



# Odeon Capital Group LLC

## Customer Disclosure Brochure

June 30, 2020

Odeon Capital Group LLC (“Odeon” or the “Firm”) is a registered broker-dealer with the United States Securities and Exchange Commission (“SEC”) and a registered Introducing Broker with the Commodity Futures Trading Commission (“CFTC”). Odeon is also a member of the Financial Industry Regulatory Authority (“FINRA”), the National Futures Association (“NFA”), the Securities Investor Protection Corporation (“SIPC”), and a registrant of the Municipal Securities Rulemaking Board (“MSRB”).

The purpose of this brochure is to provide you with detailed information about our brokerage services and expand upon the important disclosures in the Odeon Customer Relationship Summary or “Form CRS.” A copy of the Odeon Form CRS, along with additional important disclosures, is available at [odeoncap.com/legal](http://odeoncap.com/legal).



### **1. Odeon and Your Financial Professional Act as a Broker-Dealer and an Associated Person of a Broker-Dealer**

Odeon is a full-service broker-dealer that provides brokerage services to you and other retail customers as well as institutional customers. Brokerage services include the purchase, sale, holding and exchange of securities. In general, our brokerage services are non-discretionary, which means that you make the decision regarding whether or not to buy, sell, or otherwise transact in your account. As a broker-dealer, we will provide execution capabilities, and through our 3<sup>rd</sup> party clearing firms, clearing and custody services to effect your instructions. In connection with providing these brokerage services to you, Odeon and its financial professionals may make recommendations to you that we believe to be in your best interest. These recommendations may include whether to open a certain type of brokerage account with Odeon and whether to buy, sell, exchange, or hold a security or a series of securities (i.e. an “investment strategy”) in your brokerage account.

When we make a recommendation to you as a retail customer, we must have a reasonable basis to believe that the recommendation is in your best interest. This means that we are required to

place your interests ahead of our own when recommending securities, investment strategies, and account types to you. Among other things, we do this by evaluating the conflicts of interest that impact our relationship and eliminating them to the extent we can. Because certain conflicts of interest cannot be eliminated, we have procedures in place to mitigate and disclose them to you.

Brokerage services are separate and distinct from advisory services and are governed by different laws and regulations. Odeon, and its representatives, operate in the capacity of a broker-dealer and not an investment adviser. Brokerage services and advisory services have different costs, levels of service, and expenses. They are designed to address different investment needs. Before opening a brokerage account, you should carefully consider and discuss with your financial advisor, in light of your particular circumstances, the services, risks, and expenses associated with brokerage services vs advisory services.

### **2. Type and Scope of Services Offered to You**

As discussed above, when we provide brokerage services to you, we may make recommendations regarding (i) the type of brokerage account to open with Odeon; (ii) whether to buy, sell, hold or exchange certain investments; and (iii)

whether to implement certain investment strategies available to you. Each of these types of recommendations are explained in more detail below.

*Recommendations Regarding Brokerage Accounts:*

Odeon offers different types of brokerage accounts with different features and, in certain cases, different costs. Certain brokerage accounts have tax-advantage features that can help you reach specific financial goals such as saving for education or health care while others have features that permit specific types of investment activity (e.g. Options Accounts). The following table lists the various brokerage accounts offered by Odeon to retail investors:

- ) Coverdell Education Savings Accounts
- ) Individual Taxable Accounts
- ) Margin Accounts
- ) Option Accounts
- ) Retirement Plan Accounts
- ) Roth IRAs
- ) Traditional Individual Retirement Accounts (IRAs)
- ) Trust Accounts
- ) Uniform Gift to Minors Act (UGMA) Accounts
- ) Uniform Transfer to Minors Act (UTMA) Accounts

Account Minimums: You are not required to hold a minimum level of assets in your brokerage accounts with Odeon. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed.

Odeon opens brokerage accounts on your behalf when you complete our Account Forms and Agreements which contain additional important information regarding the nature of each type of brokerage account we offer.

Cash Brokerage & Margin:

Odeon provides brokerage services through either a cash brokerage account or margin

brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm. This is generally referred to as a “margin loan.” The portion of the purchase price that is loaned you is secured by securities in your account, also referred to as “collateral.” You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship.

*Rollover and Transfers of External Accounts:*

Your financial professional may recommend that you sell assets held in an account away from Odeon and rollover or transfer the proceeds from that sale to one or more Odeon accounts. For example, your financial professional may recommend that you liquidate your employee retirement plan (e.g., a 401(k) plan) and roll over the cash proceeds into an Odeon account. When we do so, we are required to have a reasonable basis to believe that the rollover or transfer is in your best interest.

