



4415 Shores Drive, Suite 250  
Metairie, Louisiana 70006  
(504) 885-1135  
[www.CrescentSterling.com](http://www.CrescentSterling.com)  
March 31, 2023

This Brochure provides information about the qualifications and business practices of Crescent Sterling, Ltd. If you have any questions about the contents of this brochure, please contact us at (504) 885-1135 or email us at [HThompson@CrescentSterling.com](mailto:HThompson@CrescentSterling.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.

Crescent Sterling, Ltd. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Crescent Sterling, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2      Material Changes**

This section of the Brochure will be updated when material changes occur.

### **Material Changes Since the Last Update**

None

### **Full Brochure Available**

We will provide you with a revised Brochure as necessary based on changes or new information, upon request, without charge.

Our Brochure may be requested by contacting W. Howard Thompson, President and Chief Compliance Officer at (504) 885-1135 or [HThompson@CrescentSterling.com](mailto:HThompson@CrescentSterling.com).

### **Item 3      Table of Contents**

ITEM 1	COVER PAGE	
ITEM 2	MATERIAL CHANGES	1
ITEM 3	TABLE OF CONTENTS	2
ITEM 4	ADVISORY BUSINESS	3
ITEM 5	FEES AND COMPENSATION	3
ITEM 6	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	5
ITEM 7	TYPES OF CLIENTS	5
ITEM 8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	5
ITEM 9	DISCIPLINARY INFORMATION	13
ITEM 10	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	13
ITEM 11	CODE OF ETHICS	13
ITEM 12	BROKERAGE PRACTICES	14
ITEM 13	REVIEW OF ACCOUNTS	16
ITEM 14	CLIENT REFERRALS AND OTHER COMPENSATION	16
ITEM 15	CUSTODY	17
ITEM 16	INVESTMENT DISCRETION	17
ITEM 17	VOTING CLIENT SECURITIES	17
ITEM 18	FINANCIAL INFORMATION	18

## **Item 4      Advisory Business**

Crescent Sterling, Ltd., founded in New Orleans in 1992, is a Registered Investment Adviser. W. Howard Thompson is the Principal Owner.

Since its founding, Crescent Sterling, Ltd. has provided investment management services and financial consulting to individuals, corporations, retirement plans, foundations and trusts.

Our goal at Crescent Sterling, Ltd. is to provide superior personal service with reasonable investment returns based on each client's directed risk guidelines. To achieve our service goal, we give personal attention to clients through the availability and support orientation of our investment professionals and staff. The investment strategy is implemented through the expertise of in-house investment professionals who make the buy and sell decisions for our clients. These decisions are normally fully discretionary and are executed in client's individual accounts directly by Crescent Sterling, Ltd. professionals and staff. In cases that are not fully discretionary, it is due to the imposition of restrictions on investing in certain securities or types of securities by clients. The management of the account will not be considered to be restricted unless Crescent Sterling, Ltd. is notified in writing.

Crescent Sterling, Ltd. provides both discretionary and non-discretionary investment advisory services. As of 12/31/2022, the total amount of client assets under management was:

Discretionary:	\$178,000,000
Non-Discretionary:	\$ 28,700,000
Total:	\$205,000,000

## **Item 5      Fees and Compensation**

Crescent Sterling, Ltd. is a fee only adviser. Fees to be charged by Crescent Sterling, Ltd. are established in a client's Investment Advisory Agreement with Crescent Sterling, Ltd. Investment supervisory services fees are calculated according to a percentage of the market value of assets under supervision, on an hourly basis, or a combination of the two methods utilizing the schedule below. All fees are subject to negotiation given the unique circumstances of the account.

