

## **Creative Capital Management, Incorporated Disclosure Statement**

Thank you for selecting Creative Capital Management, Incorporated as your financial advisory firm.

We feel it is important that you understand who we are, the services we provide, how we provide them, and how we are compensated. We hope you will find the attached information helpful.

As our firm is a Registered Investment Advisor with the United States Securities and Exchange Commission, there are several compliance areas in which we will need your assistance. One of these is to ask you to read over the attached disclosure statement and privacy policy and acknowledge that you have received, read, and understand the information they contain. The language that follows in the attached material is at times quite formal; however, to comply with regulations, we must provide you with the information in this format. You will find our normal correspondence to be much more “reader-friendly.” We appreciate your understanding in this regard.

Our firm's reputation has been built on trust. We have worked diligently to earn our clients' confidence. We want you to feel completely comfortable with the information presented herein, so that a mutually beneficial relationship will result from our association. If you have any questions regarding our firm, the scope of services provided, or our fees, we encourage you to bring them to our attention at any time.

We look forward to working with you to enhance your financial future and to increase your financial peace of mind!

## **INTRODUCING CREATIVE CAPITAL MANAGEMENT, INCORPORATED**

Since 1975, we have enhanced our clients' financial peace of mind. In 1980, we incorporated the firm, Creative Capital Management, Incorporated ("CCMI"), which provides financial and investment advisory services on a fee-only basis. We work with high net worth individuals, owners of closely held businesses, corporations, retirement plans, and families in business, addressing all aspects of their financial well-being. On a select referral basis, we also work with individuals who have specific financial concerns, primarily in the areas of estate planning, tax planning, divorce settlements, inheritance, succession planning, retirement planning, and money management.

Approximately forty-five percent of our time is spent working with clients on an hourly fee basis which includes areas of financial planning, succession planning, and income tax preparation. The remaining balance of our time is spent researching appropriate investment vehicles for the portfolios we supervise, reviewing clients' investment objectives, formulating written investment policies for clients, reviewing and reporting on investment results, and monitoring portfolios on a continual basis. All of these services are provided on a fee-only basis.

In providing financial advice on an hourly fee basis, CCMI offers clients a wide range of services, from tax planning to advice on selling a business, from retirement planning and sound retirement funding strategies, to meeting with an estate-planning attorney regarding wills and trusts, from break-even analysis to cash flow projections, and from management succession to equity-sharing arrangements for a family business, to mention a few. All of the services pertain to the financial health of CCMI clients and are customized to each client's particular financial situation. Once an initial financial plan or analysis is completed, clients may opt for periodic reviews of their financial status. These reviews are also provided on an hourly fee basis.

In the investment management service area, we supervise clients' funds with long-term results in mind rather than short-term profits. The firm's investment advisors primarily utilize no-load mutual funds, government securities, real estate investment trusts, some annuities, bonds and bank instruments, and, when appropriate, they select separate account managers to manage portfolios of individual stocks and bonds. Each portfolio is individually designed to meet each client's specialized investment objectives.

Creative Capital Management, Incorporated is well known for its personalized service and prides itself on its responsiveness to clients' inquiries and needs. In addition, we subscribe to a written code of ethics which outlines standards of ethical conduct that govern our firm and all of its employees, which is available to you upon request. Throughout the almost thirty-three years we have been in business, we have seen clients make tremendous strides towards financial independence.

**Clients who have succeeded appear to have the following common traits:**

1. They understand what money can and cannot do, and have reasonable expectations of their investable dollars.
2. They set reasonable, attainable goals and implement strategies by which to reach them.
3. They invest for the long-term.
4. They call with questions as they occur and are not hesitant about admitting that they do not know all things financial.
5. They discipline themselves in spending and keep debt to a minimum.
6. They know by December of each year what their current estimated taxes are, and they follow our suggestions on how to lower their taxes prior to year-end.
7. They are concerned about their families and other heirs and take care of estate planning matters with little delay. They also train their children to be financially literate and fiscally responsible.
8. They are open to new ideas and are willing to pay for expert advice from professional advisors.
9. They are adequately insured.
10. They take responsibility for their financial decisions after reviewing the various alternatives we provide to them.
11. They periodically review their financial progress and track their improvement with our help.
12. They know that happiness in life does not come from having a high net worth; rather, they know happiness is based on having a balanced life, a minimum of financial worries, and taking joy in each day.