*Recommendations to Buy, Sell, Hold or Exchange Securities:*

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We

execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship we can trade with you for our own account, for an affiliate, or for another client, and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

In general, brokerage accounts are “non-discretionary,” which means that you make the ultimate decision whether to buy, hold, sell, or exchange investments in your account. Even when we make recommendations regarding the securities in your account, we will not act until you instruct us to do so. It is important for you to understand that when our financial professionals make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. We rely on you to notify us when any of these factors have changed. You may accept or reject any recommendation.

Account Monitoring: In general, while your financial professionals may voluntarily review your account holdings and provide you with an unsolicited recommendation, we will not monitor your account on a regular basis. It is your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not commit to provide on-going monitoring of your brokerage account. If you prefer on-going monitoring of your account or investments, you should speak with a financial advisor about whether an advisory services relationship is more appropriate for you.

Incidental Brokerage Services: Within your brokerage account, we may also provide other incidental services such as research reports,

which may include recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation, or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.

Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

Agency vs. Principal Trades: When transactions occur in your account with us, we act as either an agent or as principal. The capacity in which we are acting will be reflected on your trade confirmation.

) When we engage in an agency trade, we act as an intermediary between you and the buyer of a security when you sell the security, and between you and a seller of the security when you buy a security. Odeon does not own or have some other beneficial interest in the securities involved in a sale, purchase, or exchange transaction done on

an agency basis. In these circumstances, Odeon acts as a broker.

- J When we engage in a principal trade, Odeon buys or sells for an account in which Odeon has a beneficial ownership interest, which in most cases is a proprietary account. In other words, Odeon sells to you a security that it holds in its own account or purchases the security from you for purposes of holding the security in its own account. In these circumstances, Odeon acts as a principal (also called a dealer).

*Recommendations of Investment Strategies:*

Odeon and your financial professional may recommend to you one or more investment strategies. An investment strategy is a series of transactions in securities that are done for the purpose of accomplishing a specific investment or economic outcomes such as “income-generating” or “tax-advantaged” or “non-correlating.” A strategy would also include recommendations to you to use a bond investment technique called “laddering,” or a lending strategy called “margin.” Your financial professional may also recommend the use of a 3rd party investment manager as part of his or her investment strategy recommendation.

*Bases for Our Recommendations and Limitations on Our Recommendations:*

Before we recommend a transaction, investment strategy or type of brokerage account, we will ask you for certain information regarding you, your financial goals, and your investments. We use this information to form a customer profile that we will rely on to form a reasonable basis to believe our recommendations are in your best interest. We rely on you to promptly notify us when any of this provided information has changed.

While we offer a broad range of investments in individual securities (such as common stocks and bonds), we do not offer or recommend every investment that could be available to you in the global or U.S. marketplace. Rather, we only offer investments that we have a reasonable basis to

believe could be in the best interest of retail investors, given our Firm’s investment philosophy and capabilities.

In addition, certain investments, such as municipal bonds and commodities, can only be recommended by financial professionals with specific registration and licensing. Not all of our financial professionals have the appropriate securities licenses from FINRA to make recommendations to buy, sell, or exchange securities or recommend strategies involving all types of securities. Your financial professional will discuss with you and provide you with information about their ability to recommend certain types of investments.

*Investment Risks:*

Even when we have a reasonable basis to believe an investment is in your best interest, you can still lose some or all of your money when investing. No investments are “guaranteed” and you should only invest assets for which you are willing to accept some risk of loss. We cannot guarantee that you will meet your investment goals, or that our recommended investments or investment strategies will perform as anticipated. The risks attendant to any investment or investment strategy vary in both nature and scope, and it is important that you understand the risks of your investments before making a decision. The following are some basis risks involved in a variety of investment types:

- J Risk of Principal Loss: The risk that you will lose some or all of the money you invest.
- J Volatility: The risk that your investments will fluctuate in value.
- J Interest Rate Risk: The risk that the value of your investments may decrease with fluctuations in interest rates.
- J Liquidity: The risk that you may not be able to access your invested assets for a certain period of time, and that if you need those assets sooner, you may have to pay a substantial penalty.
- J Issuer Credit Risk: The risk that the company that created or issued your investment will

not have the ability to pay when your investment is due.

There are other risks associated with investing in securities. You should consult the available offering documents for each security we recommend for information on the specific risks associated with the recommendation. Offering documents include prospectuses, offering memorandums, private placement memorandums, and similar documents. We can provide those documents to you upon request, or help you find them. If offering documents or other written disclosures are not available with regard to a particular security, your financial professional can help explain any potential investment risks to you.

### 3. Fees and Costs that Apply to Your Transactions, Holdings, and Accounts

The following describes the material fees and costs that you directly or indirectly will pay for brokerage services. These fees and costs are paid to Odeon. In turn, a portion of these fees and costs are paid to your financial professional, which we explain under "Compensation of Your Financial Professional."

