

## **Firm Brochure**

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Crimson Management. If you have any questions about the contents of this brochure, please contact us at: 713-525-1520 or by email at: [dean@crimsonmanagement.com](mailto:dean@crimsonmanagement.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 Crimson Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**3/30/2013**

## Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 713-525-1520 or by email at: [dean@crimsonmanagement.com](mailto:dean@crimsonmanagement.com).

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# Advisory Business

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## Firm Description

Crimson Management was founded in 1996.

Crimson Management provides both personalized confidential planning and investment management to individuals. Crimson Management's accounts are managed on both discretionary and nondiscretionary bases. Among the services Crimson Management provides are:

- ◆ Assisting clients in determining overall financial goals and objectives
- ◆ Assessing risk tolerance
- ◆ Determining investment objectives in light of each client's tax bracket, time requirements, investment experience, and retirement goals
- ◆ Determining optimal asset allocation among asset classes
- ◆ Researching investment vehicles, both public and private (private investments are nondiscretionary)
- ◆ Advising clients on selection of custodians
- ◆ Managing clients' portfolios according to the client's objectives
- ◆ Reviewing and monitoring clients' accounts
- ◆ Providing GIPS compliant quarterly reporting (Advent's AXYS System)
- ◆ Meeting with clients

Crimson Management is strictly a fee-only financial planning, investment management, and advisory firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Crimson Management does not act as a custodian of client assets. The client always maintains asset control as Crimson Management places trades for clients under a limited trading authorization.

Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

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## Principal Owners

Dean Putterman is the sole proprietor of Crimson Management.

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## Types of Advisory Services

Crimson Management provides: investment supervisory services, also known as asset management services; manages investment advisory accounts not

involving investment supervisory services; and furnishes investment advice through consultations.

On more than an occasional basis, Crimson Management furnishes advice to clients on matters not involving securities, such as financial planning matters and taxation issues.

As of December 31<sup>th</sup>, 2012, Crimson Management manages and advises approximately \$257 million in assets for approximately 47 clients. Approximately \$106 million is managed on a discretionary basis, and \$151 million is advised on a non-discretionary basis.

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### **Tailored Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

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### **Types of Agreements**

The following agreements define the typical client relationships.

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#### **Investment Management Agreement**

An *Investment Management Agreement* will be executed for all discretionary management accounts.

Most clients choose to have Crimson Management manage their assets in order to obtain ongoing in-depth advice. All aspects of the client's financial affairs are reviewed. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Investment Management Agreement is provided to the client in writing prior to the start of the relationship.

Although the Investment Management Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a prorated basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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#### **Asset Management**

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Crimson Management does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual funds shares, U. S. government securities, ETFs, ETNs, and interests in partnerships.

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**Termination of Agreement**

A client may terminate any of the aforementioned agreements at any time by notifying Crimson Management in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, Crimson Management will refund any unearned portion of the advance payment.

Crimson Management may terminate any of the aforementioned agreements at any time by notifying the client in writing.

## **Fees and Compensation**

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**Description**

Crimson Management bases its fees strictly on a percentage of assets under management. There are no fixed fees, subscription fees, or commissions.

Fees are negotiable.

Each client signs a written Investment Management Agreement with Crimson Management that details the services to be provided and the fees to be charged. For investment management accounts, Crimson Management's annual fees are based on a percentage of assets in the client's account. Fees are charged quarterly in arrears based on the total market value of the account, including cash and outside investments, as of the last trading day of the preceding calendar quarter. Crimson Management's typical annual fee for managing equity accounts is 0.9%, and its usual annual fee for managing fixed income assets is 0.7%. Under certain circumstances, Crimson Management may negotiate fees for any of its services, and therefore fees may vary from client to client. Fees may be adjusted upon thirty days' written notice to the client.

Crimson Management, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria.

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**Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that clients are invoiced after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

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**Other Fees**

Crimson Management's fees do not include any brokerage commissions, custodial fees, bank fees, margin interest, national securities exchange fees, wire transfer fees or other costs or fees charged by the client's broker or custodian. Additionally, money market funds, exchange traded funds, and mutual funds will charge the client for the funds' internal fees and expenses. These fees and expenses are described in each fund's prospectus. Crimson Management does not share in any of these internal fees and expenses. Please see Item 12 for additional information about brokerage.

