

# CRESTWOOD ADVISORS GROUP, LLC

*www.crestwoodadvisors.com*

## Disclosure Brochure – ADV Part 2A

**July 31, 2019**



This brochure provides information about the qualifications and business practices of Crestwood Advisors Group, LLC (hereinafter “Crestwood” or the “firm”). If you have any questions about the contents of this brochure, please contact Roy Treible, the firm’s Chief Compliance Officer, at (617) 523-8880 or via email at [rtreible@crestwoodadvisors.com](mailto:rtreible@crestwoodadvisors.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Crestwood Advisors Group, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Crestwood Advisors Group, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2. Material Changes**

This is our second updating amendment since our initial annual filing on March 28, 2019.

Detailed on the April 30, 2019 updating amendment, on April 1, 2019, the advisers and clients of MacGuire, Cheswick and Tuttle Investment Counsel LLC ("MCT"), an investment advisory firm in Darien CT, joined Crestwood Advisors Group. Clients of MCT were notified of the transaction and assigned their advisory agreements to Crestwood.

This new updating amendment is to advise that on July 1, 2019, the advisers and clients of Catamount Wealth Management LLC ("Catamount"), an investment advisory firm in Westport CT, joined Crestwood Advisors Group. The clients of Catamount were notified of the transaction and assigned their advisory agreements to Crestwood.

Items 4, 5, 12 and 17 of this brochure have been revised to reflect differences attributable to both Catamount and MCT. Clients are encouraged to read the brochure in its entirety.

## Item 3. Table of Contents

### Firm Disclosure Brochure

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## **Item 4. Advisory Business**

### **Description of the Advisory Firm**

Crestwood Advisors Group, LLC (“Crestwood” or the “Firm”) is a limited liability company formed in the State of Delaware and a registered investment adviser firm with the Securities and Exchange Commission (“SEC”). Crestwood succeeded to the advisory business of Crestwood Advisors, LLC (“predecessor firm”) which existed from May 2003 to December 2016. As of January 1, 2017, Crestwood Advisors, LLC became Crestwood Advisors Group, LLC, part of the Focus Financial Partners, LLC partnership. Additionally, in late 2016, the partners of Crestwood Advisors, LLC formed a management company, CWA Management Co, LLC (“CWA”) and pursuant to a management agreement between CWA and Crestwood, the CWA Principals serve as officers of Crestwood and are responsible for the management, supervision and oversight of Crestwood. Crestwood is headquartered in Boston, MA. Crestwood has two offices in Connecticut. The first office is located in Darien, CT, and is staffed by the advisers of the former MacGuire, Cheswick and Tuttle Investment Counsel LLC (“MCT”) (SEC #801-60770), who together with their clients joined Crestwood on April 1, 2019. Crestwood’s second office is located in Westport CT, and staffed by the advisers of the former Catamount Wealth Management (“Catamount”) (SEC #801-62368), who together with their clients joined Crestwood on July 1, 2019.

Since its original inception in 2003 and continuing to today, the Firm strives to deliver comprehensive, innovative investment solutions to high-net-worth individuals and families, foundations and endowments. Crestwood was founded on the belief that global exposure is essential to optimize portfolio growth. As such, the Firm strives to provide its clients with an effective global asset allocation strategy to broaden opportunities for growth while mitigating overall portfolio risk.

### ***Focus Financial Partners, LLC***

Crestwood is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, Crestwood is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2018, investment vehicles affiliated with Stone Point Capital, LLC (“Stone Point”) had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2018, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. (“KKR”) had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

### **Advisory Services**

#### **Comprehensive Investment and Wealth Management Services**

Crestwood offers tailored comprehensive investment and wealth advisory services to individuals, families, institutions and businesses. Typically, clients are assigned a seasoned team that includes a wealth manager, a portfolio manager and a client advisor. Initially and on a continuous basis, the team consults with our clients through meetings, calls and emails

to determine a client's risk tolerance, time horizon, needs and goals to produce an investment policy statement (IPS). The IPS is a living document that is used by Crestwood to guide the investment portfolio(s).