#### *Commissions:*

When Odeon acts as your agent, Odeon charges you a commission when Odeon executes a purchase, sale, or exchange transaction of certain types of securities. A commission is either a flat dollar amount per trade, or a percentage of the total price of the securities involved in the trade. The commission amount is deducted from your account. While facts dependent and negotiable, typical commission rates are \$0.03 to \$0.05 per share for equity transactions and 1% to 5% for fixed income products.

Commission amounts can vary depending upon certain factors such as:

- ) Underlying product selection
- ) Brokerage service level and account type

- ) Size and value of transaction
- ) Frequency of trade activity

In addition, your financial professional may have the ability to modify the amount of commissions Odeon will charge for a securities transaction within certain parameters. Your financial professional may charge different commissions for different clients for the same transactions involving identical securities. You should discuss with your financial professional the commissions he or she charges. Commission rates are negotiable.

#### *Mark-ups and Mark-downs:*

There are costs associated with transactions in any financial product. When you purchase or sell investments in a principal transaction, the cost of purchasing the investment may include a charge called a "mark-up." This means that when Odeon sells you a security from its inventory, Odeon will sell the security to you at a price that is higher than the market price of the security. The difference between the sales price and the market price (or "spread") is the "mark-up" and is a form of compensation paid to Odeon. It's important for you to understand that the higher the price for your particular investment — including the mark-up — the lower your yield, or return on investment.

On the other hand, if Odeon buys a security from you for purposes of taking that security into its own inventory, Odeon often will buy the security from you at a price that is lower than the market price. The spread between the purchase price paid to you and the market price is called a "mark-down." The "mark-down" is not direct compensation. However, Odeon may then sell that security to another customer or a third party. If the sales price is higher than the price that Odeon purchased the security from you, the difference or spread is compensation paid to Odeon.

Odeon and your financial professional are responsible for determining the mark-up for the security Odeon will sell or buy from you. In the case of a sale of a security to you, the mark-up

and commission, though facts dependent and negotiable, generally will not be more than 5%. However, the spread may vary depending on the security. Your financial professional may quote a different price for different clients for the same transactions. You should discuss with your financial professional the price quoted and whether the price is negotiable.

*Distribution Fees and Credit Interest:*

When you open an account, our financial professionals may recommend you “sweep” funds that are not invested into cash products or money market funds. Certain money market funds may pay us a distribution fee that increases when more of our clients’ funds are invested in the money market fund. As a result, we have an incentive to recommend only those money market funds that pay us distribution fees over those that do not, although our financial professionals do not share in those fees. In addition, when you select a cash sweep option instead of a money market fund, we are eligible to receive credit interest on that cash investment.

*Other Fees and Costs:*

Clients may incur certain charges imposed by third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. These other fees can be found described in our Clearing Firm Customer Brochure at [odeoncap.com/legal](http://odeoncap.com/legal). This document is provided for your reference by our Clearing Firm and is subject to change without notice.

*Compensation of Your Financial Professional:*

Odeon pays compensation to your financial professional. The amount of that compensation is a percentage of revenue that he or she generates for Odeon. The revenue includes the above-discussed commissions and spreads.

#### **4. Conflicts of Interest**

A “conflict of interest” is an incentive or interest that might influence Odeon or your financial professional, consciously or unconsciously, to make a recommendation that is not disinterested. At Odeon, we have procedures in place to identify, eliminate, and where elimination is not possible, mitigate and disclose all material conflicts of interest associated with the securities we offer and those conflicts that create an incentive for your financial professional to place his or her interest ahead of yours. In this section, we discuss certain material conflicts that apply to our relationship.

*Commissions and Other Transaction-Based Compensation:*

Odeon and your financial professional have an incentive to recommend that you sell, buy, or exchange securities more frequently because doing so increases the transaction-based compensation Odeon receives. Additionally, Odeon has an incentive to recommend that you engage in transactions involving securities for which it may charge higher commissions (e.g., options) than what may be charged for other securities (e.g., domestic stocks).

*Agency Cross Transactions:*

Odeon and your financial professional may engage in agency cross transactions. In these circumstances, Odeon and your financial professional may match customers who want to sell a security with another customer who wants to buy that same security (or vice versa). As a result, Odeon will enter into the purchase/sale transaction between the two clients rather than purchasing or selling the security through an exchange or otherwise engaging in the transaction with a party who does not have an account with Odeon.

