crown's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

### **Item 13 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 individual to individual.

**Reviews:** Reviews vary according to advisory services. The primary reviewer is the Advisory Associate assigned to the account. The Branch Manager and Home Office Personnel conduct secondary reviews.

The following list provides a general overview of the reviews conducted for each specified service:

### **Financial Planning Services**

**Reviews:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**Reports:** Financial Planning clients will receive a completed financial plan or analysis as contracted for. Additional reports will not typically be provided unless otherwise contracted for.

### **Investment Supervisory Services**

**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. The primary reviewers for these accounts are the Advisory Associate assigned to the account.

**Reports:** Statements are prepared at least quarterly. 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 with our firm. Clients should consult with their Advisory Associates for additional details.

### **Selection and Monitoring of Third-Party Money-Managers**

**REPORTS:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

Crown will provide these client accounts with reports as contracted for at the inception of the advisory relationship.

## **Item 14 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 document (our *Firm 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.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we **may** also send account statements directly to our clients on a *[monthly / quarterly]* basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, 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 type events pertaining to the client's

investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

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 financial statement.

As an advisory firm that maintains discretionary authority for client accounts, is required to provide a copy of our firm's balance sheet, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Crown has no additional financial circumstances to report.

Crown has not been the subject of a bankruptcy petition at any time during the past ten years.