## Investment Management

<b>Equity Only Account</b>	<b>Annual (Quarterly)</b>
For the first \$1,000,000	1.00% (0.2500%)
For the next \$4,000,000	0.75% (0.1875%)
Above \$5,000,000	0.50% (0.1250%)

<b>Balanced Account</b>	<b>Annual (Quarterly)</b>
For the first \$1,000,000	0.90% (0.2250%)
For the next \$4,000,000	0.70% (0.1750%)
Above \$5,000,000	0.50% (0.1250%)

<b>Fixed Only Account</b>	<b>Annual (Quarterly)</b>
For the first \$1,000,000	0.65% (0.1625%)
For the next \$4,000,000	0.55% (0.1375%)
Above \$5,000,000	0.45% (0.1125%)

<b>Exchanged Traded/ Mutual Fund Account</b>	<b>Annual (Quarterly)</b>
All amounts	0.50% (0.1250%)

## Cash Management

Fees Negotiable

## Financial Planning & Consulting

\$65 - \$325 per hour

Fees are normally billed quarterly based on the market value of the supervised assets at the end of the prior quarter using the appropriate fee schedules above for the objectives of the account. In the case of a client with multiple accounts, the account values may be aggregated to determine the appropriate billing percentage for each account. Clients are sent an invoice that itemizes their fees and its calculation. Clients may authorize Crescent Sterling, Ltd. to directly debit their fees from their account or may elect to pay their fees directly. Management fees are not prorated for each capital contribution and withdrawal made during a calendar quarter.

Clients' fees are payable quarterly on the first day of the third month of the quarter for fees earned during the quarter. Invoices for the quarterly fees earned are submitted to clients by the fifteenth day of the second month of the quarter. Accounts initiated or terminated during a calendar quarter will usually be charged a prorated fee for the period of time the account was actually supervised. Upon

termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees are due and payable. Crescent Sterling, Ltd. usually does not charge a termination or exit fee.

Crescent Sterling, Ltd.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be charged to the client. These other fees, commission or expenses imposed by custodians, brokers, third party investment advisors or other third parties may be by example, fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Crescent Sterling, Ltd.'s fee. Crescent Sterling, Ltd. does not receive any portion of these commissions, fees or costs. These fees or expenses are usually dependent on the brokerage firm or custodian selected or securities owned.

Item 12 further describes several factors that Crescent Sterling, Ltd. considers in recommending broker-dealers for client transactions and determining the reasonableness of the broker's compensation (e.g., commissions, fees or charges).

## **Item 6      Performance-Based Fees and Side-By-Side Management**

Crescent Sterling, Ltd. does not charge performance-based fees (fees based on account profits or capital appreciation of the assets of a client).

## **Item 7      Types of Clients**

Crescent Sterling, Ltd. provides portfolio management services and financial consulting to individuals, corporations, retirement plans, foundations and trusts.

Generally, the minimum amount for starting and maintaining an account is \$250,000. However, Crescent Sterling, Ltd. reserves the right to waive the account minimum as it deems appropriate.

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

As with all investments, investing in securities involves risk of loss. Clients should be aware of the associated risks with a particular investment and be prepared to bear the loss if it occurs.

## **EQUITIES**

### Method of Analysis

Crescent Sterling, Ltd. bases its investment principles on three key elements. The first element is equity analysis that uses earnings growth and fundamental valuations to determine stocks or sectors that are reasonably or underpriced. The stocks selected following this research usually exhibit the potential to make money for our clients over the next 12 to 36 months. Secondly, an emphasis is put on the element of preservation of capital through the use of selling disciplines. When stocks have reached fair or excessive valuation levels or become an over weighted position, a portion or the entire position will normally be sold. Thirdly, our investment discipline does not force equity commitments in an extremely overvalued market.

A typical equity portfolio will usually remain 70 - 90% invested and consist of 15 to 30 stocks. As stocks become overvalued, we will take profits and reinvest the proceeds in other stocks which meet our purchase criteria or money market funds. During the times when the market is overvalued and very few stocks are attractive, we may maintain a substantial portion of the equity portion in money market funds. This is a key factor in preserving wealth.