*Principal Transactions, Mark-ups and Mark-downs:*

When we act as principal, Odeon and your financial professional sell you securities that we hold in a firm account or buy securities from you

for our own account. As described earlier in this Brochure, Odeon's compensation is a mark-up when it sells you a security in a principal trade. When Odeon sells you a security, it has an incentive to recommend that you buy the security at a price higher than what Odeon might receive from a person who is not a client of the firm or who may have more investment experience. Additionally, when Odeon holds a security in its own account, it bears the risk of owning that security. Therefore, it has an incentive to recommend that you buy the security, even though buying it may not be in your interest. When Odeon purchases a security from you, it has an incentive to recommend that you sell the security at a price lower than what Odeon might receive from a person who is not a client of the firm or who may have more investment experience. Additionally, Odeon may recommend that you purchase the security because it believes that it may sell the security at a higher price to you rather than another customer or a person who is not a customer of the firm.

*Underwriting of "New Issues":*

Odeon and your financial professional may recommend that you invest in securities issued in an initial public and/or secondary offerings ("new issues") for which Odeon and/or its affiliate acts as a manager, underwriter, and/or a member of the selling group. Odeon has a conflict of interest in recommending these securities. Odeon receives all or a portion of the "gross spread," which represents the difference between the price that you pay for the security and the price for which Odeon and/or its affiliate purchases the security. This gross spread may be higher or lower in connection with certain offerings. In addition, Odeon has a substantial interest in assuring that the offering is successful because Odeon and/or its affiliate bears the financial and reputational risk of not selling all or most of the securities. Therefore, Odeon has incentives to recommend that you purchase these new issues for these reasons, rather than based on your needs.

*Limitations on Your Financial Professional's Ability to Make Certain Recommendations:*

Your financial professional can only recommend services and products for which the financial professional is properly licensed. For example, our financial professionals are licensed to provide brokerage services but not investment advisory services. Additionally, if your financial professional is not licensed to recommend certain types of investments for which additional licensing is required (such as municipal bonds, commodities futures, or off-exchange foreign exchange transactions), he or she cannot recommend those securities or related strategies even if purchasing such securities or taking advantage of such strategies is in your best interest. Accordingly, you should discuss with your financial professional whether he or she is licensed to provide you with the investment advice that is appropriate for your financial needs.

*Rollovers, Account Transfers and Similar Transactions:*

Generally, Odeon does not permit your financial professional to make recommendations regarding the purchase, sale, or exchange of securities or recommendations regarding investment strategies with regard to securities not held at Odeon. Such accounts are called "held away" accounts. In order for Odeon and your financial professional to provide brokerage services including such recommendations, Odeon and your financial professional have an interest in recommending that you open one or more accounts with Odeon, liquidate your holdings at another firm, and move your assets to the Odeon account. Odeon and your financial professional are incentivized to make such a recommendation even if doing so is contrary to your interest because we only receive compensation for providing brokerage services if the assets are held by Odeon. For example, if you have an account in your employer's retirement plan, Odeon and your financial professional have an interest in recommending that you take a distribution from your retirement plan account

and rollover the proceeds to an IRA held at Odeon. Odeon and your financial professional also have an incentive to recommend that you liquidate your brokerage account at another broker-dealer and transfer the proceeds to one or more accounts held at Odeon.

## 5. Additional Disclosures

### *Privacy Statement*

We collect nonpublic personal information about you from the following sources: information from your application or other forms; information about your transactions; and, information we may receive from consumer reporting agencies. We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted or required by law or upon request of a regulatory body. We restrict access to your personal and account information to those staff members who need to know that information to provide products and services to you. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. When disposing of paper documents that contain nonpublic information on our customer our staff members are trained to physically shred them or dispose of them through a contracted disposal company. The full content of our privacy policy on our website at [odeoncap.com/legal](http://odeoncap.com/legal).

### *Business Continuity*

During times of local or national emergencies, the office may be closed and every attempt to return to normal business operation will be made. Our Business Continuity Plan addresses varying degrees of business disruption and is reviewed and tested annually. To access your account funds or positions, please dial 212-257-6980 or check our website for alternative access information. Our Business Continuity Plan is subject to modification, a summary is posted on our website. If a customer would like to receive a copy of our plan please send a written request to Odeon Capital Group, Information Technology Dept., 750 Lexington Ave., New York, NY 10022.

### *Customer Identification Program*

#### Important Information about Procedures for Opening a New Retail Account:

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person and entity that seeks to open an account. What this means for you: When you open an account, we will ask for your name, address, SSN, date of birth, identifying documents, and other information that will allow us to identify you.

#### Important Information about Procedures for Opening a New Institutional Account, including DVP/RVP Accounts:

For our Institutional Accounts we may request the following: For a corporation, partnership, trust, limited liability company, or other legal entity we will need to know the principal place of business address, tax identification number, articles of formation, operating agreement, formation documents, partnership or trust agreement and any other information that will allow our firm to identify the organization. U.S. Department of the Treasury, Securities and Exchange Commission and FINRA Rules require this information to be provided. Additional requirements post May 11, 2018, per FinCEN's Customer Due Diligence ("CDD") Rule, will require additional documentation around the beneficial ownership of legal entity customers, as well as the controlling individuals of legal entity customers. These individuals will require a level of documentation sufficiently similar to those of retail account individuals as described above.

