



## FORM ADV PART 2A BROCHURE

May 18, 2020

### **Crestone Asset Management LLC**

CRD# 108581 / SEC #801-57585

1048 Pearl Street, Suite 450 Boulder,  
CO 80302

**P:** (303) 442-4447

**F:** (303) 442-4587

**W:** [crestonecapital.com](http://crestonecapital.com)

This brochure provides information about the qualifications and business practices of Crestone Asset Management LLC ("Crestone" or "we" or "firm"). If you have any questions about this brochure, please contact us at (303) 442-4447 or at [compliance@crestonecapital.com](mailto:compliance@crestonecapital.com).

Crestone is registered as an investment adviser with the United States Securities and Exchange Commission ("SEC"). Registration with the SEC or any state securities authority does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC 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](http://www.adviserinfo.sec.gov).

## MATERIAL CHANGES

Form ADV Part 2A, Item 2

Crestone filed its last amendment with the SEC on April 2, 2020.

Crestone has made the following material changes to this Brochure:

- Receipt of a Paycheck Protection Program ("PPP") loan through the U.S. Small Business Administration, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

**TABLE OF CONTENTS**

Form ADV Part 2A, Item 3

<b>MATERIAL CHANGES.....</b>	<b>1</b>
<b>TABLE OF CONTENTS .....</b>	<b>2</b>
<b>ADVISORY BUSINESS.....</b>	<b>3</b>
<b>FEES AND COMPENSATION.....</b>	<b>5</b>
<b>PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>11</b>
<b>TYPES OF CLIENTS .....</b>	<b>11</b>
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS .....</b>	<b>12</b>
<b>DISCIPLINARY INFORMATION .....</b>	<b>14</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....</b>	<b>14</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING .....</b>	<b>15</b>
<b>BROKERAGE PRACTICES.....</b>	<b>16</b>
<b>REVIEW OF ACCOUNTS .....</b>	<b>17</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>17</b>
<b>CUSTODY.....</b>	<b>18</b>
<b>INVESTMENT DISCRETION .....</b>	<b>18</b>
<b>VOTING CLIENT SECURITIES .....</b>	<b>19</b>
<b>FINANCIAL INFORMATION.....</b>	<b>19</b>
<b>REQUIREMENTS FOR STATE-REGISTERED ADVISERS .....</b>	<b>20</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>20</b>

## ADVISORY BUSINESS

Form ADV Part 2A, Item 4

Crestone has been in business since 2001. It is a wholly owned subsidiary of Crestone Capital 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) owns 75% or more of Crestone through its membership interest in Crestone Capital Holdings LLC, which is the sole Member of Crestone Capital LLC.

Crestone is a full-service wealth management firm serving as an outsourced chief investment officer and multi-family office to high-net-worth clients and their families. Our mission is to deliver extraordinary wealth-management services to select families seeking peace of mind.

We offer **Family Office Client Services, Investment Advisory Client Services, Family Foundation Services, and/or Partnership Investor Services** to high-net-worth and ultra-high-net-worth clients, as described below.

Our **Family Office Client Services** encompass a robust platform of investment- and family wealth planning-related services including investment strategy and management; access to institutional manager search, selection, and monitoring; integrated estate, philanthropic, tax, and family-governance planning; consolidated performance reporting, balance sheet aggregation, and cash flow planning.

The following is a list of many of the wealth-advisory services we provide, although we may provide other services depending on a client's specific needs:

### Investment-Related Services

Investment-management advice on assets managed by Crestone

- Education regarding investment philosophy, strategy, and capital markets
- Investment Policy Statement ("IPS") development
- Investment portfolio design and implementation
- Portfolio management
- Investment manager research, selection, and monitoring

Investment reporting

- Tax reporting
- Holistic balance sheet reporting
- Consolidated data aggregation
- Performance reporting at the portfolio, individual asset class, and individual investment manager level, with comparisons to relevant benchmarks