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**Past Due Accounts and Termination of Agreement**

Crimson Management does not charge fees for past due accounts but reserves the right to terminate any agreement at its discretion in the event of past due accounts.

## **Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Crimson Management does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Types of Clients**

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**Description**

Crimson Management generally provides investment advice to individuals and families. Client relationships vary in scope and length of service.

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**Account Minimums**

The minimum account size is \$2 million of assets under management and advisory.

Crimson Management has the discretion to waive the account minimum.

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

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**Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared



by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

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### **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we use passively-managed index and exchange-traded funds as the core investments, and then add actively-managed funds where there are greater opportunities to make a difference. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

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### **Risk of Loss**

Investing in securities involves risk of loss clients should be prepared to bear. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of

profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

Crimson Management is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the firm or the integrity of its management. Neither the firm nor its management has had any legal or disciplinary events, and therefore we have no information applicable to this item.

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

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### **Financial Industry Activities**

Crimson Management does not participate in any financial industry activities.

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### **Affiliations**

Crimson Management does not have affiliations of any nature.

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

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### **Code of Ethics**

The employees of Crimson Management have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request. This Code of Ethics is part of our Policy and Procedures Manual.

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### **Participation or Interest in Client Transactions**

Crimson Management and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of

client trades. Employees comply with the provisions of the Crimson Management *Compliance Manual*.

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**Personal Trading**

The Chief Compliance Officer of Crimson Management is Dean Putterman. He reviews all employee trades each quarter. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## Brokerage Practices

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**Selecting Brokerage Firms**

Crimson Management does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. Crimson Management recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

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**Best Execution**

Crimson Management reviews the execution of trades at each custodian each quarter. The review is documented in the Crimson Management *Compliance Manual*. Trading fees charged by the custodians are also reviewed on a quarterly basis. Crimson Management does not receive any portion of the trading fees.

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**Soft Dollars**

Crimson Management does not receive soft dollars of any kind.

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**Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

## Review of Accounts

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**Periodic Reviews**

Account reviews are performed quarterly by Dean Putterman. Account reviews are performed more frequently when market conditions dictate.

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**Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, changes in a client's own situation, economic data as well as fundamental changes in investments owned.

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**Regular Reports**

Clients receive periodic communications on at least an annual basis.  
*Investment Management* clients receive written quarterly updates.

## **Client Referrals and Other Compensation**

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**Incoming Referrals**

Crimson Management has been fortunate to receive many client referrals over the years. The referrals come from current clients, personal friends of employees, and other similar sources. The firm does not compensate referring parties for these referrals.

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**Referrals Out**

Crimson Management does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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**Other Compensation**

Crimson Management does not provide other forms of compensation for clients or professionals.

## **Custody**

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**Description**

Under the Securities and Exchange Commission's regulations, we are deemed to have custody of client assets if the client authorizes us to instruct the custodian to deduct our advisory fees directly from the client's account. The custodian, however, maintains actual custody of client assets. The client will receive account statements directly from the custodian at least quarterly. We urge clients to carefully review their custodial statements and compare them to the reports they receive from us. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities, but if clients observe any discrepancies between our reports and their custodian's statements, they should contact us as soon as possible.

## **Investment Discretion**

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**Discretionary Authority for Trading**

Crimson Management accepts discretionary authority to manage securities accounts on behalf of clients. Crimson Management has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

The client approves the custodian to be used.

Discretionary trading authority facilitates placing trades in accounts on a client's behalf to promptly implement the investment policy the client has approved in writing.

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**Limited Power of Attorney**

We do not trade under any power of attorney but clients sign a limited trading authorization so that approved trades may be executed.

## **Voting Client Securities**

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**Proxy Votes**

Crimson Management does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, Crimson Management will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

## **Financial Information**

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**Financial Condition**

Crimson Management does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Crimson Management does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.