### *FINRA BrokerCheck*

FINRA BrokerCheck allows investors to learn about the professional background, business practices, and conduct of FINRA member firms or their registrants. The telephone number of the BrokerCheck is 800-289-9999, the website address is <http://www.brokercheck.finra.org>. An



investor brochure is also available upon request. Per FINRA Rule 2210 a hyperlink to BrokerCheck is on the first page of our website.

#### *Tax & Legal Advice*

No one associated with Odeon is authorized to render tax or legal advice and customer may not and should not rely upon such advice, if given.

#### *Complaints*

Complaints regarding your account may be directed to the Odeon Capital Group at 750 Lexington Ave., New York, NY 10022. Attention: Compliance Department. The telephone number is 212-257-6980.

#### *Inaccuracies and/or Discrepancies – Questions about Your Account Statement*

Your account statement contains important information about your securities account, including recent transactions. All account statements sent to you shall be deemed complete and accurate if not objected to in writing within 10 days of receipt. Please report any inaccuracy or discrepancy in your account to Odeon's Operations Department. Odeon encourages you to review the details in your statement.

#### *Changes of Address*

Please promptly notify your representative of any changes in your residential address or contact information. Failure to notify the firm may result in Odeon's inability to send you important notifications which could result in restrictions or other issues in your account.

#### *Changes in Your Account Information*

Please promptly notify your representative of any changes in your investment experience, investment objectives, or financial information.

#### *SEC Rule 605 Disclosure*

By letter dated June 22, 2001, the Securities and Exchange Commission (the "SEC") notified Richard Romano, Chair of the Small Firms Advisory Board, of the SEC's decision to grant an

exemption from Rule 605 (then known as Rule 11 Ac1-5) for small market centers that do not focus their business on the most actively traded securities. This exemption exempts any market center that reported fewer than 200 transactions per trading day on average over the preceding six month period in securities that are covered by the Rule (that is, national market system securities that do not qualify for the inactively traded security exemption), but only if more than 90% of such transactions were in securities that are not included in the Nasdaq-100 Index or the S&P 500 Composite Stock Price Index. Odeon Capital Group, effects sufficiently few transactions to fit within this exemption. Accordingly, the firm is not required to report pursuant to Rule 605.

#### *SEC Rule 606 Disclosure*

In accordance with SEC Rule 606, Odeon is making available a quarterly report which identifies the significant market centers to which customer orders were routed for execution. This Rule requires Odeon to disclose the top 10 market centers in terms of total number of orders routed for execution and any other market centers to which the firm routes 5% or more of its customers' orders. The report is divided into four sections as mandated by the SEC: (1) equity securities listed on the NYSE, (2) equity securities listed on the NASDAQ Stock Market, Inc., (3) equity securities listed on the AMEX or any other national securities exchange, and (4) exchange-listed options. The report will disclose the material aspects of Odeon's relationship with those top market centers should it receive a significant amount of order flow and what percentage of customer orders are routed to each of the top market centers. Additionally, this information is also available to customers upon written request as to the venues to which their individual orders were routed. Rule 606 report links are provided at [odeoncap.com/legal](http://odeoncap.com/legal).

### *SEC Rule 607*

In accordance with SEC Rule 607 of Regulation NMS, Odeon is required to disclose upon account opening and on an annual basis thereafter (1) its policies regarding payment for order flow, including a statement as to whether any payment for order flow is received for routing customer orders and a detailed description of the nature of the compensation received, and (2) their policies for determining, in the absence of specific customer instructions, where to route customer orders that are the subject of payment for order flow, including a description of the extent to which orders can be executed at prices superior to the NBBO. Odeon does not pay for order flow nor does it receive payment for order flow. However, Odeon potentially may profit by trading as principal with its customers' orders. Additionally, orders routed to public exchanges may be eligible for "rebates" under the relevant exchange rules. If Odeon were to receive a rebate net of fees assessed by such an exchange, such could be considered "payment for order flow". For any execution, customers of Odeon are entitled to know the venue of execution, and whether Odeon netted a rebate from such venue during the relevant time period.

### *Market Orders*

The firm will make all reasonable efforts to obtain the best possible price available at the time the order is received. In the event that a customer market order is placed at the same time as a firm order, the customer order will be completed first.

### *Limit Orders*

The firm will handle any customer limit orders, whether received from its own customers, or from another broker-dealer with all due care so as not to "trade ahead" of limit orders. Therefore, the firm will not trade on buy orders at prices equal to or less than that of the limit order, or conversely the firm will not trade on sell orders at prices equal to or greater than that

of the customer limit order, without first executing the customer limit order.