The investment approach is based on a "bottom-up" stock selection procedure. Our screening process is based on our internal valuation techniques that consider factors such as earnings growth rate, corporate debt, return on equity, dividend payment, market sentiment and technical indicators. Through this process we develop a universe of less than 100 stocks which meet our initial criteria. This review process may also involve reviewing analysts and research reports as well as trade or annual reports. Upon completion of this investigation, we develop a list of stocks that are added to our buy list that we monitor for favorable entry or initial purchase points. Final stock selections and purchases are made as appropriate for portfolios with the client's objectives in mind.

Buying a stock is just part of the investment equation. Selling securities is as critical as buying. We monitor stocks in client portfolios under our supervision for adherence to the same criteria which originally allowed us to purchase them. If the company's stock price becomes excessive, the fundamentals deteriorate, or basic assumptions experience a negative material change, we will sell the stock.

### Investment Strategy

The stock portion of conservative accounts is invested mainly in medium to large capitalization stocks that usually pay dividends to achieve stability with long-term growth potential. Medium to large capitalization stocks represent ownership in companies that have a total market value of greater than one half billion dollars as calculated by multiplying the number of shares outstanding by the market price of the stock. These larger companies tend to be more stable both in operations and

stock price than smaller capitalization stocks due to their size and ability to minimize the effect of economic downturns.

Small capitalization stocks may be purchased as part of the equity portion for more aggressive portfolios to enhance returns. Many small capitalization stocks pay little or no dividend, usually have more price volatility and are considered riskier than larger capitalization stocks.

In some instances, exchange traded funds may be used in order to gain exposure to markets or sectors that cannot be represented efficiently with individual securities or when we view the sector more favorable than individual securities.

Fifteen to thirty equity positions total will normally be purchased in accounts with positions initially having approximately the same dollar value. However, in some circumstances, a partial position (less than equal or full position) may be purchased for an account with the expectation that a subsequent purchase will be made of that same security as an addition. In making purchase decisions for accounts, the following factors will be taken into consideration:

- Cash available in the account with consideration for future cash disbursements requirements,
- Level of equity investment in the account in comparison to the account's equity objective,
- Other equity investments in the portfolio that may be in the same industry, market or geographic sector to ensure that a portfolio maintains proper diversification, and
- Fundamental company valuations relative to the stock price, when the relationship indicates potential long term (12 to 36 months) profitability for the ownership of the investment from stock price appreciation and/or dividend income.

Equity positions may be sold totally or partially when one of the following occurs:

- A material change in the results of the company that differ from the original assumptions made when purchasing the stock or current assumptions for the company,
- An extreme overvaluation in the market price of the stock in relationship to the fundamental valuation of the company,
- The stock becomes an over-position of 2 to 3 times the normal size equity position in the portfolio, or
- A material change in the company's market segment that may adversely affect the company's long-term fundamentals or financial health.

Normally, individual securities will be purchased as a group or block for all accounts with similar objectives that are below their investment objective and have funds available to be invested in equities or fixed income. Crescent Sterling, Ltd. normally makes allocations of prospective purchases prior to entering a trade. The allocation is typically summarized and a total amount or block is targeted for purchase. The total block of securities to be purchased is then entered or placed



with the custodian or brokerage firm for execution. Securities that are purchased are then immediately allocated into the individual investment accounts following the allocation.

For equities, the purchase price of the security may change during completing the purchase order as stock prices change throughout the trading day. If the price changes for shares purchased as a block, an average price will be used for all accounts for the shares purchased as a block and the shares will be allotted to each account following the pre-purchase allocation.

In some cases, only a portion of a particular stock may be purchased due to either time or price constraints in a day. When such a "partial fill" occurs, the shares purchased will be allocated in the following order:

- A full allocation of shares will be allocated to any account that has a total position market value allocation of up to \$5,000 for that stock,
- All remaining accounts with allocations on a pro rata basis.

The remaining shares to be purchased will be reallocated to the accounts that did not have their total allocation filled. The purchase of the remaining shares will be filled when appropriate given market conditions and the pricing of the stock that was only partially filled.

#### Risk Associated with Equities

Investing in equities, or "stocks", involves significant risk. Part or all of an investment can be lost if a company fails to meet its business objectives or goes out of business. The following is a list of some major risk factors when investing in stocks.