We feel fortunate to be associated with the fine clients with whom we work. We welcome you as a client and look forward to assisting you in attaining greater financial peace of mind!

*“Because money doesn’t come with instructions.”*

## ABOUT THE ADVISORS

CCMI requires each advisor of the firm who serves on the investment committee, or provides financial planning, to have a college degree and a minimum of three years prior financial planning and investment advisory experience. In addition, each advisor of the firm is required to complete a minimum of forty (40) hours of continuing education during each calendar year. Attendance at the firm's bi-weekly investment management and financial planning meetings is mandatory. Each advisor is expected to stay current with professional reading, research, and other forms of pertinent information that relate to CCMI clients' portfolios and financial planning strategies. In addition, our firm's code of ethics states that we have a fiduciary duty to always place the interests of the clients ahead of our own interests and that of the firm. A copy of our complete code of ethics is available to you at your request.

**Robert C. Eddy**, "Bob," was born in Bethesda, Maryland on April 26, 1947. He graduated in 1970 from Drexel University with a B.S. degree in Commerce and Engineering with a major in Finance. Following his college graduation, Bob entered the U.S. Marine Corps as a Second Lieutenant assigned to an Engineer Battalion. In addition to his time overseas, he served at Camp Pendleton from 1970 to 1973.

Upon his discharge from the military, Bob was hired by Ingersoll Rand and worked there until November of 1974, when he and his wife/business partner, Peg Eddy, began to plan their own financial services business. Bob officially began the business in January of 1975, and specializes in providing fee-only financial advice and investment advisory services primarily to owners of closely held businesses and select individuals. Bob is the Chief Financial Officer of Creative Capital Management, Incorporated, and is responsible for the daily operation of the firm. In addition, Bob is involved in the investment management area of the practice and spends approximately 40% of his time in this area; 5% of his time is spent in preparing tax returns and doing tax planning for clients, and 35% is spent providing financial planning services to clients. The balance of his time is spent in taking care of the daily operations and financial reporting for the firm.

Bob has been a CERTIFIED FINANCIAL PLANNER® professional since 1983, and is licensed by the IRS as an Enrolled Agent. In 1996, the Institute of Wealth Management certified Bob as an Accredited Asset Management Specialist, and in 1997 he was also certified as a Chartered Mutual Fund Counselor. Bob is a member of the California and National Enrolled Agents' Societies and also belongs to the national and local Financial Planning Association chapters. Bob served as Treasurer and Ethics Chairman for the San Diego Chapter of the International Association for Financial Planning. Additionally, Bob is a member of San Diego Social Venture Partners.

When his sons were in primary and junior high school, Bob volunteered his spare time as a coach for the American Youth Soccer Organization. In addition, he has been active in Cub Scouts, supported high school athletics, and chaired the Granite Hills High School Safe Graduation Night project for three years. When time permits, Bob volunteers for Habitat for Humanity and enjoys playing golf.

**Margaret F. Eddy**, “Peggy,” was born in Washington, D.C., on December 31, 1946. Peggy received a B.A. degree from Wheaton College in Norton, Massachusetts.

Following her graduation from college in 1968, Peggy was employed by the Placement Department at San Jose State College (now San Jose State University) as the placement counselor for liberal arts graduates. A year later, she was hired by Lendman Associates as one of two female associates throughout the country who worked with junior military officers, placing these candidates in career positions with Fortune 500 companies.