### Cash Flow, Liquidity, and Credit Management

- Spending/withdrawal policy development
- Sourcing and negotiation of personal debt facilities under \$10 million
- Managing lines of credit, including cash flow planning and reporting
- Assisting with cash flow planning and liquidity management for overall balance sheet

### **Family Wealth Planning Services**

In conjunction with other professionals, advise client on wealth-management matters including:

- Estate and income tax planning
- Philanthropic planning
- Family and next-generation education
- Asset protection and risk management

### **Management of Concentrated Wealth Assets (if applicable)**

- Provide detailed and robust reporting on concentrated positions
- Assist with stock and option administration
- Coordinate planning of tax strategy and legal restrictions with tax adviser and legal counsel
- Assist with obtaining and developing relevant valuation analyses
- Advise and execute long-term diversification strategy (hedging and monetization strategies)

In addition to providing investment-related advice, we may also work with a client's other professional advisers to provide advice on wealth management matters not involving investments, such as 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.<sup>1</sup>

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

We tailor our advisory services to the specific 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 a customized IPS based on, among other things, the client's investment preferences and objectives, spending needs, and estate-planning needs.

The IPS sets investment parameters that guide us when we make decisions about each client's portfolio; we will not assume full discretion over our clients' accounts. Under our Family Office Client Services Agreement, each client elects to grant 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. Under our Investment Advisory Client Services Agreement, Crestone does not have full discretion over a client's investment decisions.

Once we establish account parameters, and if the client grants limited discretion, we will have the authority to direct the investment of account assets (including periodic rebalancing) and to 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.

---

<sup>1</sup> ***Crestone does not offer tax or legal advice. We will, at your direction and approval, work with your existing tax or legal professionals to assist in those services. We may refer professionals; however, there is no compensation to Crestone for these referrals, and you are under no obligation to use the referred services or providers***

If the client does not grant discretion, we will not make any transactions in the client's account(s) nor will we make any changes in asset classes or allocations within asset classes, such as any investment or reinvestment of account assets (including periodic portfolio management) without the client's prior approval.

Our **Investment Advisory Client Services** have been designed for clients who are focused on investment services **only**, without the all-encompassing, family office platform of services provided under our Family Office Client Services Agreement. For such clients, Crestone will provide investment research, consulting, and advice to source and secure access to investment opportunities within Crestone pooled funds (pooled investment vehicles such as limited partnerships and limited liability companies that invest in one or more underlying investment funds managed by unrelated investment managers) and/or direct investments (the opportunity to make investments directly in the underlying investment funds and/or portfolio companies). The services include Crestone's time and travel expenses related to ongoing investment manager research, due diligence, selection, and relationship management. Crestone will also provide clients with investment-sizing recommendations and ongoing investment-manager oversight, including interfacing with investment managers (and/or portfolio companies, as appropriate) on behalf of clients for pooled vehicle and/or direct investments. Clients will have access to Crestone's due diligence reports for all underlying investment managers in which a client invests.

Our **Family Foundation Services** are similar to our Family Office Client Services and have been designed for foundations with services such as investment strategy and management; help with institutional manager search, selection, and monitoring; integrated estate, philanthropic, tax, and family governance planning; consolidated performance reporting; balance sheet aggregation, cash flow and liquidity planning; and concentrated position management, if applicable.

Our **Partnership Investor Services** have been designed for non-client investors who seek direct access to private investments. These private investments are offered under exemptions in various securities laws and are not available in a public offering. They involve additional risks, often offer less liquidity and/or long lock-ups and are only appropriate for sophisticated investors and institutional investors who can bear substantial loss. These investors sign the limited partnership agreement alongside Crestone-sponsored investment vehicles and pay the fees stated within the limited partnership agreement.

There are no additional services provided by Crestone. We do not participate in wrap fee programs.

As of December 31, 2019, we managed approximately \$2,598,672,899 in client assets on a limited discretionary basis and \$ 351,103,722 on a non-discretionary basis.