### *FINRA Rule 5320 – Order Handling Practices*

Under rule 5320, if a firm is in possession of a customer order that is eligible for protection, the firm may not receive executions for its own account at prices that would satisfy the customer order without providing the executions to the customer order. Rule 5320 permits firms to accept orders from institutional accounts and to trade along or exclusive of such orders without providing them protection as long as the firms have provided disclosure of their order handling practices. Odeon takes this opportunity to explain which institutional customer orders will receive protection under Rule 5320. Orders received from institutional customers that are below 10,000 shares, under \$100,000 in notional value and entered on a held basis will be protected by Odeon. Therefore, the trade desk at Odeon with knowledge of such an order will be required to provide the order with protection. Additionally, an institutional customer may opt into order protection on orders over 10,000 shares, under \$100,000 in notional value, provided that these orders are entered on a "held" basis. Odeon will consider such requests on a case by case basis and will inform the customer whether it is willing to accept such a protected order. Because "not held" orders (including best-efforts, VWAP orders, "anticipate" orders, percentage of volume orders, stopped orders, "work" orders and "over-the-day" orders) require that the firm exercise discretion as to the time and price of execution, Odeon does not believe that it is feasible for these orders to be eligible for protection. Additionally, orders executed subject to guarantee (including guaranteed close, market-on-close, limit-on-close orders, guaranteed open orders, market –on-open and guaranteed VWAP orders) are ineligible for protection. Lastly, complex orders (basket or program orders, risk arbitrage pairs orders, spread orders, convertible swaps orders and multi-leg orders) from customers will not be

eligible for protection because of the difficulties in assessing which firm executions are applicable to a particular complex customer order. Risk orders (including Total Touch Risk orders, Beat-the-VWAP orders and Hedging Outperformance Orders) with price improvement will not be eligible for Rule 5320 protection. Rather such customer orders will be priced according to the price-improvement formula agreed upon between Odeon and the customer. If any customer should have any questions, please contact your sales trader.

#### *Net Basis Orders*

At the time an order is placed with Odeon, our firm may trade the order on a “net” basis, unless the client affirmatively raises an objection. A net transaction is a principal transaction in which Odeon may perform either of the following actions: (1) after having received an order to buy an equity security, Odeon then purchases that equity security at one price from another broker-dealer (or another customer) and then sells it to you at a different price; or (2) after having received an order to sell an equity security Odeon then sells that equity security at one price to another broker-dealer (or another customer) and then buys it from you at a different price. In either case Odeon will not charge you a commission and will instead be compensated for the transaction by retaining the difference between the purchase and sale transaction. Net trades must comply with the Order Protection Rule included in Regulation NMS. The net price, which is reported to the Consolidated Tape, is the price of the trade with respect to the Order Protection Rule and is the price used when determining whether or not a trade-through has occurred and whether the firm has availed itself of the ISO exception.

#### *Money Market Funds in Brokerage Accounts*

Federal Deposit Insurance Corporation (FDIC)-Insured Bank Deposits are not protected by Securities Investor Protection Corporation (SIPC). For accounts that are set up for cash to sweep to a money market fund (default

behavior) -- the available sweep money market funds typically pay higher 12b-1 fees than other money market funds. The Firm may receive up to 1.00% annually of client assets in the sweep money market funds from the money market fund sponsor in connection with 12b-1 fees.”

#### *FINRA Rule 2266*

You may obtain more information about the Securities Investor Protection Corporation (SIPC) coverage on your brokerage account by contacting the firm or requesting a SIPC brochure. SIPC’s website is [www.sipc.org](http://www.sipc.org) and the telephone number is 202-371-8300.

#### *Confirmations*

In the case of a transaction in a reported security, or an equity security quoted on NASDAQ or traded on a national exchange and that is subject to last sale reporting, the name of the party from or to whom the securities were purchased or sold to you, the time the transaction took place, the difference between the price to the customer and the dealer’s purchase price, and the source and amount of any other remuneration received or to be received by the firm in connection with the transaction will be furnished upon request.

#### *Payment for Securities*

In the event that you wish to pay for securities purchased through Odeon Capital Group please make checks payable to Hilltop Securities our clearing firm for securities transactions. Also please note your account number and write Odeon Capital Group in the memo section of the check.

#### *VWAP Orders*

Before accepting a VWAP order from a customer the firm discloses to its customers in writing that the firm may engage in hedging or other positioning activity that could affect the market for a security that is involved with any VWAP transaction received. This notice must be sent prior to executing a VWAP transaction and no less than annually to the customer. Under no

circumstances may the firm trade for its proprietary account when in receipt of a customer VWAP order. All orders for VWAP short orders are to be properly marked and executed in accordance with applicable short sell rules and regulations. The terms of compensation from the order are provided in writing to the customer.