Following two years with Lendman Associates, Peggy became a partner at Career Services, a military placement agency in Coronado, California. A short time thereafter, she became Secretary/Treasurer of the corporation and continued placing junior officers in civilian careers.

Following her marriage in August of 1974 to Bob Eddy, she worked with Bob to establish their fee-only financial and investment advisory firm in January of 1975. She is President and Chief Compliance Officer of CCMI. She is also in charge of marketing for the firm. She spends about 10% of her time working on succession planning issues with family-owned businesses. About 35% of her time is spent providing financial planning services to clients, including follow-up on their implementation schedules, and 40% of her time is spent in the investment advisory area of the firm. The remainder of her time is spent on marketing and compliance matters.

Peggy has been a CERTIFIED FINANCIAL PLANNER® practitioner since 1983 and is a member of the national and local chapters of the Financial Planning Association. She was the recipient of the Small Business Administration’s District and Regional Women in Business Advocate Award in 1988. In 1991, Peggy founded the San Diego Chapter of the National Association of Women Business Owners (NAWBO), and served as its first President. In 1992, she initiated the *Family Business Forum* at the University of San Diego, dedicated to the continuity of family businesses. In addition, Peggy belongs to San Diego Social Venture Partners, Women in Business, and is an active member of the Rotary Club of San Diego. Currently, Peggy serves on the Boards of Directors at the Academy of Our Lady of Peace, San Diego Social Venture, and Lightbridge Hospice Foundation.

In October 1994, Peggy was honored as one of thirty-four “San Diego Women Who Mean Business” as the inaugural award winner for the financial services category. In October of 2001, Peggy again received this award. In July of 2003, Peggy received the Woman Business Owner of the Year Award from NAWBO, San Diego. She is currently a financial columnist for the *San Diego Daily Transcript* and has written for financial websites for women. She also contributes frequently to several national publications and appears often on local and national radio and television programs.

**Matthew B. Showley**, “Matt,” was born in San Diego, California on June 3, 1980. He is a 1998 graduate of Francis Parker High School and earned a bachelor’s degree in Business Administration from Pepperdine University in 2002. He completed his Masters of Business Administration in Finance and Real Estate from the University of San Diego in 2006 and earned a graduate certificate in Financial and Tax Planning from San Diego State University in 2008.

Prior to joining the CCMI team, Matt spent two years as a Financial Reporting Assistant with Science Applications International Corporation (SAIC) in San Diego. Prior to choosing the financial services

industry for a career, Matt was a Front Office Supervisor at the La Jolla Beach and Tennis Club for two years.

CCMI welcomed Matt to the team in 2006 as an Investment Management Associate. Since that time, Matt has become an Associate of the firm, working in both the investment management and financial planning areas. He has significantly streamlined the CCMI investment management processes and implemented several new planning strategies as the lead advisor for the firm's newest offering, First Step Financial Plan™.

Matt earned his official CERTIFIED FINANCIAL PLANNER® designation in June 2009 and is a member of the national and local chapters of the Financial Planning Association. He is also the co-founder of a local, young professionals networking group and is active in the national "NexGen" community of young financial planners.

In the past, Matt has spent time volunteering with March of Dimes and I Love a Clean San Diego. In his spare time, he enjoys playing volleyball, golf, and relaxing with his wife, Alex. Together, Matt and Alex like to travel, cook, and spend time with family.

## ABOUT OUR SERVICES AND OUR FEE STRUCTURES

As a fee-only firm, Creative Capital Management, Incorporated (“CCMI”), offers two primary areas of service: financial planning services, and ongoing professional investment advisory services. In addition, family business consulting services are available. ONLY client fees, regardless of whether the client pays an hourly fee or a quarterly portfolio advisory fee, compensate Creative Capital Management, Incorporated, its principals, and employees. No commissions or additional compensation of any kind is generated or accepted. **Each of these services is offered on a stand-alone basis. This disclosure statement outlines all services provided by CCMI.**

### **FINANCIAL ADVISORY/PLANNING SERVICES**

At CCMI, we offer to address all areas of financial health for our clients, such as budgeting, retirement planning, tax planning, risk management, business continuity, estate planning, and college funding in a client-focused manner. Tax preparation is also provided on a limited basis.