## FEES AND COMPENSATION

Form ADV Part 2A, Item 5

As noted in the Advisory Business section above, we offer Family Office Client Services, Investment Advisory Client Services, and Family Foundation Services to our clients. Our standard fee schedule is charged as a percentage of assets under Crestone's management and the fees for each type of service offering is as follows:

**Crestone Asset Management LLC  
Family Office Client Services – Annual Fee Schedule**

Asset Based Breakpoints	Fee Schedule
First \$10,000,000	1.25%
Next \$30,000,000	0.95%
Next \$30,000,000	0.75%
Next \$30,000,000	0.65%
Amount over \$100,000,000	0.50%

Note: Minimum annual fee is \$50,000. 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, which we will determine in our discretion on a case-by-case basis.

**Crestone Asset Management LLC  
Investment Advisory Client Services – Annual Fee Schedule**

Asset Based Breakpoints	Fee Schedule
First \$10,000,000	1.00%
Next \$30,000,000	0.80%
Next \$30,000,000	0.70%
Next \$30,000,000	0.60%
Amount over \$100,000,000	0.50%

Note: Minimum annual fee is \$10,000. We may reduce or waive our minimum annual fee, which we will determine in our discretion on a case-by-case basis.

**Crestone Asset Management LLC  
Family Foundation Services – Annual Fee Schedule**

Asset Based Breakpoints	Fee Schedule
First \$10,000,000	1.00%
Next \$30,000,000	0.75%
Next \$30,000,000	0.60%
Next \$30,000,000	0.50%
Amount over \$100,000,000	0.40%

**Asset Management Fees:**

We compute client fees based on the weighted daily average value of assets under management using the fee schedules noted above for each calendar quarter and invoiced in arrears. Certain clients that have an executed agreement prior to October 1, 2018 may be invoiced in advance. Under our advisory services agreements, clients agree to allow us to automatically deduct our advisory fees directly from their brokerage accounts upon 10 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 our management, which may include assets placed with another investment adviser or unrelated manager and supervised by us, resulting in additional fees. For example, 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 certain corporate or other legal entity 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.

For certain clients (typically those with at least \$200 million in advised assets under management with Crestone), Crestone may enter into fee arrangements that may deviate from the standard fee structure described above. In such cases, Crestone may charge a reduced management fee, a portion of which may be an allocation of net profits otherwise allocable to the client. Such management fees are charged quarterly in arrears. In addition, Crestone may receive an allocation of profits with respect to such clients, also allocated quarterly in arrears. Crestone complies with Rule 205-3 under the Investment Advisers Act of 1940 (codified at 15 U.S.C. § 80b-1 et seq.), to the extent required by applicable law. Profit allocations under such arrangements may create an incentive for Crestone to make more risky and speculative investments than it would otherwise make.

Either Crestone or a client may terminate the advisory agreement upon 30 days' written notice. In the event of termination, Crestone will be entitled to receive its advisory fee for the portion of the quarter elapsed prior to termination. If applicable, any balance of prepaid quarterly advisory fees not due to Crestone will be returned to the client.

Under our Family Office Client Services Agreement, Crestone provides an unconditional service guarantee that entitles new clients to a refund of up to 100% of the fees paid, solely at a client's discretion, if at any time in the first year of the engagement a client is less than 100% satisfied with Crestone's services.

**Pooled Investment Vehicle Fees.** As described below under "Methods of Analysis, Investment Strategies, and Risk of Loss," a core principle of our investment philosophy is that disciplined investment diversification among different asset classes, investment managers, and individual assets is an effective way to protect and grow wealth. To provide our clients with access to and diversification among different asset classes and investment managers, Crestone and its affiliates form and serve as the manager or sponsor of pooled investment vehicles such as limited partnerships and limited liability companies that invest in one or more underlying investment funds managed by unrelated investment managers. This structure provides our clients with access to investment opportunities that may otherwise require a minimum investment beyond that which may be prudent for a single investor and that otherwise may have limited availability to individual investors and/or other advisors.