Based upon the IPS, Crestwood allocates clients' investment assets among individual equity and debt securities, exchange-traded funds ("ETFs"), exchange-traded notes ("ETNs"), mutual funds and/or equity options. Client can also ask Crestwood to provide advice about any type of investment held in clients' portfolios.

In Crestwood's Darien and Westport CT offices, which formerly were MCT and Catamount, respectively, legacy client assets are typically invested in equity securities of individual companies, and to a lesser extent in ETFs, in accordance with the client's needs as determined by the client's adviser. These legacy clients' needs, asset allocation parameters and investment restrictions are documented, but typically not in a formal investment policy statement.

As part of the firm's comprehensive wealth management service offering, Crestwood provides investment clients with a range of financial planning and advisory services that can address a variety of client-specific financial matters. These services can include certain tax and non-investment related functions otherwise requiring careful coordination with a client's trust, estate and tax advisors. In appropriate circumstances, Crestwood may utilize specialized planning software to provide a comprehensive financial plan.

Upon request, Crestwood can render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, Crestwood either guides or suggests the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Clients are advised to promptly notify Crestwood if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable security restrictions upon Crestwood's management services.

In performing its services, the firm is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Crestwood may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Crestwood recommends its own services. The client is under no obligation to act upon any of the recommendations made by Crestwood or to engage the services of any such recommended professional, including Crestwood itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Crestwood's recommendations. Clients are advised that it remains their responsibility to promptly notify Crestwood if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Crestwood's previous recommendations and/or services.

#### Pathfinder – Crestwood's automated investment solution

Crestwood offers a digital investment management solution for clients that require less intensive financial guidance, advice and planning. This program is supported by Schwab Institutional Intelligent Portfolios. Prospective clients of Pathfinder must complete an online questionnaire that assists Crestwood in determining the clients risk tolerance and goals. A dedicated team of select investment advisor representatives will engage in an initial meeting (in person, phone or video conferencing) to assist clients in the initial investment discussion, including discussing their risk tolerance. After the initial meeting and investment, Pathfinder clients can engage with their dedicated team as needed to discuss financial topics such as savings goals, retirement planning, first time home purchases, etc. These engagements will primarily occur via electronic means, such as email, video conferencing and phone. At least annually, the dedicated Pathfinder team will contact the client to discuss their investments and any changes to their financial lives.

Portfolios created for Pathfinder currently utilize ETF's as the primary investment vehicle. Charles Schwab has discretion of adding new investment vehicles, such as mutual funds to the program, which Crestwood may choose to include in Pathfinder when they become available.

Pathfinder differs from Crestwood's Comprehensive Investment and Wealth Services in the following ways:

- Many of Crestwood's Comprehensive clients have complex financial lives and require individualized attention
- Crestwood attempts to engage with Comprehensive clients on a continual basis
- Comprehensive clients engage with a larger and more seasoned team of professionals
- Portfolio's in the Comprehensive service plan can include individual stocks and bonds investments
- Portfolio's in Pathfinder automatically rebalance to maintain their asset allocation
- Portfolio's in Pathfinder over \$50,000 can perform tax-loss harvesting on a continuous basis
- Comprehensive and Pathfinder clients differ on fees. Please see Item 5 (below) to understand these fee differences

As of June 30, 2019, assets under management include discretionary assets of \$ 2,968,396,346 and non-discretionary assets of \$ 43,995,227.

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

Crestwood provides its services for an annual fee based on assets under management.

### **Comprehensive Investment and Wealth Management Fee**

Crestwood's annual fee is prorated and charged quarterly, in arrears, based upon the average daily market value of assets under its management during the billing quarter. The fee clients have agreed to pay is specified in a written agreement that is signed by the client. Most client agreements specify a fee schedule or rate that starts at 1%. Crestwood's fees are potentially negotiable and will vary from client to client based on a variety of factors, such as market value of the client's assets under management, investment strategy, and the nature and/or complexity of the client relationship. Legacy MCT and Catamount clients pay their legacy fee rates.

