

Crestone Asset Management LLC

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3/31/2014

FORM ADV PART 2 BROCHURE

This brochure provides information about the qualifications and business practices of Crestone Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at (303) 442-4447. 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 Crestone Asset Management LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Crestone Asset Management LLC is 108581.

Crestone Asset Management LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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Advisory Business

Form ADV Part 2A, Item 4

Crestone Asset Management LLC ("Crestone") has been in business since 2001. It is a wholly-owned subsidiary of Crestone Capital Advisors LLC, whose predecessor, The Eric J. Kramer Company, was founded in 1991. The Eric J. Kramer Company (of which Eric J. Kramer is the sole shareholder) and Michael Sherman each own 25% or more of Crestone through their membership interests in Crestone Capital Advisors LLC.

We offer investment advisory and wealth management services to high-net-worth and ultra high-net-worth clients. In addition to giving securities advice, we may also work with a client's other professional advisers to provide advice on wealth management matters not involving securities, including estate planning, income tax planning and administration, charitable giving, wealth preservation and asset protection, wealth accumulation and spending, retirement planning and modeling, and financial risk and debt management. The following is a list of many of the services we provide, although we may provide other services depending on a client's specific needs:

Investment Management Advice

- Education regarding investment philosophy, strategy, and capital markets
- Assistance with Investment Policy Statement development
- Investment portfolio design
- Portfolio spending/withdrawal policy
- Portfolio implementation and periodic rebalancing
- Investment manager research, selection, and monitoring

Investment Reporting

- Consolidated portfolio data and performance reporting
- Performance reporting at the portfolio, asset class, and individual investment levels, with comparisons to relevant benchmarks
- Balance sheet reporting

Cash Flow and Liquidity Management

- Assist with cash flow planning and liquidity management
- Introduce and recommend potential credit facilities
- Manage lines of credit, including cash flow planning and reporting

Concentrated Position Management (if needed)

- Oversee concentration risk, and diversify concentrated holdings, pursuant to client's plan
- Advise on and execute risk reduction plans, including hedging and monetization strategies
- Coordinate planning of tax strategy and legal restrictions with tax adviser and legal counsel
- Manage stock and option administration
- Provide detailed reporting on concentrated positions

Family Wealth Planning Services

- In conjunction with other professional advisers, advise clients on wealth management matters including estate planning, income tax planning and administration, charitable giving, wealth preservation and asset protection, and risk management

In addition to the clientele described above and in the *Types of Clients* section of this brochure, we may also serve as an investment adviser to a limited number of corporate clients, including corporate clients that offer employer-sponsored retirement plans to their employees.

We tailor our advisory services to the individual needs of our clients by determining with each client the types of services the client wants or needs at any given time, and also the types of services the client may want or need in the future. For each client, we then create an individualized Investment Policy Statement based on the client's investment preferences and objectives, spending needs, estate planning needs, etc.

The Investment Policy Statement sets investment parameters that we must follow when investing each client's portfolio; we will not assume full discretion over any of our clients' accounts. In executing his or her Wealth Advisory Services Agreement with Crestone, each client elects to grant to us either limited discretion or no discretion over his or her accounts. In either case, the client and Crestone together will select asset classes and determine allocations within those asset classes, and will agree on any other investment guidelines or limitations that the client desires to place on the accounts.

Once account parameters have been established and if limited discretion is granted by the client, we will have the discretion and authority to direct the investment and reinvestment of account assets (including periodic rebalancing) and manage the client's account(s) within the agreed upon investment parameters, and to determine pricing and timing of transactions, without the prior approval of the client. However, changes in asset classes, allocations within asset classes, and any other investment guidelines and limitations will be made only with the client's prior approval.

If no discretion is granted by the client, no transactions will be effected in the client's accounts and no changes in asset classes and allocations within asset classes, including any investment or reinvestment of account assets (including periodic rebalancing), will be made without the client's prior approval.

We do not participate in wrap fee programs.

As of December 31, 2013, we managed approximately \$834,957,724 in client assets on a limited discretionary basis and \$284,868,765 on a non-discretionary basis.

Fees and Compensation

Form ADV Part 2A, Item 5

We are compensated quarterly, in advance, based upon our fee schedule noted below and the amount of assets that we manage for each client. We ordinarily require that new clients have minimum investable assets of approximately \$25 million, which approximates the minimum annual fee of \$300,000 noted below, although exceptions may be made in our sole discretion.

Crestone Asset Management LLC
Wealth Advisory Services Annual Fee Schedule
Effective March 31, 2011

Asset based breakpoints:	Fee Schedule:
First \$5,000,000.	1.75%
Next \$30,000,000.	0.95%
Next \$35,000,000.	0.75%
Next \$30,000,000.	0.65%
Next \$100,000,000.	0.50%
Amount over \$200,000,000	0.35%

*Minimum annual fee is \$300,000. **One-time "start-up" fee of \$25,000.

We may reduce or waive our minimum annual fee and/or waive all or a portion of our one-time start-up fee for certain clients who require more limited investment advisory and/or wealth management services, which we will determine in our discretion on a case-by-case basis.

We bill our clients quarterly, in advance, based upon the fee schedule noted above. When clients sign their Wealth Advisory Services Agreement, they agree to allow us to automatically deduct our advisory fees directly from their brokerage accounts upon 15 days prior written notice and, if necessary, to liquidate securities from their brokerage accounts for payment of our fees. Clients may, however, choose to pay our fees by check or wire transfer at their discretion.