In connection with the formation and capitalization of the pooled investment vehicles discussed above, Crestone and its affiliates are reimbursed by the entities for offering and organizational expenses, and Crestone receives management fees as described below for serving as the investment manager of the pooled vehicle, but no other related-party compensation is paid to Crestone or its affiliates.

As a result of the pooled-vehicle structure, certain Crestone clients who invest in these vehicles pay two layers of fees – (1) the management fees paid to Crestone as an investment advisor to the pooled investment vehicles as described below, and (2) the fees paid to the underlying managers in which the pooled vehicles invest.



Management fees in these pooled vehicles are not separately paid to Crestone by family office clients or investment advisory clients. Only partnership investors pay such management fees to Crestone. All clients pay the second layer of fees referenced above (fees paid to the underlying managers in which the pooled vehicles invest).

Crestone-sponsored pooled investment vehicles existing as of the date of this brochure and the investment management fees paid by each pooled vehicle to Crestone are set forth below. Investors should review the pooled investment vehicle offering memoranda for fee details by fund.

Name of Pooled Vehicle	Asset Class	GP or Directors	Management Fee
Crestone Alternative Strategies LP	Hedge Funds	Crestone Alternative Partners LLC	Family Office Clients: No management fee  Investment Advisory Clients: No management fee  Family Foundation Services Clients: No management fee  Partnership Investors: As stated in limited partnership agreement
Crestone Alternative Strategies Ltd.	Hedge Funds	Directors: Eric J. Kramer	
Sanitas Global Opportunity Fund LP	Hedge Funds	Crestone Alternative Partners LLC	
Arapaho Peak Real Estate Fund I LP	Real Estate	Flatirons GP, LLC	All Clients: Greater of (a) 0.25% of Aggregate Capital Contributions or (b) \$10,000
Maroon Peaks PEF I LP	Private Equity	Flatirons GP, LLC	
Maroon Peaks PEF II LP	Private Equity	Flatirons GP, LLC	
Arapaho Peak Real Estate Fund III LP	Real Estate	Flatirons GP, LLC	Family Office, Investment Advisory, and Family Foundation Services Clients: Greater of (a) the sum of (x) 0.25% of the value of investments resulting from investment of called capital up to \$20 million of such value plus (y) 0.10% per year on the amount above \$20 million, or (b) \$25,000  Partnership Investors: 1.25% of NAV
Arapaho Peak Real Estate Fund IV LP	Real Estate	Flatirons GP, LLC	
Arapaho Peak Real Estate Fund V LP	Real Estate	Flatirons GP, LLC	
Eldorado Natural Resources Fund II LP	Commodities	Flatirons GP, LLC	
Maroon Peaks PEF IV LP	Private Equity	Flatirons GP, LLC	
Maroon Peaks PEF V LP	Private Equity	Flatirons GP, LLC	
Arapaho Peak Real Estate Fund II LP	Real Estate	Flatirons GP, LLC	All Clients: Greater of (a) the sum of (x) 0.25% of the value of investments resulting from investment of called capital up to \$20 million of such value plus (y) 0.10% per year on the amount above \$20 million, or (b) \$25,000
Eldorado Natural Resources Fund I LP	Commodities	Flatirons GP, LLC	
Maroon Peaks PEF III LP	Private Equity	Flatirons GP, LLC	