All relationships are subject to a minimum of \$1,000,000 in investible assets. To the extent that Crestwood accepts a client under this minimum, there may be a minimum fee of \$10,000 a year or \$2,500 a quarter. Crestwood's minimum fee has been waived for a limited number of clients.

Crestwood does waive its fees for employees and employee family members pay a lower fee.

Crestwood's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client.

### **Pathfinder Fee**

Pathfinder's annual fee is prorated and charged quarterly, in arrears, based upon the average daily market value of assets under its management during the billing quarter. The rate for Pathfinder is 60bps (.60%) annually. Charles Schwab has waived all trading fees for Pathfinder clients.

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), Crestwood generally recommends that clients utilize the brokerage and clearing services of National Financial Services LLC and Fidelity Brokerage Services LLC (collectively "Fidelity") or Charles Schwab & Co., Inc. ("Schwab") for investment management accounts.

Crestwood may only implement its investment management recommendations after the client has arranged for and furnished Crestwood with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to; Fidelity, Schwab, any other broker-dealer recommended by Crestwood, broker-dealers directed by the client, trust companies, banks, etc. (collectively referred to herein as the "Financial Institutions").

Clients may incur certain charges imposed by the Financial Institutions and other third parties including, but not limited to, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Such charges, fees and commissions are exclusive of and in addition to Crestwood's fee.

### **Fee Debit**

Crestwood's Agreement and the separate agreement with any Financial Institutions authorize Crestwood to debit the client's account for the amount of the firm's fee and to directly remit that management fee to Crestwood. Any Financial

Institutions recommended by Crestwood have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Crestwood.

#### **Fees for Management during Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a pro rata basis.

The agreement between Crestwood and the client will continue in effect until terminated in writing by either party pursuant to the terms of the agreement. Crestwood's fees are prorated through the date of termination and any remaining balance is debited from the account(s), as appropriate.

Asset additions may be in cash or securities provided that Crestwood reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Crestwood may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Clients may make additions to and withdrawals from their account at any time, subject to Crestwood's right to terminate an account. Clients may withdraw account assets on notice to Crestwood, subject to the usual and customary securities settlement procedures. However, Crestwood designs its portfolios as long-term investments and the withdrawal of assets may affect a client's investment objectives.



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

Crestwood does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

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

Crestwood may provide its services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans
- Charitable organizations
- Insurance companies
- Corporations and other business entities

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

### **Primary Method of Analysis**

Crestwood relies primarily on a fundamental method of investment analysis.

The firm allocates capital across multiple asset classes, primarily based on client's strategic long-term goals and constraints. Secondary Asset allocation changes can be made based on a number of factors including valuation, risk and future opportunity. Individual security selection begins with quantitative screening based on profitability, quality, valuation and outlook for growth. Crestwood's fundamental research may include analysis on company management, product suite, sales, growth opportunities, and sustainable competitive advantages, among other attributes. The primary risk in relying on fundamental-based analyses is that while the overall health and position of a company may be good, broad market or industry conditions may negatively impact the security.

### **Investment Strategy**

Crestwood constructs client portfolios with a strict valuation discipline and securities are proactively rebalanced based on evolving client objectives and the firm's fundamental outlook for individual securities, asset classes, investment markets and global economies. Crestwood customizes client portfolios based on each client's unique income needs, risk tolerance and time horizon. The firm employs a global investment strategy, which includes both a "top-down" (asset allocation) and "bottom-up" (security selection) approach to asset management. As global allocators of capital, Crestwood focuses on investing in securities or markets where it seeks to obtain attractive risk-adjusted returns over time. The firm attempts to reduce downside risk and enhance upside risk-adjusted returns, by diversifying portfolios into assets including quality bonds that tend to perform well when higher risk assets underperform. Crestwood's management style strives to be tax efficient, as it seeks to harvest tax lots in order to reduce short- and long-term gains, as appropriate.