Our fees described above are based on a percentage of a client's assets under management, which may include mutual fund investments. Mutual funds pay advisory fees to their investment advisers, which reduces the net asset value of a fund's shares. As noted above, clients also pay an advisory fee to Crestone based upon the total value of assets under management, including any shares of mutual funds under management. Thus, a client whose assets are invested in shares of mutual funds will pay asset management fees to Crestone and indirect management fees to the advisers of the mutual funds.

With respect to any corporate clients, the fee for these services will be an annual fixed fee and/or a stated percentage of the assets under management, billed in four quarterly installments in advance or in arrears, to be negotiated with the client on a case-by-case basis.

If either Crestone or a client terminates an advisory contract upon 30 days written notice, Crestone will be entitled to receive its advisory fee for the portion of the quarter elapsed prior to the termination, and any balance of the prepaid quarterly advisory fee not due to Crestone will be returned to the client.

Certain Crestone affiliates, described in the *Other Financial Industry Activities and Affiliations* section of this brochure, may receive fees and other compensation in connection with their activities:

Crestone Securities LLC. See discussion below.

Crestone Alternative Strategies LP. Crestone serves as investment manager, and its affiliate, Crestone Alternative Partners LLC, serves as general partner, to Crestone Alternative Strategies LP, a hedge "fund of funds." This fund of hedge funds invests in several different hedge funds managed by unrelated third parties.

As a result of this structure, Crestone clients who invest in Crestone Alternative Strategies LP will pay two layers of fees – (1) the fees paid to Crestone and its affiliate by Crestone Alternative Strategies LP, and (2) the fees paid to the underlying hedge funds in which Crestone Alternative Strategies LP invests. As noted above, clients also pay an advisory fee to Crestone based on the total value of assets under management, including any assets invested in Crestone Alternative Strategies LP.

Crestone Alternative Strategies, Ltd. Crestone serves as investment manager to Crestone Alternative Strategies, Ltd., a hedge “fund of funds.” This fund of hedge funds invests in several different hedge funds managed by unrelated third parties. As a result of this structure, Crestone clients who invest in Crestone Alternative Strategies, Ltd. will pay two layers of fees – (1) the fees paid to Crestone by Crestone Alternative Strategies, Ltd., and (2) the fees paid to the underlying hedge funds in which Crestone Alternative Strategies, Ltd. invests. As noted above, clients also pay an advisory fee to Crestone based on the total value of assets under management, including any assets invested in Crestone Alternative Strategies, Ltd.

Other Crestone-Sponsored Pooled Vehicles. Crestone serves as investment manager, and its affiliate, Flatirons GP LLC, serves as general partner, to numerous Crestone-sponsored pooled vehicles, or “fund of funds” (see the table listing these fund of funds in the *Other Financial Industry Activities and Affiliations* section of this brochure). As a result of this structure, Crestone clients who invest in these Crestone-sponsored pooled vehicles will pay two layers of fees – (1) the fees paid to Crestone as investment manager to the fund, and (2) the fees paid to the underlying funds in which the fund invests. As noted above, clients also pay an advisory fee to Crestone based on the total value of assets under management, including any assets invested in these Crestone-sponsored pooled vehicles.

Single Purpose Investment-Related Entities. Crestone Capital Advisors LLC will, on occasion, form and serve as the manager or sponsor of single purpose limited liability companies, limited partnerships or other investment-related entities that are formed specifically to provide Crestone’s clients access (on a pooled investment basis) to private equity or similar investment opportunities offered by unrelated third party investment funds and managers that require a minimum investment beyond that which may be prudent for a single investor and that otherwise may have limited availability to individual investors. In connection with the formation and capitalization of these investment-related entities, Crestone and its affiliates will be reimbursed by the entity for offering and organizational expenses, and Crestone will receive an asset management fee, but no other related party compensation is paid to Crestone or its affiliates. Crestone will offer the investment interests to its clients and others for whom such investments are suitable. The investment interests in the single purpose investment entities will be offered and sold pursuant to one or more exemptions from the registration requirements of federal and state securities laws by Crestone Securities LLC, a registered broker-dealer and an affiliate of Crestone, exclusively to “accredited investors,” as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

Please see the *Other Financial Industry Activities and Affiliations* and *Brokerage Practices* sections of this brochure for more information about the fees associated with Crestone’s affiliates.

Crestone’s fees will be charged quarterly, in advance, based upon a percentage of the value of a client’s assets under management. Either Crestone or the client may terminate the investment advisory contract upon 30 days prior written notice to the other party. Crestone will be entitled to receive its advisory fee for the portion of the quarter elapsed prior to termination, and any balance of the prepaid quarterly advisory fee not due to Crestone will be returned to the client. An unconditional service guarantee entitles new clients to a refund of up to 100% of their fee, solely at the client’s discretion, if at any time in the first year of the engagement the client is less than 100% satisfied with Crestone’s services.

Crestone’s affiliated broker-dealer, Crestone Securities LLC, uses its best efforts to execute client transactions at net asset value for mutual fund transactions, and on a fully disclosed basis for stocks, bonds, and other tradable securities.