Name of Single Asset Pooled Vehicle	Asset Class	Manager	Annual Management Fee
Arapaho Peak Real Estate Fund VI LP	Real Estate	Flatirons GP, LLC	<p>Family Office Clients: No management fee</p> <p>Investment Advisory Clients: No management fee</p> <p>Family Foundation Services Clients: No management fee</p> <p>Partnership Investors: As stated in limited partnership agreement</p>
Arapaho Springs Real Estate Fund LP	Real Estate	Flatirons GP, LLC	
CC – H Capital V LP	Private Equity	Flatirons GP, LLC	
CC – Tiger Global PIP XI LP	Private Equity	Flatirons GP, LLC	
Caribou Large Cap Value Fund LP	Large Cap Value	Flatirons GP, LLC	
Eldorado Natural Resources Fund III LP	Commodities	Flatirons GP, LLC	
Eldorado Natural Resources Fund IV LP	Commodities	Flatirons GP, LLC	
Kenosha Credit Opportunities Fund LP	High Yield Bonds	Flatirons GP, LLC	
Kenosha Distressed Municipal Securities Fund I LP	High Yield Bonds	Flatirons GP, LLC	
Kenosha High Yield Fund LP	High Yield Bonds	Flatirons GP, LLC	
Kenosha High Yield Fund V LP	High Yield Bonds	Flatirons GP, LLC	
Kenosha High Yield Fund VI LP	High Yield Bonds	Flatirons GP, LLC	
Kenosha Muni Opportunity Fund I LP	High Yield Bonds	Flatirons GP, LLC	
Kenosha Muni Opportunity Fund II LP	High Yield Bonds	Flatirons GP, LLC	
Maroon Peaks PEF VI LP	Private Equity	Flatirons GP, LLC	
Maroon Peaks PEF VII LP	Private Equity	Flatirons GP, LLC	
Maroon Peaks PEF VIII LP	Private Equity	Flatirons GP, LLC	
Maroon Peaks PEF IX LP	Private Equity	Flatirons GP, LLC	
Matterhorn International Fund LP	International Equity	Flatirons GP, LLC	
Montezuma Fund LP	Private Equity	Flatirons GP, LLC	
Montezuma Fund II LP	Private Equity	Flatirons GP, LLC	
Montezuma Fund III LP	Private Equity	Flatirons GP, LLC	
Montezuma Fund IV LP	Private Equity	Flatirons GP, LLC	
Montezuma Fund V LP	Private Equity	Flatirons GP, LLC	
Pagoda Peak Emerging Markets Fund LP	Emerging Markets	Flatirons GP, LLC	
Summit Global All Cap Equity Fund LP	All Cap Equity	Flatirons GP, LLC	
Transportation Fund I LP	Private Equity	Flatirons GP, LLC	

Crestone and its affiliates will also, on occasion, form and serve as the manager or sponsor of single-purpose, single-asset limited liability companies, limited partnerships or other investment-related entities that are formed on a pooled-vehicle basis specifically to invest in an individual asset, typically real estate. In connection with the formation and capitalization of these single-purpose investment entities, Crestone and its affiliates are reimbursed by the entity for offering and organizational expenses, and Crestone's affiliates receive management and other fees and a carried interest determined on a case-by-case basis, all of which are described in detail in the offering materials for each single-purpose investment entity. Crestone-sponsored single-purpose, single-asset pooled vehicles existing as of the date of this brochure and the management fees paid to Crestone Real Estate LLC are set forth below:

Name of Single Asset Pooled Vehicle	Asset Class	Manager	Annual Management Fee
CRE 2655 West Midway LLC	Real Estate	Crestone Real Estate LLC	\$48,500
CRE 310 Interlocken LLC	Real Estate	Crestone Real Estate LLC	\$35,400

**Crestone Alternative Strategies LP Short Term Lending Arrangements.** Crestone Alternative Strategies LP ("CASLP") has a \$25 million line of credit in place with Mutual of Omaha Bank (the "LOC"). CASLP typically uses the LOC for various short-term capital purposes. In addition, from time to time, CASLP may lend to other Crestone-sponsored pooled vehicles for short-term capital purposes. In such cases, CASLP will source the funding proceeds from the LOC and then charge the receiving pool, as applicable, the applicable interest rate of the LOC plus 100 basis points. Crestone believes the arrangement serves the interest of all applicable funds. These other Crestone-sponsored pooled vehicles receive the benefit of the short-term funding at an attractive all-in interest rate, and may not be large enough themselves to merit their own LOC. In addition, CASLP earns a small amount of interest for extending use of its LOC.

