# CRESTWOOD ADVISORS GROUP, LLC

*A Registered Investment Adviser*


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# Disclosure Brochure

**January 01, 2017**

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

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

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

## Item 2. Material Changes

This is the initial filing of the Form ADV Part 2A (“Brochure”) by Crestwood Advisors Group, LLC (“Crestwood”), a successor to Crestwood Advisors, LLC. The advisory services and management of Crestwood will remain the same. Crestwood’s Form ADV reflects new ownership by Focus Operating, LLC. Crestwood is a wholly owned subsidiary of Focus Operating, LLC which is a wholly owned subsidiary of Focus Financial Partners, LLC. Crestwood’s management is continuing the advisory business of the prior adviser in all respects.

# Item 3. Table of Contents

## Firm Disclosure Brochure

## Contents

# Item 4. Advisory Business

Crestwood Advisors Group, LLC ("Crestwood" or the "Firm") is a limited liability company formed in the State of Delaware. Crestwood became an SEC Registered Investment Adviser Firm in January 2017. Crestwood succeeded to the advisory business of its predecessor, Crestwood Advisors, LLC (CRD# 125361/SEC# 801-62000) on January 1, 2017.

The advisory services and management of Crestwood will remain the same; however, Crestwood's Form ADV reflects new ownership by Focus Operating, LLC. Crestwood is a wholly owned subsidiary of Focus Operating, LLC which is a wholly owned subsidiary of Focus Financial Partners, LLC, a Delaware limited liability company ("Focus"), www.focusfinancialpartners.com. Crestwood is continuing the advisory business of the prior adviser in all respects.

Through an exclusive long-term arrangement, the management of CWA Management Company, LLC. continues to have the right to manage Crestwood Advisors Group, LLC as officers of Crestwood Advisors Group, LLC. This management team includes Michael A. Eckton, John W. Morris, Leah R. Sciabarrasi and Robert G. Ix.

As of January 1, 2017, assets under management include discretionary assets of $1,386,298,527 and non-discretionary assets of $82,773,372.

While this brochure generally describes the business of Crestwood, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Crestwood's behalf and is subject to the Firm's supervision or control.

Crestwood's predecessor, Crestwood Advisors LLC ("predecessor firm") has been in business as a Boston-based, SEC registered investment adviser since May 2003. Since its inception, the predecessor firm has endeavored to deliver comprehensive, innovative investment solutions to high-net-worth individuals and families, foundations and endowments. Crestwood was founded on the belief that global exposure is essential to optimize portfolio growth. As such, the firm strives to provide its clients with an effective global asset allocation strategy to broaden opportunities for growth while mitigating overall portfolio risk.

Michael A. Eckton, John W. Morris, Leah R. Sciabarrasi and Robert G. Ix are the principal management team of Crestwood. The firm offers a broad range of investment services, which include investment strategy and management, as well as financial planning and consulting.

Prior to engaging Crestwood for investment advisory services, the client is required to enter into one or more written agreements setting forth the terms and conditions under which the "firm" renders its services (collectively the "Agreement").

**Investment Management and Wealth Management Services**

Clients can engage Crestwood to manage all or a portion of their investible assets. In conjunction with portfolio management, Crestwood may provide these clients with certain financial planning and advisory services (collectively, the firm's "wealth management services"), as part of this offering, all inclusive of the investment management fee.

Crestwood allocates clients' investment management assets among individual equity and debt securities, exchange-traded funds ("ETFs"), exchange-traded notes ("ETNs"), mutual funds and/or equity options in accordance with the investment objectives of the client. In addition, Crestwood may advise clients who are "accredited investors" as defined under Rule 501 of Regulation D, as promulgated under the Securities Act of 1933, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. Crestwood may also provide advice about any type of investment held in clients' portfolios.

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

Crestwood tailors its advisory services to the individual needs of clients. The firm consults with clients initially and on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. Crestwood seeks to ensure that the clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

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

**Financial Planning and Advisory Services**

As part of the firm's comprehensive wealth management service offering, Crestwood may provide investment clients with a range of financial planning and advisory services, addressing a variety of client-specific matters. These services may include certain tax and non-investment related functions otherwise requiring careful coordination with a client's trust, estate and tax advisors.

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

# Item 5. Fees and Compensation

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

**Investment Management and Wealth Management Fee**

Crestwood's annual fee is prorated and charged quarterly, in arrears, based upon the average month-end market value of assets under its management during the billing quarter. The annual fee varies (between 0.60% and 1.00%), depending upon the market value of the assets under management, as follows:

| PORTFOLIO VALUE | BASE FEE |
|---|---|
| Up to $2,000,000 | 1.00% |
| $2,000,001 to $5,000,000 | 0.75% |
| Above $5,000,000 | 0.60% |

All relationships are subject to a minimum of $1,000,000 in investible assets.  To the extent that Crestwood accepts a client under this minimum, there may be a minimum fee of $10,000 a year or $2,500 a quarter.