#### *Rule 144A Securities*

In order to transact 144A securities, you attest to be a Qualified Institutional Buyer and will obtain access to the issuer's Rule 144A(d)(4) either directly from the issuer or from the issuer's designated informational website and that you will comply with all conditions for obtaining access to the issuer's or borrower's information including if applicable any non-disclosure agreement and any agreement that such information is being obtained solely for the purpose of considering a purchase of the securities. If you are unable to agree to any of the foregoing, you will not purchase the securities from Odeon.

#### *Indications of Interest*

If you provide Odeon with an order to "work" the firm may handle the order by issuing an Indication of Interest ("IOI") to another market participant or trading venue. An IOI is an expression of trading interest that contains one or more but not all of the following elements: security name, size, side, capacity and price. The use of an IOI is intended to solicit contra-side interest in an attempt to minimize market impact. IOUs may be disseminated over electronic trading systems, through direct connections to client order management systems. An IOI disseminate on your behalf cannot exceed the size of the order you have submitted unless you indicate that the size of your interest may grow.

#### *FINRA Rule 2261*

The Statement of Financial Condition is available to the firm's customers. If you would like to request a copy please do so in writing and

contact Odeon Capital Group, Compliance Department, 750 Lexington Ave., New York, NY 10022, and a copy will be provided to you. The telephone number is 212-257-6970.

#### *FINRA Rule 2265 Extended Trading Hours Trading Risk Disclosure*

Odeon offers its customers the opportunity to trade securities when the major U.S. securities markets are not open. The hours for trading outside of customary market hours are 8AM-9:30AM and 4PM-8PM EST. There are risks to trading securities when the major trading markets are closed. To make sure you are aware of these risks, the FINRA has developed the following model disclosure or risks of extended hours trading.

Risk of Lower Liquidity: Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

Risk of Higher Volatility: Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.

Risk of Changing Prices: The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening the next morning. As result, you may receive an inferior price in extended hours trading than you would during regular market hours.

Risk of Unlinked Markets: Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

Risk of News Announcements: Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

Risk of Wider Spreads: The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (IIV): If trading in certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying IIV is not calculated or widely disseminated during pre-market and post-market sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions be placed at a disadvantage to other market professionals.

#### *Margin Disclosure Statement*

Your brokerage firm is furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a

margin account. Before trading stocks in a margin account, you should carefully review the margin agreement provided by your firm. Consult your firm regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds from your firm, you will open a margin account with the firm. The securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin.

These risks include the following (a):

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

The firm can force the sale of securities or other assets in your account(s). If the equity in your account falls below the maintenance margin requirements, or the firm's higher "house" requirements, the firm can sell the securities or other assets in any of your account held at the firm to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.

The firm can sell your securities or other assets without contacting you. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm

has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.

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

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

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

(b) Members shall, with a frequency of not less than once a calendar year, deliver individually, in writing or electronically, the disclosure statement described in paragraph (a) or the following bolded disclosures to all non-institutional customers with margin accounts:

Securities purchased on margin are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account. It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

You can lose more funds than you deposit in the margin account.

The firm can force the sale of securities or other assets in your account(s).

The firm can sell your securities or other assets without contacting you.

You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.

The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice.

You are not entitled to an extension of time on a margin call.

The annual disclosure statement required pursuant to this paragraph (b) may be delivered within or as part of other account documentation, and is not required to be provided in a separate document.

(c) In lieu of providing the disclosures specified in paragraphs (a) and (b), a member may provide to the customer and, to the extent required under paragraph (a) post on its Web site, an alternative disclosure statement, provided that the alternative disclosures shall be substantially similar to the disclosures specified in paragraphs (a) and (b).

(d) For purposes of this Rule, the term "non-institutional customer" means a customer that does not qualify as an "institutional account" under Rule 3110(c)(4).

#### *Special Statement for Uncovered Options Writers*

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

#### Special Risks:

The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large

losses if the value of the underlying instrument increases above the exercise price.

As with writing uncovered calls, the risk of writing uncovered put options is substantial.

The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential for risk is unlimited.

If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

IMPORTANT NOTE: It is expected that you will read the booklet entitled Characteristics and Risks of Standardized Options (including the most recent supplements) available from your broker. In particular, your attention is directed to

the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

Please review the Options Clearing Corporation (OCC) Characteristics and Risks of Standardized Options documents:

- ) <https://www.theocc.com/components/docs/riskstoc.pdf>
- ) [https://www.theocc.com/components/docs/about/publications/november\\_2012\\_supplement.pdf](https://www.theocc.com/components/docs/about/publications/november_2012_supplement.pdf)
- ) [https://www.theocc.com/components/docs/about/publications/october\\_2018\\_supplement.pdf](https://www.theocc.com/components/docs/about/publications/october_2018_supplement.pdf)

#### *Municipal Securities Transactions*

Odeon is registered with the Municipal Securities Rulemaking Board ("MSRB") and the SEC as a municipal securities dealer. Odeon is not a municipal advisor. Information about the rules governing MSRB transactions can be found online at [msrb.org](http://msrb.org) which provides Information for Municipal Securities Investors describing the protections that may be provided by the MSRB's rules and how to file a complaint with an appropriate regulatory authority.