As individuals progress through their lives, having well-defined financial goals, in addition to developing and implementing appropriate strategies by which to reach these goals, can provide greater financial security and peace of mind. The CCMI financial planning process provides personalized, alternative solutions to a client’s particular financial concerns. In order to provide a client with the best solutions, customized to his/her needs, we thoroughly review a client’s list of assets and liabilities, as well as their personal budget and cash flow situation. In addition, depending on the client’s areas of concern, we may also review employment benefits, insurance data, income and estate taxes, estate planning documents, and other financial data relevant to the client’s financial situation. Any investment advice provided in a financial plan is limited and strictly generic in nature. *There is no minimum net worth or portfolio size required for clients who are interested in financial planning.*

### **THE FINANCIAL ANALYSIS/PLANNING PROCESS**

Before our initial meeting with a client, we normally have sufficient time to provide the client with an outline of the financial information and documents that will be needed for the first appointment. In order to introduce ourselves to the client, review the client’s personal financial or business planning needs, and determine the scope of services the client desires, this first appointment usually takes approximately one hour, for which there *may* be no charge. Thereafter, our normal hourly fee applies.

Prior to initiating any financial planning services for the client, we will summarize the financial concerns discussed in our meeting and prioritize the client’s objectives in a follow-up correspondence. At this time, we will also provide our best estimate of our time involvement to address these concerns, state the fee involved to provide planning services, and request an initial retainer fee from the client. An outline of any additional data needed for the analysis and, if possible, an estimated completion time, will also be included in the follow-up correspondence. Upon receipt of all of the additional data or information requested and the retainer fee, we will begin our work for the client’s benefit.

Once we have completed a detailed analysis focusing on the financial objectives and priorities the client develops with our input, an initial draft of our written report with supporting documentation and recommendations is presented for the client’s review. We ask the client to review the draft of the analysis, making note of questions or comments that will be reviewed at a follow-up meeting. The client is free to implement any or all of our recommendations that will be summarized on a detailed

implementation schedule for easy reference purposes. The financial plan is considered completed when the final written plan and implementation schedule are finalized. If appropriate, implementation services can be provided on an hourly fee basis.

Clients are encouraged to periodically review their financial progress. Upon client request, we provide financial planning reviews that might target a specific concern, or provide a general assessment of the client's overall financial progress. These reviews are also provided on a fee-only basis.

All of the financial and family business-planning services are based on information provided by the client. This data is kept confidential and is shared with third parties only as required by law, or with prior client consent. This includes situations when client information must be disclosed during examinations performed by the Securities and Exchange Commission. At times, we may need to consult with the client's other advisors, such as an attorney, CPA, trust officer, or insurance agent. It is helpful to have access to members of the client's professional advisory team and, as such, we will ask for either verbal or written permission from the client to do so.

Miscellaneous financial advice is also available on an hourly fee basis. Reviewing areas such as mortgage options, tax planning, or financial concerns of a limited scope come under this general heading and are provided on an hourly fee basis. Tax preparation is an additional service available to clients with whom the firm has an ongoing relationship and is also provided on an hourly fee basis.

## **FINANCIAL ADVISORY FEES**

The current hourly fee for a Senior Planner for financial advisory/planning services and tax preparation is \$300; the current hourly fee for an Associate Planner is \$185 hourly; \$150 for financial planning support and administrative charges are \$65 per hour. There is also a computer processing charge for each tax return prepared by the firm.

The hourly fee pertains to client phone calls in excess of ten minutes, e-mails in response to client inquiries, correspondence, research, travel time, meetings with the client, and telephone calls or appointments with the client's other advisor(s). Direct expenses for special postage or supplies are billed in addition to the professional hourly fee.