*Please note that clients that fall below the minimum investible asset size would pay higher base fees then stated above. For example, a client with only $800,000 in investible assets may pay a management fee of $2,500/quarter – thus amounting to a 1.25% base fee.*

Crestwood, in its sole discretion, may charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

Crestwood's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Crestwood does not, however, directly receive any portion of these commissions, fees, and costs (see Item 12 in this document for more information on costs).

**Fees Charged by Financial Institutions**

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

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

Clients may incur certain charges imposed by the Financial Institutions and other third parties including, but not limited to, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Crestwood's fee.

**Fee Debit**

*Crestwood's Agreement and the separate agreement with any Financial Institutions authorize Crestwood to debit the client's account for the amount of the firm's fee and to directly remit that management fee to Crestwood.* Any Financial Institutions recommended by Crestwood have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Crestwood.

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

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

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

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

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

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

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

## Item 7. Types of Clients

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

- Individuals (other than high net worth individuals)
- High net worth individuals
- Trusts and Estates
- Charitable organizations
- Corporations and other business entities

As previously disclosed in Item 5, Crestwood strives to develop client relationships with investible assets of $1,000,000. *See item 5 regarding fees for clients with assets below that minimum.*

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

**Primary Method of Analysis**

Crestwood relies primarily on a fundamental method of investment analysis.

The firm takes a "top-down" view on the global economy and allocates capital across multiple asset classes, based on a number of factors including valuation, risk and future opportunity. Individual security selection begins with quantitative screening based on growth, profitability and valuation. Crestwood then applies fundamental research which may include analysis on company management, product suite, sales, growth opportunities, and sustainable competitive advantages, among other attributes. The primary risk in relying on fundamental-based analyses is that while the overall health and position of a company may be good, broad market or industry conditions may negatively impact the security.

**Investment Strategy**

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

**Individual equity securities**

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

**Fixed income securities**

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

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

Crestwood augments its portfolios by investing in ETFs, ETNs and mutual funds to give portfolios exposure to focused asset classes such as international and emerging equity markets. ETFs are chosen based on their daily trading volume, underlying fee and trading strategy. Crestwood also utilizes ETFs as a way to gain exposure to hard assets, such as gold, agriculture and energy. In the event the firm is unable to use individual securities or ETFs/ETNs to effectuate a particular portfolio strategy, Crestwood may utilize mutual funds, as an alternative to its primary growth investments. These allocations may change at any time without client notification.

**Management through Similarly Managed Accounts**

For certain clients, Crestwood may manage portfolios by allocating portfolio assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “investment strategy”). In so doing, Crestwood buys, sells, exchanges and/or transfers shares of mutual funds and/or securities based upon the investment strategy.

Crestwood’s management using the investment strategy complies with the requirements of Rule 3a-4, as promulgated under the Investment Company Act of 1940. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

Securities in the investment strategy are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. Certain investment opportunities that become available to Crestwood’s clients may be limited. As further discussed in response to Item 12 (below), Crestwood allocates investment opportunities among its clients on a fair and equitable basis.

**Use of Private Collective Investment Vehicles**

For certain accredited investors, Crestwood may review investments in privately placed collective investment vehicles (some of which may be typically called “hedge funds”). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

**General and Market Risks**

*The profitability of a significant portion of Crestwood’s recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Crestwood will be able to predict those price movements accurately. Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.*

## Item 9. Disciplinary Information

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

## Item 10. Other Financial Industry Activities and Affiliations

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

FOCUS OPERATING, LLC and FOCUS FINANCIAL PARTNERS, LLC

The Registrant is part of the Focus Financial Partners, LLC (“Focus”) network. As such, Crestwood is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”). The Focus Partners provide wealth management, benefit and investment consulting services, serving individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, limited liability companies or investment companies as disclosed on their respective Form ADV, Schedule D.

Crestwood does not believe that the Focus relationships pose a material conflict to clients. The Focus Partner firms do not share client information amongst each other, nor provide services of a Partner Firm related to a Crestwood client without prior client consent. The Principals of the other Focus Partner Firms are not involved in the management of Crestwood.

# Item 11. Code of Ethics

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

Employees are encouraged to custody their accounts with Crestwood's qualified custodians and may invest their accounts in Crestwood strategies. In order to account for different employee circumstances, Crestwood has created two types of internal employee accounts (see specifics below). In addition, for employees that have extenuating circumstances, the managing partners may allow employees to have investment accounts outside of Crestwood. All accounts outside of our custodians must comply with the requirements of Outside Accounts (see below).