**Crestone Securities LLC Brokerage Arrangements.** As discussed below under "Other Industry Activities and Affiliations" and "Brokerage Practices," Crestone's affiliated broker-dealer, Crestone Securities LLC, is registered as an **introducing broker-dealer** and may make securities transactions for our clients. Crestone Securities 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.<sup>2</sup> 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 Crestone 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

<sup>2</sup> A 12b-1 fee is an annual marketing or distribution fee on a mutual fund, that derives its name from a section of the Investment Company Act of 1940.

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 discussed above, 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 a broker-dealer when practicable and as long as it is permitted under applicable law. In selecting a broker-dealer for our clients, we always consider our clients' best interests.

We receive little to no 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

Generally, Crestone and our supervised persons do not accept performance-based fees from Crestone clients, except as described in items 5 and 6. Currently only one client pays a performance-based fee.

Crestone may manage certain accounts that pay performance-based compensation as described in Item 5. Typically, an account that does not pay performance-based compensation pays a higher asset-based fee. Regardless, Crestone has a conflict of interest if, in any time period, one fee structure would cause higher fees to Crestone than the other fee structure, because Crestone would have an incentive to favor the account that would pay the higher fees. To address this conflict, Crestone typically allocates all investment opportunities within each strategy on a *pro rata* basis, based on each account's assets. In addition, Crestone's policies and procedures require us to review client account investment allocations on a regular basis.

To qualify for an investment in a private fund, an investor in the private fund must be a qualified investor, either as an accredited investor or qualified purchaser as applicable to the corresponding private fund offering documents. For a full description of the applicable fees, including performance-based fees, and expenses charged to the respective private fund, investors should review the associated offering documents.

## 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 ordinarily require that new family office clients have minimum investable assets of approximately \$25 million, although we may make exceptions at our discretion.

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

We also serve as investment adviser to a number of pooled investment vehicles such as limited partnerships and limited liability companies that invest in one or more underlying investment funds managed by unrelated investment managers. This structure provides our family office, investment advisory and family foundation clients with access to investment opportunities that may otherwise require a minimum investment beyond that which may be prudent for a single investor and that otherwise may have limited availability to individual investors and/or other advisors. Other Crestone investors—who are not family office, investment advisory, or family foundation clients—invest in one or more of the pooled investment vehicles.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

Form ADV Part 2A, Item 8

Fundamental investment principles are 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.
- We have an equity bias. Over the long term, owners earn more than lenders.
- Superior investment managers exist, and we search for them through exhaustive due diligence and our network.
- Disciplined portfolio management incorporating tactical, valuation-informed reweighting of investments reduces risk and has the ability to increase returns.
- Top-tier educational endowments provide public guidance.
- Ongoing learning and evolution is vital.

### **Diversification**

We have a longstanding commitment to and experience 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 our conviction that traditional “buy and hold” investment models do not optimize returns, our strategy centers on tactical, valuation-informed portfolio management in an attempt to reduce risk and increase return.

Our investment research 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.

### Disciplined Process

We have developed a rigorous, time-proven, cycle-tested process for creating customized IPS, 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 IPS guidelines.

While we strive 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 actual and 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
- Geographic risk
- Interest rate 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. 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).

As discussed above, we commonly recommend investments in alternative asset classes (e.g., hedge funds, natural resources, private equity, real estate, etc.) through pooled investment vehicles such as limited partnerships and limited liability companies. Investment in these pooled investment vehicles is speculative and not intended as a complete investment program. The pooled investment vehicles p are

available only to sophisticated investors who are able to bear a substantial loss of their investment. There is no assurance that the entity's investment objectives will be achieved, and investment results may vary substantially from year to year. Investment in these entities 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 entity's offering documents.

**Private Funds:** Crestone bases its advice to such private investment funds on the investment objective and restrictions (if any) set forth in the applicable offering memorandum, organizational documents, investment management agreement, and/or subscription agreements.