### **Individual Equity Securities**

On the equity allocation of a portfolio, Crestwood strives to invest in individual companies with the following attributes: distinct competitive advantages; attractive and growing cash flows; solid and/or improving economic returns; diverse revenue streams (e.g., domestic and international); and dividend payouts and buybacks (as appropriate). Additional attributes and characteristics that are not included above may be reviewed in determining whether to include a company in the allocation.

### **Fixed Income Securities**

On the fixed income allocation of a portfolio, Crestwood seeks to invest in both domestic and international fixed-income vehicles. In many cases, the firm purchases individual taxable or tax exempt bonds in clients' accounts. In doing so, Crestwood is able to target bond duration, credit quality and liquidity. As for other Income-oriented investments, Crestwood employs ETFs and/or mutual funds in an effort to achieve a well-diversified portfolio that includes positions in both domestic and international debt securities.

### **Exchange-Traded Funds (ETFs), Exchange-Traded Notes (ETNs) and Mutual Funds**

Crestwood augments its portfolios by investing in ETFs, ETNs and mutual funds to give portfolios exposure to focused asset classes such as international and emerging equity markets. ETFs and ETNs are chosen based on their asset class exposure, underlying fee and liquidity. Crestwood utilizes ETFs and ETNs to gain low-cost exposure to asset classes and where we believe ETF and ETNs exposure has the opportunity of outperforming active management. Crestwood utilizes mutual funds to gain access to asset class exposure and skill of managers. We strive to own mutual funds that have a durable investment process who over the long-term are able to add value to our portfolios.

## **Risk of Loss**

### **Management Risks**

While Crestwood manages client investment portfolios based on our experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Crestwood allocates client assets to individual securities and/or asset classes that are adversely affected by unanticipated market movements, and the risk that Crestwood's specific investment choices could underperform their relevant indexes.

### **Equity Market Risks**

The value of equity securities can and will decline from time-to-time due to fluctuation in the stock market. Stock prices change as a result of many factors, including developments affecting the condition of both individual companies and the general economic environment. General market decline in the stock prices for all companies may cause stock values to decline over longer periods (e.g. bear markets), regardless of an individual security's long-term prospects. While Crestwood strives to build diversified portfolios, individual stocks have higher risk, including bankruptcy, which could materially impair a stock's share price, affecting portfolio valuation.

### **ETF's, ETN's and Mutual Fund Risks**

Investments in these funds are often considered less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, the funds success will be related to the skills of their particular managers and their performance in managing their funds. ETFs can have risks relating to liquidity, index tracking and trading, largely depending on the characteristics of the underlying securities. ETN's can have risk relating to illiquidity, index tracking, trading and credit worthiness of the ETN issuer.

### **Foreign Securities Risks**

While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Additionally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

### **Fixed Income Risks**

While investing in fixed income instruments, either directly or through funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), liquidity risks (risks that trading a security will become difficult or costly) and/or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

### **Tax Loss Harvesting**

For Comprehensive Investment Wealth Management clients, Crestwood continuously monitors portfolios and will utilize tax loss harvesting, particularly at the end of the calendar year. The strategy will seek to sell positions held at a loss to offset capital gains in the client's account.

Clients enrolled in Pathfinder with a taxable account value of at least \$50,000 may elect to enable the Program's tax-loss harvesting feature. Pathfinder's tax loss harvesting strategy will be automatically implemented across all taxable accounts enrolled in the Program, in accordance with thresholds and tolerances set within the client's account. Any tax loss harvesting may be subject to limitations under applicable tax laws. Tax loss harvesting strategies employed by Crestwood should not be relied upon as tax advice and we encourage clients to consult with their tax advisors about the consequences and impacts of tax loss harvesting on their personal tax liability.

### **Cybersecurity**

The computer systems, networks and devices used by Crestwood and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

## **Item 9. Disciplinary Information**

Crestwood is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Crestwood does not have any required disclosures to this Item.