When Crestone Securities LLC executes mutual fund transactions for clients, it may electronically receive through its clearing firm, Pershing LLC, or other clearing firm(s) selected by the client or Crestone, certain fees and other compensation, including finder’s fees and 12b-1 fees. To avoid conflicts of interest that arise from

receiving compensation for recommended securities transactions, Crestone Securities LLC will:

- Electronically credit this compensation back to the client's brokerage account whenever possible.
- Credit and offset 100% of the compensation against the client's succeeding quarterly fee payable to Crestone if Crestone Securities LLC cannot electronically credit this compensation to the client's brokerage account. If the total credit or offset in any given quarter exceeds the client's advisory fee for the succeeding quarter, then we will carry forward the credit and offset it against the client's future quarterly fees. The mutual fund compensation-based offset policy described above will apply to trailing commissions (e.g., 12b-1 fees) and back-end load compensation that can be specifically identified as being derived from the client's investments. Crestone will send quarterly reports to the client showing the amount of any of these fees or payments during that quarter and the offsetting portion applied to the client's quarterly advisory fees.
- Charge the client only the amount charged by third parties (such as Pershing LLC) for executing and clearing the client's securities transactions, but not charge any additional commissions or other transaction-based compensation.

Crestone Securities LLC also acts as a placement agent for Crestone's affiliated pooled vehicles, but it does not receive any compensation for doing so.

Clients can purchase through other broker-dealers the tradable securities that we recommend, and they have the option of selecting a broker-dealer not affiliated with Crestone to execute these securities transactions. Otherwise, we may select a broker or dealer for the client. In doing so, we may use Crestone Securities LLC as broker when practicable and as long as it is permitted under applicable law. In selecting a broker-dealer for our clients, our selection is guided by our clients' best interests.

We receive very little compensation from the sale of investment products that we recommend to clients, and we attempt to credit back to clients any compensation that we receive from these sales, as discussed above.

Our affiliated broker-dealer, Crestone Securities LLC, charges its clients only the amount charged to it by third parties (such as Pershing LLC) for securities transactions. It does not charge any markups or additional commissions.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

Neither Crestone nor any of our supervised persons accept performance-based fees from Crestone clients.

Types of Clients

Form ADV Part 2A, Item 7

We generally provide advice to ultra high-net-worth individuals and families and their trusts, foundations, limited liability companies, and/or other entities that they own. We will ordinarily require that new clients have minimum investable assets of approximately \$25 million, although we may make exceptions in our sole discretion.

We may also serve as an investment adviser to a limited number of corporate clients, including corporate clients that offer employer-sponsored retirement plans to their employees.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

Timeless, fundamental investment principles lie at the foundation of our investment platform, which we have designed in an attempt to methodically reduce portfolio risk and systematically increase portfolio returns.

Investment Philosophy – Our Core Beliefs

- Traditional “buy and hold” investment models do not maximize returns.
- Disciplined diversification among alternative and traditional asset classes, investment managers and individual assets is an effective way to protect and conservatively grow wealth.
- Asset values are reasonably estimable. Asset prices can deviate from asset values for long periods of time, creating both risk and opportunity.
- Have an equity bias. In the long term, owners earn more than lenders.
- Superior investment managers exist, and we can find them through exhaustive due diligence.
- Disciplined rebalancing incorporating tactical, valuation-informed reweighting of investments reduces risk and can increase returns.

Diversification

We have a longstanding commitment to and expertise in both traditional and alternative asset classes, such as hedge funds, private equity, and real estate, which provide a broad array of diversified building blocks with which to construct client portfolios.

Based on a conviction that traditional “buy and hold” investment models do not optimize returns, our strategy centers around tactical, valuation-informed reweighting and rebalancing of investments in an attempt to reduce risk and increase return.

Our investment consulting team takes an active approach to balancing investments broadly across both efficient and inefficient markets in order to provide non-correlated returns, resulting in what we believe will be true diversification and lower risk.

We do, however, maintain a bias toward equities in the belief that, over the long term, owners earn more than lenders. Our experience has shown that asset values are reasonably estimable by the skilled analyst, and because asset *prices* can deviate from asset *values* for long periods of time, these value and price discrepancies create both risk and opportunity for the skilled investment manager.

We believe that superior investment managers do indeed exist, and that we can find them with the appropriate due diligence.

Disciplined Process

We have developed a rigorous, time-proven, cycle-tested process for creating customized Investment Policy Statements, strategically constructing portfolios, and selecting investment managers to enhance risk-adjusted returns. The end result is a comprehensive, systematic approach to investing.

1. Investment Policy. We guide, assist, and advise clients on their Investment Policy Statements—an intimate collaboration between the client and Crestone in order to fit individual financial goals—to set a discernible framework for the management of the portfolio.
2. Asset Allocation. We recommend what we believe is the optimal way to allocate capital to selected asset classes. We take an active approach to balancing investments broadly across both efficient and inefficient markets in order to provide non-correlated returns, resulting in what we believe will be true

diversification and lower risk.

3. Portfolio Construction. We find, select, and monitor investments for our clients' portfolios, and we regularly rebalance each client's portfolio in accordance with his or her Investment Policy Statement guidelines.

While the goal of our investment process is to reduce risk and maximize returns for clients, we cannot guarantee that this will occur. Investing in securities involves risk of loss that clients should be prepared to bear.

We define risk as the probability of a return other than the expected return, and we measure risk by the potential magnitude of that variance (volatility or standard deviation).