## 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, are both investment adviser representatives of Crestone and 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.

Certain of our personnel may serve on advisory boards of underlying funds in which clients or Crestone advised funds may invest.

The following affiliated entities share common ownership and management with Crestone:

- **Crestone Capital Holdings LLC.** A Colorado limited liability company that wholly owns and is the sole member of Crestone Capital LLC. Its members are The Eric J. Kramer Company (whose President and sole shareholder is Eric J. Kramer), Randi Grassgreen, Abby Barlow, Jeff Burney, and Matt Wiles.
- **Crestone Capital LLC.** A Colorado limited liability company that wholly owns and is the parent company of Crestone, Crestone Securities LLC, and Crestone Real Estate LLC. Its sole member is Crestone Capital Holdings LLC.
- **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, single-asset limited liability companies or other investment entities that acquire, hold, lease, manage, operate, and sell or otherwise dispose of commercial real estate. It serves as the manager to certain real estate-related pooled vehicles discussed above under "Fees and Compensation."
- **Crestone RE Equity Partners LLC.** A Colorado limited liability company whose member is The Eric J. Kramer Company. It serves as the Class B Member of certain single-purpose, single-asset pooled vehicles formed and managed by Crestone Real Estate LLC discussed above under "Fees and Compensation."
- **Flatirons GP LLC.** A Delaware limited liability company wholly owned by Eric J. Kramer. It serves as the general partner to certain Crestone-sponsored pooled vehicles discussed above under "Fees and Compensation."
- **Crestone Alternative Partners LLC.** A Delaware limited liability company wholly owned by Eric J. Kramer. It serves as the general partner to certain Crestone-sponsored pooled vehicles discussed above under "Fees and Compensation."

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

Form ADV Part 2A, Item 11

Crestone is a fiduciary to its 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 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. Requests should be directed to:

Crestone Asset Management LLC  
Attn: Chief Compliance Officer  
1048 Pearl Street, Suite 450  
Boulder, Colorado 80302  
Telephone: (303) 442-4447  
Email: [compliance@crestonecapital.com](mailto:compliance@crestonecapital.com)

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 make a personal securities transaction in anticipation of a transaction on behalf of a client in such securities. 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 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 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. As discussed above, Crestone Capital LLC, a Colorado limited liability company, wholly owns both Crestone and Crestone Securities LLC, and is solely owned by Crestone Capital Holdings LLC, whose majority owner is The Eric J. Kramer Company.

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 the 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 when, 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 review accounts on at least a quarterly basis for consistency with client investment strategy, asset allocation, risk tolerance, and performance relative to the appropriate benchmarks. More frequent reviews may be triggered by changes in market or economic conditions, changes in specific investments within client accounts, and/or changes in a client's financial condition or investment objectives.

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

- The investment research team is primarily responsible for monitoring underlying securities and selected third-party managers;
- In addition to collaborating with the investment research team on monitoring responsibilities, the client advisory team is responsible for ensuring client accounts are invested in accordance with a client's investment policies with portfolio management reviews at least quarterly; and
- The investment committee and executive committee are responsible for supervising all levels of review performed by the teams identified above.

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

- Consolidated portfolio data and performance reporting;
- Performance at the consolidated portfolio, asset class, and individual investment manager level, compared to relevant benchmarks;
- Balance sheet reporting, if applicable; and
- Concentrated position reporting, if applicable.

Detailed investment manager reports for all actively managed investments, which provide both a qualitative and quantitative review, are updated quarterly and available on a secure Crestone client website portal.

On a quarterly and an annual basis, we provide clients and their tax-preparers a package of tax-related reports (e.g., realized gains/losses, income and expenses, contributions and withdrawals). Clients have the choice to receive these reports in hard copy, over a secure-access website, <https://clients.crestonecap.com>, or both. Various portfolio valuation, performance, and activity reports are also available on a daily basis over the secure-access website.