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

Crestwood is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

### **FOCUS FINANCIAL PARTNERS**

As noted above in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Inc., and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Inc. Because Crestwood is an indirect, wholly-owned subsidiary of Focus LLC and Focus Inc., the Stone Point and KKR investment vehicles are indirect owners of Crestwood. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.

Crestwood does not believe the Focus Partnership presents a conflict of interest with our clients. Crestwood has no business relationship with other Focus Partners that is material to its advisory business or to its clients. More information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

### **SMARTASSET**

As stated earlier in this Brochure, Crestwood is a wholly owned subsidiary of Focus. Focus is also one of the several minority investors in SmartAsset, which seeks to match prospective advisory clients with investment advisers in exchange for a non-success-based fee paid by the investment adviser (Crestwood). Focus has one director on SmartAssets's board as well as a board observer. Crestwood's payment of a fee to SmartAsset benefits SmartAsset's investors, including Focus, our parent company.

## Item 11. Code of Ethics

Crestwood has adopted a code of ethics that sets forth the standards of conduct expected of its employees and associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Crestwood or any of its associated persons. Crestwood's Code of Ethics requires that all personnel report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Employees are encouraged to invest their accounts in Crestwood strategies. For all Crestwood Employee Accounts that will be managed, Employee must sign an IPS and management agreement. The Portfolio Manager (or Authorized Trader) will typically process employee trades with the majority of discretionary client accounts. Employees are not required to pre-clear trades for these accounts so long as they have no discretion on trading or security selection.

If an employee prefers to have consistent discretion on stock selection, quantity and/or transaction date, they may request a Crestwood Discretionary Employee Account. In these circumstances, all trades in common stock must be pre-cleared prior to submission of trade requests. Employees will not be allowed to process common stock trade requests on the same date when Crestwood makes major discretionary client accounts trades. However, mutual funds and ETF's will not be included in this restriction and thus may be traded on the same day as client accounts.

An employee may also have brokerage accounts outside of Crestwood and managed by another party. In these circumstances, the employee and outside party need to affirm in writing that employee does not provide any guidance in security selection.

The following account types are excluded from the above requirements:

401k's and 529 plans where only mutual funds may be used as investments (non-brokerage accounts); accounts managed via external investment managers where employee and external manager have attested that the employee has no discretion, influence or control with the external manager's investments.

Clients and prospective clients may contact Crestwood to request a copy of its Code of Ethics.



## Item 12. Brokerage Practices

As discussed in Item 5, Crestwood generally recommends that clients utilize the brokerage and clearing services of Fidelity and Schwab; however, client assets are held at other custodians, including Pershing, BNY Mellon and other custodians, including Raymond James Financial Services. Factors which the firm considers in recommending custodians include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by Fidelity and Schwab may be higher or lower than those charged by other Financial Institutions.

Crestwood acknowledges its duty to seek best execution of securities transactions. Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Crestwood determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. The firm seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom Crestwood and the Financial Institutions have entered into agreements for prime brokerage clearing services. The firm periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct Crestwood in writing to use a particular Financial Institution to execute some or all transactions for the client. For these client directed accounts, Crestwood will not seek better execution services or prices from that Financial Institutions or be able to "batch" client transactions for execution (as described below). As a result, the client may pay higher commissions and/or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Crestwood may decline a client's request to direct brokerage if, in the firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Crestwood decides to purchase or sell the same securities for several clients at approximately the same time. Crestwood may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Crestwood's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Crestwood's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Crestwood determines to aggregate client orders for the purchase or sale of securities, Crestwood generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Crestwood does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Crestwood determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale

allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Crestwood may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Support Provided by Financial Institutions**

The firm may receive from Fidelity or Schwab, without cost, the following benefits, support or services: consulting, publications, conferences on practice management, business succession, regulatory compliance conferences and related systems support. The firm may receive these without cost or at a discounted cost because Crestwood renders investment management services to clients that maintain assets at these custodians. These items benefit the firm, but not directly its clients. In fulfilling its duties to its clients, Crestwood endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Crestwood's receipt of benefits from these custodians creates a conflict of interest since this may influence Crestwood's choice of custodian over another that does not furnish similar benefits, support, or services.