As detailed in the client's engagement letter, the estimate of fees to provide financial advisory/planning services is only an estimate. We will do our professional and personal best to provide as conservative an estimate of our time involvement as possible. However, occasionally, a project may require in-depth research of factors not previously disclosed which would affect the outcome of our work. Therefore, if the actual time spent to complete the stated project exceeds the estimated number of hours, the client is responsible for the fees attributable to all services performed.

To initiate planning services, a retainer fee will be requested. At no time are fees requested or paid more than two months in advance of the beginning of a project. Upon completion of the plan or project, remaining balances for financial advisory/planning services are billed and are due within ten days of receipt of the detailed invoice. Financial planning services provided after the initial plan is completed are provided on an hourly fee basis and are billed monthly to the client, when time is incurred. Fees for tax preparation are billed within the three business days after the tax return is mailed and are due within ten days of receipt of the invoice. Fees are non-negotiable. At any time, if a client has any questions about an invoice, we encourage the client to contact either of the firm's principals.



## **INVESTMENT ADVISORY SERVICES**

Investment advisory services provide ongoing, active supervision of a client's portfolio, reflecting the individual client's risk tolerance, tax status, time horizon, investment objectives, expected rate of return, and current economic conditions.

As investment advisors, we do not use purely fundamental or technical analysis methods; rather, we use a combination of both. Also, we subscribe to Modern Portfolio Theory, which stresses that the proper asset class selection contributes substantially to a portfolio's results. We also firmly believe that a fully diversified portfolio will weather volatile markets better, and we will manage only money that can be invested for at least five years. In addition, the only funds that will be deposited into the managed portfolio will be those that will be subject to the investment management fee. If the client wishes to have a check writing account, an additional non-managed account can be established.

Furthermore, we utilize a variety of financial publications, mutual fund research reports, numerous mutual fund rating services, portfolio optimizer software, newsletters, quarterly/annual reports, prospectuses, Standard and Poor's, and other research services to formulate our investment recommendations, make investment decisions for our clients, and supervise clients' portfolios on an ongoing basis.

In addition to the information sources indicated, the investment advisors at Creative Capital Management, Incorporated, utilize various portfolio optimization software programs. The investment advisors subscribe to and read numerous mutual fund newsletters and several trade publications and use *Morningstar Advisor Work Station Office* to assist in screening mutual funds for use in clients' portfolios. Periodically, we participate in conference calls with various fund managers and other advisors to update information on a fund or a manager's investment policy, direction and performance, and to obtain insight from a mutual fund or sub-account manager on the state of national and global economies.

As previously stated, we primarily use no-load mutual funds, government securities, real estate investment trusts, annuities, bonds, and bank instruments to construct a portfolio that meets each client's written investment objectives. If the client's risk tolerance is appropriate and his/her financial situation and investment policy warrants it, individual securities may be used as well.

For no-load mutual funds, the CCMI investment advisors have developed our own selection and electronic screening criteria. In selecting mutual funds in various asset classes, we consider several criteria, including the following highlights: we analyze the historical performance of the fund; we review the tenure of the fund manager(s); we review and monitor the investment objective of the fund; we study the compositions of the fund's portfolio; we check the frequency of turnover in the portfolio; we analyze the volatility of the fund (both in "bull" and "bear" markets); and we check fund size, its risk rating, and its management costs.

For portfolios that call for individual securities, we establish sub-accounts with professional investment managers who meet our screening criteria and have specific expertise. Currently, we use Lockwood Financial Services, Inc. in Malvern, Pennsylvania to provide due diligence on a variety of institutional managers who manage individual securities for clients. In addition, Lockwood Financial Services, Inc. provides tracking and monitoring of some institutional managers. CCMI may collect certain financial information regarding clients and make that information available to the investment advisory firm(s) that the client selects. The client will also receive a copy of any investment sub-advisory firm's disclosure form, which outlines completely their fees, programs, personnel, and services.