- Principal risk – risk of principal due to decline in value or total loss of principal,
- Market risk – loss that occurs when a broad investment market, such as the stock market, declines in value,
- Liquidity risk – risk associated with being able to convert a security into cash when needed,
- Regulation risk – risks that governmental regulation could adversely affect the value of an investment,
- Business or industry segment risk – risk of investing in a particular business or industry associated with the decline of that particular business or industry,
- Reinvestment risk – risk associated with the inability of a company to reinvest retained earnings to achieve the same level of return of prior investments,
- Exchange rate risk – the risk of return for a company with foreign operations due to fluctuations in currency exchange rates,
- Sovereign risk – risk of loss to an investment due to the stability and viability of a country's political system,
- Valuation risk – risk due to the overvaluation of an investment caused by an excess of buyers and a scarcity of sellers,

- Timing risk – risk of investment loss due to an investor's forced sale of an investment at an inappropriate time for such reasons as change in objectives or cash flow requirements, and
- Forced sale risk – risk associated with the involuntary liquidation of an investment, such as cash buyout or involuntary takeover or fund closure.

## **FIXED INCOME**

### Methods of Analysis

Our corporate bond analysis focuses on three characteristics to determine a company's financial strength. The first is a company's debt-to-capital ratio. This ratio indicates the amount of debt the company uses to finance its operations. We prefer to invest in bonds of companies that have a debt-to-capital ratio of 50% or less. The second area we will analyze is the company's profitability and cash flow from operations. This analysis helps determine how a company makes and uses cash in its operations. We favor companies that are profitable and are generating substantial free or excess cash from operations. We will also study a company's

income statement to examine a company's interest coverage ratio. This ratio indicates how easily a company can pay interest to bond holders.

For municipal bonds, we focus on the issuer's ability to repay its bonds and whether the bonds are secured by a particular funding source. There are several factors we consider before purchasing a municipal bond. These factors include, but are not limited to, growth of the municipality, strength of the underlying economy, tax base, funding sources, and other liabilities.

### Investment Strategy

The fixed income portion of a portfolio will normally be invested in staggered (laddered) maturity investment grade corporate, government or municipal fixed income securities that may mature in 15 years or less. Fixed income securities will usually be purchased for the portfolio based on:

- Cash available in the account with consideration for future cash disbursements requirements,
- Maturities of existing bonds in the portfolio,
- Availability of bonds with attractive yields, and
- Existing bond market conditions when considered in relationship to historical and anticipated future bond market conditions.

Most accounts will contain 15 to 30 individual fixed income positions that mature in 15 years or less. Normally, fixed income securities will be held until maturity because of the cost (commission and/or bid/ask spread) incurred when selling a fixed income security. However, fixed income securities may be sold based on some circumstances when there is a:

- Change or anticipated change in the credit worthiness of the issuer,
- Material change in the financial or economic condition of the market segment or geographical region of the issuer, or
- Substantial change in interest rate market conditions or market sectors in general of the fixed income markets.

Allocations are made for purchasing fixed income securities for all accounts based on each account's current investment level toward their fixed income objective and the existing composition of the fixed income securities in the account. The allocations for all accounts are summarized as a group to take advantage of possible increased yields or lower prices when making a larger total (block) purchase of a security for multiple client accounts from a brokerage firm's bond inventory.

Due to the limited trading nature and uniqueness of fixed income securities, the purchase of a full allocation for a particular fixed income allocation block may not be possible with one security issue. The partial block of the fixed income security purchased will usually be allocated to individual accounts on the basis of the level of a portfolio's investment towards its fixed income objective and the best match for the individual security given the existing positions in a particular portfolio. Some of the portfolio "match" factors considered are existing maturities, segment and geographic composition, tax considerations and client cash flow requirements.

#### Risk Associated with Fixed Income

Investing in fixed income or "bonds" may contain significant risk, including loss of principal. The following are some of the risk factors associated with bond investments.