There are numerous risks in investing, not all of which necessarily manifest themselves in terms of volatility. These include:

- Lack of liquidity
- Fundamental business risk
- Business cycle risk
- Litigation risk
- Financial leverage risk
- Concentration risk (by security, manager, asset or asset class)
- Valuation risk

While we rely on volatility (standard deviation) as the objective criterion for measuring risk, we also bear in mind the other fundamental risks that exist in investing. In addition, while all of the above risks should ultimately manifest themselves in the form of the volatility (standard deviation) criterion, we recognize that this may not be the case in practice, due to 1) valuation conventions that tend to apply to illiquid assets such as real estate, venture capital, and other private equities, and 2) the tendency of correlations among asset classes to converge, positively, at times of extreme stress in financial markets (which may cause historic volatility to be a poor predictor of actual experienced volatility).

We commonly recommend investments in alternative asset classes (e.g., hedge funds, private equity, and real estate) through pooled investment vehicles such as limited partnerships. Investment in these limited partnerships is speculative and is not intended as a complete investment program. The limited partnership interests are available only to sophisticated investors who are able to bear a substantial loss of their investment in the limited partnership. There is no assurance that the limited partnership's investment objectives will be achieved, and investment results may vary substantially from year to year. Investment in these limited partnerships is subject to certain specific risks, including:

- Investment risks
- Operational risks
- Market, trading, and regulatory risks
- Tax consequences
- Lack of liquidity

These risks are discussed in detail in each recommended limited partnership's offering documents.

Disciplinary Information

Form ADV Part 2A, Item 9

We do not currently have, nor have we ever had, any legal or disciplinary events to disclose, including any criminal or civil actions, administrative proceedings before the SEC or any other regulatory agencies, or proceedings before any self-regulatory organization.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

All of our client advisors, including Eric J. Kramer and Michael Sherman, are both investment adviser representatives of Crestone and also registered representatives of our affiliated broker-dealer, Crestone Securities LLC.

Neither Crestone nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of any of these entities.

The following affiliated entities share common management with Crestone:

- **Crestone Capital Advisors LLC**. A Colorado limited liability company that wholly owns Crestone, Crestone Securities LLC, and Crestone Real Estate LLC. Its members include The Eric J. Kramer Company (whose President and sole shareholder is Eric J. Kramer), Michael Sherman, Doug Bonnette, Jeremy Shevlin, John Kramer, Randi Grassgreen, and Oana Bolton.
- **Crestone Securities LLC**. A Colorado limited liability company that is registered with the Financial Industry Regulatory Authority (FINRA) as an introducing broker-dealer and effects securities transactions for Crestone clients. All of Crestone's investment advisers are also registered representatives of Crestone Securities LLC. To avoid conflicts of interest that could arise, neither Crestone Securities LLC nor its representatives receive any additional compensation related to selling the securities that Crestone recommends to clients. See the *Fees and Compensation* section of this brochure for more details.
- **Crestone Real Estate LLC**. A Colorado limited liability company that forms and serves as the manager or sponsor of single purpose limited liability companies or other investment entities that acquire, hold, lease, manage, operate, and sell or otherwise dispose of commercial real estate.
- **Flatirons GP LLC**. A Delaware limited liability company whose managing members are Eric J. Kramer, Michael Sherman, and Doug Bonnette. It serves as the general partner to the following Crestone-sponsored pooled vehicles:

CRESTONE-SPONSORED POOLED VEHICLE	DESCRIPTION	PURPOSE OF "FUND OF FUNDS"
Arapaho Peak Real Estate Fund LP	Delaware limited partnership	to offer Crestone's clients access, on a pooled investment basis, to a diversified portfolio of real estate and real estate-related investment funds or other similar investment vehicles and separately managed accounts and portfolios that focus on real estate and real estate-related investments
Arapaho Peak Real Estate Fund II LP		
Arapaho Peak Real Estate Fund III LP		
Arapaho Peak Real Estate Fund IV LP		
Caribou Large Cap Value Fund LP	Delaware limited partnership	to offer Crestone's clients access, on a pooled investment basis, to a diversified portfolio of large cap value investment funds or other similar investment vehicles and separately managed accounts and/or hedge funds that focus on large cap companies

CRESTONE-SPONSORED POOLED VEHICLE	DESCRIPTION	PURPOSE OF "FUND OF FUNDS"
Eldorado Natural Resources Fund LP	Delaware limited partnership	to offer Crestone's clients access to a portfolio of managed private equity funds and funds of private equity funds, including venture capital, buyout and mezzanine debt funds and other types of investment opportunities whose underlying investments or business involve commodities
Eldorado Natural Resources Fund II LP		
Eldorado Natural Resources Fund III LP		
Kenosha High Yield Fund LP	Delaware limited partnership	to offer Crestone's clients access, on a pooled investment basis, to a diversified portfolio of investment funds or other similar investment vehicles and separately managed accounts or investments and/or hedge funds that focus on undervalued, distressed or other opportunistic situations
Kenosha High Yield Fund II LP		
Kenosha High Yield Fund III LP		
Kenosha High Yield Fund IV LP		
Maroon Peaks Private Equity Fund I LP	Delaware limited partnership	to offer Crestone's clients access, on a pooled investment basis, to a portfolio of managed private equity funds and funds of private equity funds, including venture capital, buyout and mezzanine debt funds
Maroon Peaks Private Equity Fund II LP		
Maroon Peaks Private Equity Fund III LP		
Maroon Peaks Private Equity Fund IV LP		
Maroon Peaks Private Equity Fund V LP		
Maroon Peaks Private Equity Fund VI LP		
Matterhorn International Fund LP	Delaware limited partnership	to offer Crestone's clients access to a diversified portfolio of investment funds or other similar investment vehicles and separately managed accounts or investments and/or hedge funds that focus on investments in equity and other securities of companies primarily located outside the United States

Management Fees Paid to Crestone:

Crestone serves as investment adviser to each of the Crestone-sponsored pooled vehicles listed in the above table and is entitled to receive a management fee. The annual management fee is a stated percentage of each partnership's net assets attributable to each limited partner's capital account, as disclosed in each pooled vehicle's offering documents.