#### *Futures*

Transactions in securities futures, commodity and index futures and options on futures carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily "leveraged" A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit: this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the clearing firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the

time prescribed, your position may be liquidated at a loss and you will be liable for any resulting deficit.

#### *Futures Risk Disclosure Statement*

The risk of loss in trading commodity futures contracts can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. You should be aware of the following points:

1. You may sustain a total loss of the funds that you deposit with your broker to establish or maintain a position in the commodity futures market, and you may incur losses beyond these amounts. If the market moves against your position, you may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the required funds within the time required by your broker, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.
2. The funds you deposit with a futures commission merchant for trading futures positions are not protected by insurance in the event of the bankruptcy or insolvency of the futures commission merchant, or in the event your funds are misappropriated.
3. The funds you deposit with a futures commission merchant for trading futures positions are not protected by the Securities Investor Protection Corporation even if the futures commission merchant is registered with the Securities and Exchange Commission as a broker or dealer.
4. The funds you deposit with a futures commission merchant are generally not guaranteed or insured by a derivatives clearing organization in the event of the bankruptcy or insolvency of the futures commission merchant, or if the futures commission merchant is otherwise unable to refund your funds. Certain derivatives clearing organizations, however, may

have programs that provide limited insurance to customers. You should inquire of your futures commission merchant whether your funds will be insured by a derivatives clearing organization and you should understand the benefits and limitations of such.

5. The funds you deposit with a futures commission merchant are not held by the futures commission merchant in a separate account for your individual benefit. Futures commission merchants commingle the funds received from customers in one or more accounts and you may be exposed to losses incurred by other customers if the futures commission merchant does not have sufficient capital to cover such other customers' trading losses.

6. The funds you deposit with a futures commission merchant may be invested by the futures commission merchant in certain types of financial instruments that have been approved by the Commission for the purpose of such investments. Permitted investments are listed in Commission Regulation 1.25 and include: U.S. government securities; municipal securities; money market mutual funds; and certain corporate notes and bonds. The futures commission merchant may retain the interest and other earnings realized from its investment of customer funds. You should be familiar with the types of financial instruments that a futures commission merchant may invest customer funds in.

7. Futures commission merchants are permitted to deposit customer funds with affiliated entities, such as affiliated banks, securities brokers or dealers, or foreign brokers. You should inquire as to whether your futures commission merchant deposits funds with affiliates and assess whether such deposits by the futures commission merchant with its affiliates increases the risks to your funds.

8. You should consult your futures commission merchant concerning the nature of



the protections available to safeguard funds or property deposited for your account.

9. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the market reaches a daily price fluctuation limit ("limit move").

10. All futures positions involve risk, and a "spread" position may not be less risky than an outright

11. The high degree of leverage (gearing) that is often obtainable in futures trading because of the small margin requirements can work against you as well as for you. Leverage (gearing) can lead to large losses.

12. Trading cash Foreign Exchange ("FX") contracts carries the same high level of risk as futures trading (Futures Trading Disclaimer). However, cash FX, unlike futures FX contracts that are regulated by the Commodity Trading Futures Commission, are not regulated by any governmental agency. In addition, because there is not a central clearing house for cash FX transactions, there is also a counterparty risk for each contact.

13. In addition to the risks noted in the paragraphs enumerated above, you should be familiar with the futures commission merchant you select to entrust your funds for trading futures positions. Beginning July 12, 2014, the Commodity Futures Trading Commission will require each futures commission merchant to make publicly available on its Web site firm specific disclosures and financial information to assist you with your assessment and selection of a futures commission merchant.

ALL OF THE POINTS NOTED ABOVE APPLY TO ALL FUTURES TRADING WHETHER FOREIGN OR DOMESTIC. IN ADDITION, IF YOU ARE CONTEMPLATING TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS, YOU SHOULD BE AWARE OF THE FOLLOWING ADDITIONAL RISKS:

14. Foreign futures transactions involve executing and clearing trades on a foreign

exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, customers who trade on foreign exchanges may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction.

15. Finally, you should be aware that the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

16. Futures on virtual currencies including Bitcoin can be extremely risky. Virtual currencies are not legal tender in the United States and many question whether they have intrinsic value. The price of many virtual currencies is based on the agreement of the parties to a transaction. The price of a virtual currency is based on the perceived value of the virtual currency and subject to changes in sentiment, which make these products highly volatile.