### **Informal Soft Dollar Arrangements**

Crestwood clients who were clients of MCT prior to April 1, 2019 trade with brokers who provide research. Brokers do not provide research pursuant to formal, written soft dollar arrangements. Rather, legacy clients of MCT trade with broker-dealers such as Stifel, JPMorgan, Evercore ISI, and other independent broker-dealers and obtains research from those broker-dealers. The research services obtained may include a broad variety of financial and related information and services, including economic, political and investment strategy research and commentary, or other similar services or information believed to assist the Firm in its investment decision making processes. The research obtained is used to service many client accounts rather than solely those accounts whose trades were used to obtain the research. The Firm does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Soft dollars are a benefit to the Firm because the Firm does not have to pay for research obtained through soft dollars. They also provide an incentive to trade with a broker based on the Firm's interest in obtaining research rather than a client's interest in obtaining favorable execution. When the Firm directs trades through brokers who provide research, the Firm believes the research will assist in maximizing the value of the client's portfolio. Section 28(e) of the Securities Exchange Act of 1934 provides a safe harbor for money managers who pay more than the lowest possible commission from claims that they have breached their fiduciary duty if they have determined in good faith that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services the broker has provided.

### **Client Referrals**

As described in greater detail in response to Item 14, Crestwood receives client referrals from Fidelity. This is a potential conflict of interest as it provides an incentive for us to recommend Fidelity based on our interest in receiving client referrals rather than in a client's interest in obtaining best execution. Crestwood acknowledges the Firm's duty to seek best execution on behalf of our clients and recommends custodian broker-dealers Crestwood believes are in the best interest of our clients.

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

Crestwood continually monitors investment management portfolios as part of an ongoing supervisory process. For those clients to whom Crestwood also provides financial planning and/or other advisory services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of the firm’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Crestwood and to keep Crestwood informed of any changes thereto. Crestwood contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

All clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian for the client accounts.

Comprehensive investment and wealth management service clients also receive daily online account information from the Crestwood portal (account positions, market values, and transactions and along with account performance). Clients that do not have online access will receive similar information on a quarterly basis. Clients should compare the account statements they receive from their custodian with information provided from Crestwood.

Clients of Pathfinder have access to their account information not only through the Charles Schwab website but also via a proprietary app provided by Charles Schwab.

Those clients to whom Crestwood provides financial planning and/or advisory services will receive reports from Crestwood summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Crestwood.

## Item 14. Client Referrals and Other Compensation

Crestwood is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Crestwood is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to the firm by either an unaffiliated or an affiliated solicitor, Crestwood may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Crestwood's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Crestwood by an unaffiliated solicitor, the solicitor will provide the client with a copy of Crestwood's written disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Crestwood will disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Crestwood's written disclosure statement at the time of the solicitation.

**Individual Solicitors.** Crestwood currently has solicitor arrangements with three individuals. The compensation for these clients range from 25 to 60 bps points of the management fee and end three years after prospect becomes a client (12 quarters).

**Participation in SmartAsset.** Crestwood pays a flat fee to participate in an online matching program that seeks to match prospective advisory clients with investment advisers. The program, which is operated by SmartAsset, provides information about investment advisory firms to persons who have expressed an interest in such firms. The program also provides a name and contact information of such persons to the advisory firms as potential leads. The flat fee we pay for being provided with potential leads varies based on certain factors, including the size of the person's portfolio, and the fee is payable regardless of whether the prospect becomes our advisory client.

**Participation in Fidelity Wealth Advisor Solutions®.** Crestwood participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which Crestwood receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. FPWA does not supervise or control Crestwood, and FPWA has no responsibility or oversight for Crestwood's provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Crestwood, and Crestwood pays referral fees to FPWA for each converted referral based on Crestwood's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Crestwood does not constitute a recommendation or endorsement by FPWA of Crestwood's particular investment management services or strategies. More specifically, Crestwood currently pays the following amounts to FPWA for converted referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Crestwood has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Crestwood and not the client.