- **Crestone Alternative Partners LLC.** A Delaware limited liability company whose managing members are Eric J. Kramer, Michael Sherman, and Doug Bonnette. It serves as the general partner to the Crestone-sponsored pooled vehicles Crestone Alternative Strategies LP and Sanitas Global Opportunity Fund LP, each a Delaware limited partnership hedge "fund of funds" formed to offer Crestone's clients access to the hedge fund asset class on a broadly diversified and professionally managed basis.

Management Fee Paid to Crestone by Crestone Alternative Strategies LP:

Crestone serves as investment adviser to Crestone Alternative Strategies LP, and is entitled to receive a management fee. The Investment Manager will be paid, quarterly in advance, a management fee calculated as a specified percentage of each Limited Partner's Capital Account (the "Management Fee"). The specified percentage of the Management Fee will differ for each Series of limited partnership interests.

(a) Beginning on January 1, 2013, the Management Fee applicable to Series A Interests for any quarter will vary based on the Partnership's assets under management for such quarter and will be computed at the following rates:

<u>Partnership Assets Under Management</u>	<u>Series A Management Fee</u>
Less than \$250 million	0.30% per annum
\$250 million to \$500 million	0.10% per annum
Over \$500 million	0.05% per annum

In the event that the Partnership's assets under management fluctuate during a quarter between the thresholds listed above, the Management Fee for such quarter will be adjusted in accordance with the fee chart above to reflect the proper fee for the appropriate portions of such quarter.

(b) The Investment Manager will be paid, quarterly in advance, a Management Fee computed at a rate of 0.75% per annum of the net assets of Series B Interests.

(c) The Investment Manager will be paid, quarterly in advance, a base Management Fee computed at a rate of 0.5% per annum of the net assets of Series C Interests plus (i) 0.15% per annum with respect to the net assets of Series C Interests attributable to investments in any private investment "fund of funds" or similar accounts and (ii) 0.375% per annum with respect to the net assets of Series C Interests attributable to all other investments.

Performance Allocation:

If in any fiscal year (the "Current Year") the Net Profits allocated to Series B Interests or Series C Interests pursuant to Section 8.01(a) and Section 8.03 exceed the Net Losses so allocated to such Series B Interests or Series C Interests, there shall be reallocated to the General Partner as of the end of the Current Year an amount (if any) equal to (i) 7.5% of such excess attributable to the Series B Interests, provided, that Net Profits attributable to such Series B Interests exceed a non-cumulative "trigger rate" equal to a 5% annualized return or (ii) 5% of such excess attributable to Series C Interests subject to a loss carryforward provision such that no amount will be reallocated with respect to such Series B Interests or Series C Interests to the General Partner for the Current Year until the Net Profits for the Current Year exceed the loss carryforward amount applicable to the Series B Interests or Series C Interests for the Current Year. The loss carryforward amount applicable to Series B Interests or Series C Interests for the Current Year shall be the sum of all prior year Net Losses allocated to such Series B Interests or Series C Interests and not subsequently offset by prior year Net Profits; provided, that the loss carryforward amount shall be reduced proportionately to reflect any withdrawals of Series B Interests or Series C Interests made by a Limited Partner.

Management Fee Paid to Crestone by Sanitas Global Opportunity Fund LP:

Crestone serves as investment adviser to Sanitas Global Opportunity Fund LP, and is entitled to receive a management fee. The Investment Manager will be paid, quarterly in advance, a management fee calculated as a specified percentage of each Limited Partner's Capital Account (the "Management Fee"). The specified percentage of the Management Fee will differ depending on whether the Limited Partner is an Advisory Fee Client of the Investment Manager.

a) The Management Fee applicable to Series A Interests for any quarter will vary based on the Partnership's assets under management for such quarter and will be computed at the following rates:

<u>Partnership Assets Under Management</u>	<u>Series A Management Fee</u>
Less than \$250 million	0.30% per annum
\$250 million to \$500 million	0.10% per annum
Over \$500 million	0.05% per annum

In the event that the Partnership's assets under management fluctuate during a quarter between the thresholds listed above, the Management Fee for such quarter will be adjusted in accordance with the fee chart above to reflect the proper fee for the appropriate portions of such quarter.

(b) The Investment Manager will be paid, quarterly in advance, a Management Fee computed at a rate of 0.75% per annum of the net assets of Series B Interests.