- Principal risk – risk of principal due to decline in value or total loss of principal,
- Market risk – loss that occurs in value when interest rates rise,
- Inflation risk – loss of purchasing power due to increases in goods and services prices from inflation,
- Liquidity risk – risk associated with being able to convert a security into cash when needed,
- Reinvestment risk – risk that occurs when interest payments cannot be reinvested at the same rate so that the yield to maturity declines,
- Timing risk – risk of investment loss due to an investor's forced sale of an investment at an inappropriate time for such reasons as change in objectives or cash flow requirements,
- Exchange rate risk – the risk of return or decline in value for interest and principal payments from foreign sources due to fluctuations in currency exchange rates,
- Sovereign risk – risk of loss to an investment due to the stability and viability of a country's political system,
- Regulation risk – risks that governmental regulation could adversely affect the value of an investment,

- Forced sale risk – risk associated with the involuntary liquidation of an investment, such as a bond that is called prior to maturity,
- Business or industry segment risk – risk of investing in a particular business or industry associated with the decline of that particular business or industry, and
- Valuation risk – risk due to the overvaluation of an investment caused by an excess of buyers and a scarcity of sellers.

## **Mutual Funds and Exchange-Traded funds**

### Method of Analysis

When selecting funds, we analyze several factors, which include the fund's investment style, historical performance, risk profile, management and operating expense ratio, and Morningstar rating. Funds selected usually include index funds or market segment funds which follow a fairly well-defined investment criteria, such as an index, a market sector, investment style, company size, geographical orientation or stock characteristic. Index funds can achieve several goals, such as but not limited to:

- mirror market returns
- lower cost, and
- provide exposure to a particular investment objective, market sector, geographic region or investment type.

The goal for actively-managed funds usually is to provide performance that approximates its comparable index or achieve a specific objective based upon the fund's investment strategy.

### Investment Strategy

Mutual funds or exchange traded funds (ETF's) are normally used for equity accounts to gain exposure to markets or sectors that cannot be represented economically or efficiently with individual securities. In other accounts, funds may be used when a client specifically prefers or directs the use of funds for an account.

Five to ten funds of differing objectives are normally purchased for an account to provide diversification. Typical classifications or objectives for the funds are by geographic region, market sector, equity investment type (value versus growth and small versus large market capitalization) of the stocks comprising the fund.

### Risk Associated with Mutual Funds

Investing in mutual funds involves significant risk. Part or all of an investment can be lost if a fund manager fails to meet their objective or poorly manages the assets in a fund.

The following is a list of some of the major risk factors when investing in mutual funds.

- Capital Gain Distributions – mutual funds distribute taxable capital gains to its shareholders that may be unexpected even if the mutual fund was not sold,
- Manager Risk – risk that the mutual fund manager for an actively managed fund will fail to execute the fund's investment strategy effectively,
- Diversification Risk – while diversifying investments will help protect from substantial losses in any one security, it also prevents profiting from a single security increasing in value rapidly; diversification will not protect from a general market decline,
- Principal risk – risk of principal due to decline in value or total loss of principal,
- Market risk – loss that occurs when a broad investment market, such as the stock market, declines in value,
- Liquidity risk – risk associated with being able to convert a security into cash when needed,
- Regulation risk – risks that governmental regulation could adversely affect the value of an investment,
- Business or industry segment risk – risk of investing in a particular business or industry associated with the decline of that particular business or industry,
- Reinvestment risk – risk associated with the inability of a company to reinvest retained earnings to achieve the same level of return of prior investments,
- Exchange rate risk – the risk of return for a company with foreign operations due to fluctuations in currency exchange rates,
- Sovereign risk – risk of loss to an investment due to the stability and viability of a country's political system,
- Valuation risk – risk due to the overvaluation of an investment caused by an excess of buyers and a scarcity of sellers,
- Timing risk – risk of investment loss due to an investor's forced sale of an investment at an inappropriate time for such reasons as change in objectives or cash flow requirements, or
- Forced sale risk – risk associated with the involuntary liquidation of an investment, such as cash buyout or involuntary takeover by a third party or fund closure by the fund company.