The main strategy we employ is that of long-term investing with sufficient diversification that is suitable for the client. We also try to ensure that a client has sufficient cash reserves outside of their portfolio to cover living expenses or major expenditures over a one to three year period. If cash is needed for income taxes or a particular short term purpose, we will “carve out” those funds and leave them in either a money market account or equivalent so that they are available for the client’s need. We do not try to “time” the market; however, we may make interim changes to a portfolio during a twelve month period if certain asset classes become over-valued or under-valued within the portfolio.

In addition, the firm’s investment advisory services are oriented to the client’s risk tolerance, tax status, level of investment knowledge, and prior investment experience. Utilization of the asset allocation process is the keystone to providing portfolio design and continual monitoring of a client’s portfolio. At CCMI, we believe it is vital for each client to participate in the general allocation of their portfolio by working closely with us to design and annually update a written investment policy statement for their funds.

Each portfolio is individually designed and monitored using the personalized written investment policy of the client as the guideline. However, investment results cannot be guaranteed, regardless of the amount of research performed, past performance, managers utilized, or monitoring of a portfolio.

## **INVESTMENT ADVISORY PROCESS**

The professional investment advisory services provided by CCMI are delivered in two phases: portfolio design/implementation, and ongoing portfolio monitoring.

The first phase begins with the client meeting with one of the firm’s investment advisors to establish a written investment policy for the client’s funds. This written document will summarize the client’s investment objectives and expectations, risk tolerance, time horizon, asset allocation, tax bracket, current income needs, and an appropriate amount of liquidity to meet any anticipated expenditures. In addition, during this appointment, we will address any prior investment experience and familiarity with different investment vehicles. Any funds that CCMI will manage should be funds that are not needed for a minimum of five years, to allow a portfolio to meet its objectives. If a client has personal assets for which there is a low tax basis, or for which records of tax basis are missing, it will take some time to determine what the tax ramifications might be in re-positioning a personal portfolio. In some cases, where extraordinary time is needed to do tax planning, transfer assets, or to design and establish a portfolio, a portfolio design fee *may be charged*. Any extraordinary circumstances will become evident during the initial meeting; therefore, any additional fees will be discussed at that time and will be quoted in detail in writing.

An investment account titled in the client’s name (or entity name) is established at an independent custodian, such as a discount broker or mutual fund company. Investments are made with the objective to keep transaction costs as low as possible. This is accomplished by using no-load mutual funds, ETF’s (exchange traded funds), individual securities where it is warranted, and client preference so dictates, and several REITS at as low a transaction cost as is available for the trade or from each mutual fund or a professional money manager. Neither CCMI nor its principals vote any proxy for any client. In addition, the principals at CCMI may purchase the same mutual funds as they recommend to their clients; however, their purchases do not take precedence over those of the clients. ***The client always comes first at CCMI.*** The client will provide the advisors at CCMI with a Limited Power of Attorney, which allows them to make discretionary trades in their portfolios without specific client consent.

However, the investment policy statement provides a general outline as to the allocation of, and the eventual investment of funds in the client's portfolio.

Presently, CCMI recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab and Company, Inc. (Schwab), a FINRA registered broker-dealer, member SIPC/NYSE, to maintain custody of clients' assets and to effect trades for their accounts. Although CCMI may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. CCMI is independently owned and operated and not affiliated with Schwab.

Schwab Institutional provides CCMI with access to its institutional trading and operations services which are not typically available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' account assets are maintained at Schwab Institutional. Schwab's brokerage services include the execution of securities transactions, custody, 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. For CCMI client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settled into Schwab accounts.

Schwab Institutional also makes available to CCMI other products and services that benefit CCMI, but may not benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of CCMI's accounts, including accounts not maintained at Schwab. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution and allocate block trading orders for multiple client accounts, provide research, pricing information and other market data, facilitate payment of CCMI's fees from its clients' account, and assist with back-office support, recordkeeping and client reporting.