Performance Allocation:

If in any fiscal year (the "Current Year") the Net Profits allocated to Series B Interests pursuant to Section 8.01(a) and Section 8.03 exceed the Net Losses so allocated to such Series B Interests, there shall be reallocated to the General Partner as of the end of the Current Year an amount (if any) equal to seven and one-half percent (7.5%) of Net Profits attributable to the Series B Interests, provided, that Net Profits attributable to such Series B Interests exceed a non-cumulative "trigger rate" equal to a 7.5% annualized return; provided further, that this reallocation will be subject to a loss carryforward provision such that no amount will be reallocated with respect to such Series B Interests to the General Partner for the Current Year until the Net Profits for the Current Year exceed such the loss carryforward amount applicable to the Series B Interests for the Current Year. The loss carryforward amount applicable to Series B Interests for the Current Year shall be the sum of all prior year Net Losses allocated to the Series B Interests and not subsequently offset by prior year Net Profits; provided, that the loss carryforward amount shall be reduced proportionately to reflect any withdrawals of Series B Interests by a Limited Partner.

- **Crestone Alternative Strategies Ltd and Sanitas Global Opportunity Fund Ltd.** Are exempted companies incorporated and existing under the laws of the Cayman Islands, whose board of directors consists of Eric J. Kramer, Michael Sherman, and Doug Bonnette. They are Crestone-sponsored hedge "fund of funds" formed to offer Crestone's clients who are non-U.S. residents or are qualified U.S. investors (consisting primarily of tax-exempt entities such as charitable foundations and retirement plans) access to the hedge fund asset class on a broadly diversified and professionally managed basis.

Management Fee Paid to Crestone by Crestone Alternative Strategies Ltd:

Crestone serves as investment adviser to Crestone Alternative Strategies Ltd., and is entitled to receive a management fee. Beginning on January 1, 2013, the Management Fee applicable to Sub-Class 1 Shares for any quarter will vary based on the Fund's net assets for such quarter and will be computed at the following rates:

<u>Fund's Net Assets</u>	<u>Sub-Class 1 Shares Management Fee</u>
Less than \$250 million	0.30% per annum
\$250 million to \$500 million	0.10% per annum
Over \$500 million	0.05% per annum

In the event that the Fund's net assets fluctuate during a quarter between the thresholds listed above, the Management Fee for such quarter will be adjusted in accordance with the fee chart above to reflect the proper fee for the appropriate portions of such quarter.

There will be no incentive fee payable to the Investment Manager with respect to the Sub-Class 1 Shares (i.e., Advisory Fee Clients will not be charged any incentive fee with respect to their investment in the Fund).

Performance Allocation:

The Investment Manager will receive an Incentive Fee equal to 7.5% of the net profits, if any, allocable to

Sub-Class 2 Shares during a fiscal year; provided, that net profits attributable to such Sub-Class 2 Shares exceed a non-cumulative “trigger rate” equal to a 5% annualized return, subject to a loss carryforward provision. Any loss carryforward will be subject to a pro rata reduction for redemptions.

Management Fee Paid to Crestone by Sanitas Global Opportunity Fund Ltd:

Crestone serves as investment adviser to Sanitas Global Opportunity Fund Ltd., and is entitled to receive a management fee. Sub-Class 1 Shares will be offered to shareholders that are Advisory Fee Clients. The Management Fee applicable to Sub-Class 1 Shares for any quarter will vary based on the Fund's net assets for such quarter and will be computed at the following rates:

Fund's Net Assets	Sub-Class 1 Shares Management Fee
Less than \$250 million	0.30% per annum
\$250 million to \$500 million	0.10% per annum
Over \$500 million	0.05% per annum

In the event that the Fund's net assets fluctuate during a quarter between the thresholds listed above, the Management Fee for such quarter will be adjusted in accordance with the fee chart above to reflect the proper fee for the appropriate portions of such quarter.

There will be no incentive fee payable to the Investment Manager with respect to the Sub-Class 1 Shares (i.e., Advisory Fee Clients will not be charged any incentive fee with respect to their investment in the Fund).

Performance Allocation:

The Investment Manager will receive an incentive fee (the “Incentive Fee”) equal to 7.5% of the net profits, if any, allocable to Sub-Class 2 Shares during a fiscal year; provided, that net profits attributable to such Sub-Class 2 Shares exceed a non-cumulative “trigger rate” equal to a 7.5% annualized return, subject to a loss carryforward provision. Any loss carryforward will be subject to a pro rata reduction for redemptions. The Investment Manager will be paid the Incentive Fee even with respect to Designated Investments held by Portfolio Managers before such Designated Investments are liquidated based on the valuations provided by such underlying Portfolio Managers. Any loss realized on a Portfolio Manager's sale of a Designated Investment will not be carried back against any previously paid Incentive Fee (i.e., there is no so-called “clawback” provision). The Fund's fiscal year will end on each December 31.

We do not receive compensation directly or indirectly from advisers that we recommend or select for our clients, nor do we have other business relationships with those advisers that creates a material conflict of interest.

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

Form ADV Part 2A, Item 11

Our personnel owe a fiduciary duty to all of our clients. We have adopted a Code of Ethics that governs the professional conduct of our managers, members, and associates. Our Code of Ethics provides, among other things, that (1) all Crestone personnel must put the interests of the firm's clients ahead of their own; (2) all personal securities transactions engaged in by firm personnel must be conducted in such a manner as to be consistent with the firm's Code of Ethics regarding personal securities transactions and to avoid any actual or potential conflicts of interest or any abuse of the person's position of trust and responsibility; (3) any person acting in the capacity of an investment adviser must not take inappropriate advantage of his/her position of trust; (4) all information regarding firm clients must be kept strictly confidential; (5) all personnel must adhere to the principle that independence in the investment decision-making process is paramount; and (6) each person in the firm bears ultimate responsibility for acting with honesty, integrity, and professionalism in conducting firm business. A copy of our Code of Ethics is available to clients and prospective clients upon request.