Investors only invested in the Crestone-sponsored pooled investment vehicles receive quarterly statements and/or quarterly investor letters. Investors also receive annual audited financial statements and tax-related information.

## CLIENT REFERRALS AND OTHER COMPENSATION

Form ADV Part 2A, Item 14

We do not receive nor would we accept any compensation for referrals to any other professional firms or individuals.

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 we make the referral to the professional 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 do not currently have any third-party solicitors engaged.

## CUSTODY

Form ADV Part 2A, Item 15

### Client Accounts

Qualified custodians, such as Pershing LLC, have custody of our clients' assets held in brokerage accounts. 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 clients with various portfolio valuation, performance, and activity reports on a quarterly basis. Clients have the option to receive these reports in hard copy, over a secure, 24/7 access website, <https://clients.crestonecap.com>, or both.

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 Crestone at (303) 442-4447.

### Pooled Investment Vehicles

Crestone is deemed to have custody over our clients' Crestone-sponsored pooled vehicle investments. Fund investors do not receive account statements from any custodian; rather, the funds are subject to an annual audit, and Crestone provides (or causes to be provided) to each investor in a fund a copy of the fund's audited financial statements within 180 days following the relevant fund's fiscal year end. Investors who do not receive audited financial statements within such time should contact Crestone immediately.

### CRE Funds

The funds CRE 310 Interlocken LLC and CRE 2655 West Midway LLC do not undergo an annual audit nor do they have a custodian. Instead, these funds undergo a "surprise audit" by an independent public accountant with respect to the assets of such funds where Crestone is deemed to have custody.

## INVESTMENT DISCRETION

Form ADV Part 2A, Item 16

We work with each client to create a customized IPS that sets investment parameters for us to follow when investing each client's portfolios; we do not assume full discretion over any of our clients' accounts. Under our Family Office Client Services Agreement, Investment Advisory Client Services Agreement, and Family Foundation Services Agreement, 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 we establish account parameters and if the client grants limited discretion, we will have the 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 the client does not grant discretion, we will not make any transactions in the client's accounts or any changes in asset classes or allocations within asset classes, such as investment of account assets (including periodic rebalancing), without the client's prior approval.

In the instances that we or an affiliate are general partners, managers or sponsors of Crestone-sponsored pooled investment vehicles, we do exercise discretionary investment authority over the Crestone-sponsored pooled investment vehicles.

A client may impose limits different from, or in addition to, those mentioned here.

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, as proxy, on our clients' securities, and clients will receive proxies or other solicitations directly from their custodian or transfer agent. However, if clients have any questions about a particular solicitation, they should contact their 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, nor do we have any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

On April 16, 2020 the firm received a Paycheck Protection Program ("PPP") loan in the amount of \$1,002,567 through the U.S. Small Business Administration, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Due to the economic uncertainties surrounding the current COVID-19 pandemic, we believed it was prudent for us to apply for, and accept, the Payroll Protection Program loan offered by the Small Business Administration in order to support our ongoing operations. The firm used the PPP funds to continue payroll for the firm's staff and make other permissible payments. The loan is forgivable provided the firm satisfies the terms of the loan program.

## REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Form ADV Part 2A, Item 19

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## ADDITIONAL INFORMATION

Form ADV Part 2A, Item 20

### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents the possibility for a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

- Leaving the funds in your employer's (former employer's) plan.
- Moving the funds to a new employer's retirement plan.
- Cashing out and taking a taxable distribution from the plan.
- Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage, here are a few points to consider:

- Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - Employer retirement plans generally have a more limited investment menu than IRAs.
  - Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
- Your current plan may have lower fees than our fees.
  - If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.

- Our strategy may have higher risk than the option(s) provided to you in your plan.
- Your current plan may also offer financial advice.
- If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
- Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
- You may be able to take out a loan on your 401k, but not from an IRA.
- IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
- If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
- Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions, please contact your Crestone adviser at (303) 442-4447.