1. Crestwood Managed Employee Accounts

For all Crestwood Managed Employee Accounts, the Portfolio Manager (or Authorized Trader) will typically process employee trades with the majority of discretionary client accounts. Employees are not required to pre-clear trades for these accounts so long as they have no discretion on trading or security selection.

2. Crestwood Discretionary Employee Accounts

If an employee prefers to have consistent discretion on stock selection, quantity and/or transaction date, they may request a Crestwood Discretionary Employee Account. In these circumstances, all trades must be pre-cleared prior to submission of trade requests. Employees will not be allowed to process trade requests on the same date when Crestwood makes major discretionary client accounts trades.

In select circumstances, employees may request to house an account(s) outside of Crestwood. Approval of Outside Employee Accounts may be granted only by the managing partners and the CCO. These accounts are not expected to follow any Crestwood Strategy. Employees must request pre-clearance for all personal securities transactions in Outside Accounts before completing the transactions. Employees are prohibited from trading a security in Outside Accounts on the same day that the same security is traded in the majority of discretionary client accounts. Other reporting requirements exist specifically for these accounts.

The following account types are excluded from the above requirements:

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

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

## Item 12. Brokerage Practices

As discussed in Item 5, Crestwood generally recommends that clients utilize the brokerage and clearing services of Fidelity and Charles Schwab. Factors which the firm considers in recommending custodians include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by Fidelity and Charles Schwab may be higher or lower than those charged by other Financial Institutions.

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

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

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

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

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Crestwood in its investment decision-making process. Such research generally will be used to service all of Crestwood's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. *The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Crestwood does not have to produce or pay for the products or services.*

Crestwood considers the receipt of client referrals from Fidelity or any other third party in selecting or recommending Fidelity. *This results in a conflict of interest as there is an incentive to select or recommend Fidelity over other broker-dealers that may provide better execution.* Crestwood has policies and procedures in place to ensure that clients receive best execution, as discussed above, without regard to any referrals received by Crestwood. This arrangement is discussed further in Item 14.

**Support Provided by Financial Institutions**

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

## Item 13. Review of Accounts

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

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Crestwood provides investment advisory services will also receive daily online account information from Crestwood (account positions, market values, and transactions and along with monthly account performance). Clients that do not have online access will receive similar information on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Crestwood.

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

## Item 14. Client Referrals and Other Compensation

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

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

Crestwood participates in the Fidelity Wealth Adviser Solutions Program (the "WAS Program"), through which Crestwood receives prospective client referrals from Strategic Advisers, Inc. ("SAI"), a registered Investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. Crestwood is not affiliated with SAI or FMR LLC. SAI does not supervise or control Crestwood, and has no responsibility or oversight for Crestwood's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for Crestwood, and Crestwood pays referral fees to SAI for each retained client. As part of the WAS Program, Crestwood has agreed to pay SAI for the period of 7 years at a rate of .20% of any and all assets in account(s) that are retained by Crestwood. These referral fees are paid by Crestwood and not the client.

To receive referrals from the WAS Program, Crestwood must meet certain minimum participation criteria, but it may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, Crestwood may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and Adviser may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Crestwood as part of the WAS Program. Under an agreement with SAI, Crestwood has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, Crestwood has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when Crestwood's fiduciary duties would so require; therefore, Crestwood may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit Crestwood's duty to select brokers on the basis of best execution.

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

Periodically Focus Financial Partners, LLC ("Focus"), Crestwood's parent company, holds partnership meetings and other industry and best-practices conferences, which typically include Focus firm and external attendees. These meetings provide sponsorship opportunities for asset managers, asset custodians, vendors and other third party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Crestwood, and facilitate access to our advisers and employees to discuss ideas, products and services. This could be deemed a conflict: the marketing and education activities conducted, and the access granted, at such meetings and conferences may lead advisers to focus on those conference sponsors in the course of their duties. Focus attempts to mitigate any such conflict by having the fees only go towards defraying the cost of such meeting or future meetings and not as revenue for itself or any affiliate.  Conference sponsorship fees are not dependent on assets placed with any specific provider, or the revenue generated by asset placement.

## Item 15. Custody

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

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

## Item 16. Investment Discretion

Crestwood may be given the authority to exercise discretion on behalf of clients. The firm is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. The firm is given this authority through a power-of-attorney included in the agreement between Crestwood and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Crestwood takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Financial Institutions to be utilized.

# Item 17. Voting Client Securities

**Proxy Voting**

Depending on client's preferences, Crestwood may vote proxies on behalf of its clients. To assist in the administration and management of proxy voting, Crestwood has engaged an independent third party vendor. This vendor tabulates our client's proxies across multiple custodians to enable us to vote in a consistent and efficient manner. In addition, we have also employed a complementary service that researches proxy proposals and provides voting recommendations. Crestwood retains final rights on changing proxy votes if we feel the service does not represent our client's interests.

**Class Actions**

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

## Item 18. Financial Information

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

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