Please see the *Brokerage Practices* section of this brochure for information about the relationship between Crestone and our affiliated broker-dealer, Crestone Securities LLC. Crestone does not intend to buy or sell securities for itself that it also recommends to clients. Crestone employees and related persons may purchase or sell securities that Crestone may also purchase and/or sell on behalf of some or all of its advisory clients. We do not allow a manager or employee, or close relative of either, to effect a personal securities transaction in anticipation of a transaction on behalf of a client in such securities. Also, we do not allow a manager or employee, or close relative of either, to receive a price in a personal transaction that is more favorable than the price received on an order placed the same day on behalf of a client of Crestone relating to the same security. All of our managers and employees are subject to a variety of restrictions relating to their personal securities transactions, which are set forth in a compliance manual distributed to all personnel.

Please see the *Other Financial Industry Activities and Affiliations* section of this brochure for a description of the types of securities or investment products that may be offered and recommended to clients of Crestone and in which persons related to or affiliated with Crestone have a financial interest. The securities will be recommended and sold only to those clients for whom such investments are suitable based on each client's particular circumstances and situation and the client's established investment objectives and parameters. The investment decision will be made solely by the client, and Crestone will not exercise any discretion whatsoever over the investment decision.

In each transaction described above the securities will be offered and sold only to "accredited investors" pursuant to a private placement memorandum that fully and fairly discloses all material facts to prospective investors, including without limitation, the terms of the offering, the investment opportunity, the risks of the offering, compensation and fees to be paid to Crestone and its affiliates, and the actual and potential conflicts of interest that exist or may exist in connection with the offering and which may cause the related person and/or Crestone to render advice that may not be disinterested or objective.

Brokerage Practices

Form ADV Part 2A, Item 12

We do not receive research or other products or services from any broker-dealer or third party in connection with client securities transactions ("soft dollar benefits").

We do not consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third party.

Crestone has an affiliated broker-dealer, Crestone Securities LLC, which is a Colorado limited liability company and is registered with the Financial Industry Regulatory Authority (FINRA) as an introducing broker-dealer. Crestone Securities LLC will effect securities transactions on behalf of Crestone's clients on a fully disclosed basis through Pershing LLC, which will have custody of cash and/or securities of Crestone's clients. Crestone Capital Advisors LLC, a Colorado limited liability company, wholly owns both Crestone and Crestone Securities LLC, and Crestone Capital Advisors LLC is majority owned by The Eric J. Kramer Company (whose President and sole shareholder is Eric J. Kramer), Michael Sherman, and Doug Bonnette.

A client may, in his or her sole discretion, select an unaffiliated broker-dealer to execute securities transactions. Otherwise, we may select a broker or dealer for the client. In doing so, we may use Crestone Securities LLC as broker when practicable and as long as it is permitted under applicable law. In selecting a broker-dealer for our clients, our selection is guided by our clients' best interests.

We permit clients to direct brokerage if they desire to execute transactions with brokerage firms other than Crestone Securities LLC. If clients direct brokerage, we may be unable to achieve most favorable execution of their transactions. In addition, in some cases, directing brokerage may cost clients more money. For example, in directed brokerage accounts, clients may pay higher brokerage commissions because other firms typically charge mark-ups or mark-downs on trades, rather than charging clients only the clearing firm's costs of clearing and executing trades, which is Crestone Securities LLC's practice. On the other hand, there may be some instances where, depending on the type of security being traded, directing brokerage may cost clients less money than if they had executed the transaction through Crestone Securities LLC, because Crestone Securities LLC's clearing firm charges may be more than a directed brokerage firm's total charges and commissions.

If multiple clients execute trades in the same security on the same day, either because Crestone is using limited discretion as to time and price or a third party investment manager has sent the same trade instructions for more than one client, Crestone will use average pricing so clients will participate equally in the best execution of the trades.

Review of Accounts

Form ADV Part 2A, Item 13

We conduct account reviews on at least a quarterly basis and continuously monitor investments given changing market conditions. We review accounts at three levels. The first level is a performance-based analysis in which the account's actual performance rate of return is evaluated relative to appropriate benchmarks. Benchmarks may be returns targeted by the client and Crestone, or designated market indices. The second level of review is a portfolio-based analysis, which compares the account's current investment style allocation with the original objective mutually agreed upon by the client and Crestone at the inception of the relationship or thereafter. The third level of review is based on qualitative factors relevant to the specific investments in the client's account.

Crestone has account reviewers on staff who are responsible for various levels of review:

- Our Investment Analyst is responsible for the primary review of investments.
- Our Director of Client Advisory Services and our Financial Associates are responsible for the first, second, and third levels of review.
- Our Managing Members and Financial Advisors are responsible for supervising all levels of review performed by the individuals identified above. These supervisory reviews include analyzing portfolio deviations and recommending action to bring accounts into alignment with a client's investment objectives, and/or if necessary, any subsequent recommendation of appropriate action.

In addition to reviewing and rebalancing client portfolios on a quarterly basis, our investment advisory team reviews client accounts at other times as well. Factors that may trigger an account review outside the normal scheduled period include changes in market or economic conditions, changes in specific investments within the account, and/or changes in a client's financial condition or investment objectives.