Normally, funds will be purchased by Crescent Sterling, Ltd. as a group or block for all accounts with similar objectives that are below their investment objective and have funds available to be invested. Prior to purchasing a fund, Crescent Sterling, Ltd. will make an allocation for each account and compute a total for the shares to be purchased. This total for all accounts of that fund is then purchased and distributed into the individual accounts following the pre-purchase allocation.

For exchange traded funds, the purchase price of exchange traded funds may change while purchasing the specified shares of the fund as price normally changes

during the trading day. If the price changes while the block purchase of an exchange traded fund is being executed, an average price will be used for all accounts for the total shares. The shares purchased are then allocated to the accounts following the pre-purchase allocation.

For mutual funds, purchases are normally made as a block and only at the close of the trading day as determined by the mutual fund company. The price is determined by the mutual fund at that time. Crescent Sterling, Ltd. makes an allocation prior to the order being placed.

## **Item 9      Disciplinary Information**

Crescent Sterling, Ltd. and its management do not have any legal or disciplinary events to disclose.

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

Crescent Sterling, Ltd. is independently owned and managed. Crescent Sterling, Ltd. has no material affiliations or other business activities with any related person.

## **Item 11    Code of Ethics**

Crescent Sterling, Ltd. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Crescent Sterling, Ltd. must acknowledge the terms of the Code of Ethics annually, or as amended.

Crescent Sterling, Ltd. anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Crescent Sterling, Ltd. has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Crescent Sterling, Ltd., its affiliates and/or clients, directly or indirectly, have a position of interest. Crescent Sterling, Ltd.'s employees and persons associated with Crescent Sterling, Ltd. are required to follow Crescent Sterling, Ltd.'s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Crescent Sterling, Ltd. and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Crescent Sterling, Ltd.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Crescent Sterling, Ltd. will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same

time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Crescent Sterling, Ltd.'s clients. In addition, the Code requires pre-clearance of transactions that could affect client trading activity, and restricts trading of securities by employees in periods close to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Employee trading is continually monitored to follow the Code of Ethics, and to reasonably prevent conflicts of interest between Crescent Sterling, Ltd. and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Crescent Sterling, Ltd.'s obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Crescent Sterling, Ltd. will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Crescent Sterling, Ltd.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting W. Howard Thompson, President and Chief Compliance Officer at (504) 885-1135 or [HThompson@CrescentSterling.com](mailto:HThompson@CrescentSterling.com).

It is Crescent Sterling, Ltd.'s policy that the firm will not effect any principal or agency cross securities transactions for client accounts nor cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross

transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 Brokerage Practices**

Crescent Sterling, Ltd. is independently owned and managed. We are not affiliated with any broker-dealer firm. Upon request, we may suggest discount brokers to clients based upon individual client needs, execution capability, reasonable

commissions, responsiveness, service capabilities, availability and ease of use for clients. Commissions charged by the broker are separate from the fees charged by the Advisor.

Crescent Sterling, Ltd. may suggest that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc., (Schwab) a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab provides Crescent Sterling, Ltd. with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services may include brokerage, custody services, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to Crescent Sterling, Ltd. other products and services that may benefit Crescent Sterling, Ltd. but may not directly benefit our clients' accounts. These products or services include software or other technology that provide access to client account data; facilitate trade execution; provide research, pricing information and other market data; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Crescent Sterling, Ltd.'s accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to Crescent Sterling, Ltd. other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab Institutional may make available, and/or pay for these types of services rendered to Crescent Sterling, Ltd. by independent third parties. They may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Crescent Sterling, Ltd.

If Crescent Sterling, Ltd. makes an error in submitting a trade order on a client's behalf, we may place a correcting trade with the broker-dealer which has custody of the account. If an investment gain results from the correcting trade, the gain will remain in your account unless: 1) the same error involved other client account(s) that should have received the gain, 2) it is not permissible for the client to retain the gain, or 3) we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co., Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Crescent Sterling, Ltd. will pay for the loss. Schwab will keep the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.