To receive referrals from the WAS Program, Crestwood must meet certain minimum participation criteria, but Advisor may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, Crestwood may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA,

including FBS, for execution, custody and clearing for certain client accounts, and Advisor may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Crestwood as part of the WAS Program. Under an agreement with FPWA, Crestwood has agreed that they will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Crestwood has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Crestwood's fiduciary duties would so require, and Advisor has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, Crestwood may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Crestwood's duty to select brokers on the basis of best execution.

Any other type of economic benefit that the firm receives for providing advisory services to clients which may pose a conflict of interest is disclosed in response to Item 12.

Crestwood's parent company is Focus Financial Partners, LLC ("Focus"). From to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Crestwood, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Crestwood. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Crestwood. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Crestwood to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Crestwood. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus in the last year:

BlackRock, Inc.  
Fidelity Brokerage Services  
Orion Advisor Services, LLC  
Charles G. Schwab & Co.

## **Item 15. Custody**

Crestwood's Agreement and/or the separate agreement with any Financial Institution authorizes the firm through such Financial Institution to debit the client's account for the amount of Crestwood's fee and to directly remit that management fee to the firm in accordance with applicable custody rules.

The Financial Institutions recommended by Crestwood have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the firm. These statements may be viewed electronically or delivered via U.S. Postal Service depending on client's preference. In addition, as discussed in Item 13, Crestwood provides supplemental reports to clients. Clients should carefully review the statements by the Financial Institutions and compare them to those from Crestwood.

## **Item 16. Investment Discretion**

Crestwood is typically given the authority to exercise investment discretion on behalf of clients. The firm is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. The firm is given this authority by the investment management agreement between Crestwood and the client however clients may request a limitation on this authority (as an example excluding select securities not to be bought or sold).

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

### **Proxy Voting**

Crestwood votes proxies on our client's behalf. Crestwood currently uses a third party service offered by Broadridge Financial Solutions (Broadridge) to assist in the administration and management of proxy voting. Broadridge tabulates our client's proxies across multiple custodians to enable us to vote in a consistent and efficient manner. Crestwood has also employed a complementary service offered by Glass Lewis & Co. that researches proxy proposals and provides voting recommendations. In most circumstances, Crestwood votes proxies based upon these recommendations however Crestwood retains final rights on changing proxy votes if we feel the service does not represent our client's interests.

For the clients of Crestwood who were clients of MCT prior to April 1, 2019, it was MCT's policy that clients would vote their own proxies. Crestwood has determined that these clients will be "grandfathered" with that policy however, any client(s) may change this option at any time by notifying us.

For clients of Catamount prior to July 1, 2019, it was Catamount's policy to vote proxies on behalf of their client unless the client specifically requested to vote them. Crestwood will continue to vote the proxies as clients originally instructed.

### **Class Actions**

Crestwood has also retained a third party vendor to assist us with the administration and filing of class actions. For this service, the vendor will deduct 15% of any monies received from a settlement. If there is no settlement, there is no fee to the client. Crestwood does not receive any compensation for use of this service. Clients may opt in or out of this service at any time, or specify opting out for specific securities. If clients do opt out, they will be required to file their own class actions to be eligible for settlement monies.

For the clients of Crestwood who were clients of MCT prior to April 1, 2019, it was MCT's policy that clients would submit their own filings. Crestwood has determined that these clients will be "grandfathered" with that policy however, any client(s) may change this option at any time by notifying us.

For the clients of Crestwood who were clients of Catamount prior to July 1, 2019, it was Catamount's policy that they would manually submit client's class action filings on their behalf. Crestwood has determined that these clients will be "grandfathered" with that policy however, any client(s) may change this option at any time by notifying us.



## **Item 18. Financial Information**

Crestwood does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Crestwood is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Crestwood has no disclosures pursuant to this Item.

## **CRESTWOOD ADVISORS GROUP, LLC**

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