On a quarterly basis, we provide each of our clients with a customized written reporting package that:

- provides consolidated portfolio data and performance reporting;
- reports performance at the portfolio, individual asset class, and individual investment manager level, compared to relevant benchmarks;
- includes balance sheet reporting;
- includes cash flow reporting; and
- includes concentrated position reporting, if applicable.

Each quarterly report package includes a cover letter, a description of each report, and a disclosure document that identifies the nature and source of data relied upon for reporting purposes. On a quarterly and an annual basis, we provide to clients and their tax-preparers a package of tax-related reports (e.g., realized and unrealized gains/losses, purchases and sales, income and expenses, contributions and withdrawals). Clients have the choice to receive these reports in hard copy, over a secure-access website, www.crestonecap.com, or both. Various portfolio valuation, performance, and activity reports are also available on a daily basis over the secure-access website.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

We currently do not have any arrangements in place whereby someone who is not a client provides an economic benefit to us for providing investment advice or other advisory services to our clients.

We do not have an affiliation or arrangement with any law firm, accounting firm or other professional whereby Crestone refers its clients in need of such professional services to those professionals. As and when the need arises, we may refer our clients to lawyers, accountants and other third party professionals. When making a referral of a client to another professional, we are guided by our client's best interests and such referral is made to the professional who we believe best suits the particular needs of the client. Although some of these professionals may have in the past referred or may in the future refer a prospective client to Crestone, the actual or potential referral of a prospective client to Crestone by a particular professional will not be a factor in our decision to refer a client to any third party professional.

We may, from time-to-time, enter into arrangements with one or more third party solicitors to solicit qualified clients for, or refer qualified clients to, Crestone. Such arrangements may vary on a case-by-case basis. When Crestone enters into an arrangement with a solicitor, the terms of the arrangement are set forth in a written agreement between Crestone and the solicitor that, among other things, (i) describes the solicitor's activities and the compensation to be paid for those activities, (ii) contains the solicitor's undertaking to perform those duties under the agreement consistent with Crestone's instructions as well as the Investment Advisers Act and the rules thereunder, and (iii) requires the solicitor, at the time of any solicitation, to provide the prospective client with a copy of Crestone's brochure and a separate written disclosure document prescribed by the Securities and Exchange Commission under the Investment Advisers Act for such solicitation arrangements. Prior to entering into an advisory contract with the prospective client, Crestone will obtain from such prospective client a signed and dated acknowledgement of receipt of Crestone's brochure and the solicitor's written disclosure document. In all cases involving solicitors, the compensation to be paid to a solicitor will be paid solely by Crestone, and the amount and level of advisory fees charged by Crestone to any client solicited or referred by a solicitor will not be different from the amount and level of advisory fees charged by Crestone to other clients.

Custody

Form ADV Part 2A, Item 15

Qualified custodians, such as Pershing LLC, have custody of our clients' assets that are held in brokerage accounts. Crestone is deemed to have custody over our clients' Crestone-sponsored pooled vehicle investments.

Qualified custodians of our clients' brokerage accounts send quarterly or more frequent account statements directly to clients. Clients should carefully review those statements.

Additionally, Crestone provides all clients with various portfolio valuation, performance, and activity reports on a quarterly basis. Clients have the choice to receive these reports in hard copy, over a secure-access website, www.crestonecap.com, or both. Various portfolio valuation, performance, and activity reports are also available on a daily basis over the secure-access website.

We urge clients to compare the account statements they receive from their qualified custodians with those they receive from us. There may be discrepancies between the reports due to various factors, such as (most commonly) timing of reporting (e.g., trade-date reporting versus settlement-date reporting). If clients have any questions about their reports, they should contact a Crestone adviser at (303) 442-4447.

Investment Discretion

Form ADV Part 2A, Item 16

We work with each client to create an individualized Investment Policy Statement that sets investment parameters that we must follow when investing each client's portfolios; we will not assume full discretion over any of our clients' accounts. In executing his or her Wealth Advisory Services Agreement with Crestone, each client elects to grant to us either limited discretion or no discretion over his or her accounts. In either case, the client and Crestone together will select asset classes and determine allocations within asset classes and will agree on any other investment guidelines or limitations that the client desires to place on the accounts.

Once account parameters have been established and if limited discretion is granted by the client, we will have the discretion and authority to direct the investment and reinvestment of account assets (including periodic rebalancing) and manage the client's account(s) within the agreed upon investment parameters, and to determine pricing and timing of transactions, without the prior approval of the client. However, changes in asset classes, allocations within asset classes, and any other investment guidelines and limitations will be made only with the client's prior approval.

If no discretion is granted by the client, no transactions will be effected in the client's accounts and no changes in asset classes and allocations within asset classes, including any investment or reinvestment of account assets (including periodic rebalancing), will be made without the client's prior approval.

We do not participate in wrap fee programs.

Voting Client Securities

Form ADV Part 2A, Item 17

We do not have the authority to vote client securities, and clients will receive proxies or other solicitations directly from their custodian or a transfer agent. However, if clients have any questions about a particular solicitation, they should contact a Crestone adviser at (303) 442-4447.

Financial Information

Form ADV Part 2A, Item 18

We do not require or solicit prepayment of fees six months or more in advance and, as a result, are not required to include with this brochure a balance sheet for our most recent fiscal year.

We have never been the subject of a bankruptcy petition.