## **Item 13    Review of Accounts**

The portfolio managers review accounts on a regular basis receiving an updated detailed investment report for each portfolio under their management on a semi-monthly basis. The portfolio management and accounting system used allows portfolio managers to review accounts daily. Accounts are managed according to individual account objectives and investment committee guidelines. Portfolio managers and investment committee members are W. Howard Thompson, Michael Nobile, Mitchell Bordelon and Brandon Bergeron.

Clients are provided written quarterly statements which include: Portfolio Summary, Portfolio Securities Detail and Portfolio Performance Report. Clients are also provided written annual statements which include: Portfolio Performance and Tax Reporting. Clients receive monthly account statements for all months with activity or at least quarterly and confirmations for each trade directly from the custodian or brokerage firm for their account.

## **Item 14    Client Referrals and Other Compensation**

Crescent Sterling, Ltd. has a referral agreement with SmartAsset Advisors, LLC (SmartAsset) which provides an interactive online financial advisor matching platform to match investors with third party advisors. SmartAsset is a wholly owned subsidiary of Financial Insight Technology, Inc. and is a registered investment advisor with the Securities and Exchange Commission. SmartAsset is independent and unaffiliated with Crescent Sterling, Ltd. Crescent Sterling, Ltd. pays a flat fee per referral based on the investor's reported assets, whether or not the investor engages Crescent Sterling, Ltd. for investment management services. SmartAsset provides referred investors with a disclosure statement that describes the relationship between SmartAsset and Crescent Sterling, Ltd.

Clients referred through SmartAsset are charged the same standard fees or costs by Crescent Sterling, Ltd. as clients with similar portfolios who were not referred through the Service.

Crescent Sterling, Ltd. no longer participates in the Schwab Advisor Network ("the Service") referral program. We may pay Schwab a Participation Fee on previously referred clients' accounts that are maintained at Schwab as long as the client's account remains under our management. The Participation fee is a percentage of the fees paid by the client to Crescent Sterling, Ltd.

Clients previously referred through the Service are charged the same standard fees or costs by Crescent Sterling, Ltd. as clients with similar portfolios who were not referred through the Service.

## **Item 15 Custody**

Crescent Sterling, Ltd. is not a custodian of client funds or securities. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Crescent Sterling, Ltd. urges clients to carefully review statements and compare official custodial records to the account statements that we provide. Differences between our statements and the custodial statements may occur. These differences may be due to accounting procedures such as accrued interest, reporting dates, or differences in valuation. Crescent Sterling, Ltd. recommends that clients obtain an explanation for any material differences between the two statements.

## **Item 16 Investment Discretion**

Crescent Sterling, Ltd. usually receives discretionary authority from the client at the beginning of an advisory relationship to select securities and amounts to be bought or sold for an account. This authority is granted by executing an Investment Advisory Agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Crescent Sterling, Ltd. observes the investment policies, limitations and restrictions of the clients for which it advises. Notification of trades in accounts is communicated directly from the brokerage firm or custodian both by trade confirmations and monthly statements. Except in unusual circumstances, Crescent Sterling, Ltd. does not contact clients regarding individual trades in an account.

Accounts will be managed following the investment goals of the account. Such management will not be considered to be restricted unless Crescent Sterling, Ltd. is notified in writing of any limitations placed on trading, security selection or other requirements. It is the client's responsibility to notify Crescent Sterling, Ltd. of any change in their financial situation which could affect the client's financial position or change the existing investment goals of the account.

## **Item 17 Voting Client Securities**

As a matter of firm policy and practice, Crescent Sterling, Ltd. does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Upon request, Crescent Sterling, Ltd. may provide advice to clients regarding the clients' voting of proxies.

## **Item 18   Financial Information**

Crescent Sterling, Ltd. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

Crescent Sterling, Ltd. has not been the subject of a bankruptcy petition at any time.