Schwab Institutional may also provide CCMI with other services intended to help CCMI manage and further develop its business enterprise. These services may include compliance, legal and business consulting; publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing; access to employee benefits providers, human capital consultants and insurance providers. In addition, Schwab may make available, arrange and/or pay for these types of third-party vendor services rendered to CCMI by independent third-parties. Schwab Institutional 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 CCMI. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of CCMI team members. In evaluating whether to recommend or require that clients custody their assets that Schwab, CCMI may take into account the availability of some of the foregoing products and services and other arrangements as part of the total list of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

At this time, CCMI believes that Schwab provides the best level of service, responsiveness to clients' needs, and reasonable overall cost of services and benefits for our clients; however, there is no guarantee that Schwab fees will remain as they are now, that the service level will remain acceptable, or that the costs of trades made qualifies as "best execution" through Schwab. We acknowledge that it is our duty to provide "best execution" for our clients and we continually review competitive programs to ensure that Schwab is the best provider of these services. We receive no monetary compensation from Schwab

for utilizing its Investment Advisor Service; however, periodically, we may receive ancillary benefits as outlined above.

Once the client signs and returns the written investment policy statement, the second phase of the investment advisory service (ongoing portfolio supervision) commences. This service provides continual monitoring and active management of the invested funds. This occurs through the execution of various investment decisions made by the CCMI investment committee. The service provides the following: quarterly client updates of the portfolio showing current asset allocation percentages, values of assets at the date of initial investment and as of the date of the report; and, for funds invested for more than a twelve month period, a time-weighted rate of return on investments and annualized rates of return; a personal appointment at least once annually with the investment advisor to review the portfolio and to revise the investment policy statement as is appropriate; telephone calls regarding changes in the portfolio and written reports on various aspects of the portfolio; and access to the investment advisor on a continual basis. The client also receives periodic updates on the economy, as well as our client newsletter, which we produce internally. Tax information for taxable portfolios can also be provided to the client's CPA. It is the client's responsibility to contact Creative Capital Management, Incorporated if there are any changes in his/her financial situation or investment objectives, or if he/she wishes to impose, add, or modify any reasonable restrictions to our investment management services at any time during our relationship.

The first investment report from CCMI will be issued on a quarterly basis and quarterly management fees will be billed on the same schedule. If a sub-advisory account is used, the investment management fees for the sub-advisors and CCMI will be billed quarterly in advance. The sub-account quarterly investment reports will report the total time-weighted investment return of the portfolio, as well as an annualized time-weighted return for the funds. Each quarterly report is accompanied by a personalized cover letter transmitting the CCMI investment report, which reflects any important developments relative to various investment markets since the previous quarter.

## **INVESTMENT ADVISORY SERVICES FEES**

### ***CCMI Investment Advisory Fees***

The minimum annual fee for CCMI investment advisory services is \$4,000 or .8% of the portfolio, whichever is greater, billed in quarterly increments. Thus, the annual minimum fee charged for CCMI investment advisory services of \$4,000 is billed at \$1,000 per quarter for accounts up to \$500,001.

Thereafter, the following incremental fee structure applies, and is billed in quarterly installments based on the average daily balance of the portfolio per quarter:

- .60% of liquid assets valued between \$500,001 and \$1 million.
- .40% of liquid assets valued between \$1,000,001 and \$2 million.
- .20% of liquid assets valued between \$2,000,001 and \$3 million.
- .10% of liquid assets in excess of \$3 million.

Investment advisory fees are due within ten days of receipt of the invoice and are non-negotiable. Investment advisory fees can range between \$4,000 and \$35,000 annually, depending on the size of the portfolio.

When a managed portfolio is established, the first quarterly investment advisory fee will be billed at the end of the first quarter and will be pro-rated for the time the funds were under CCMI direction based on the average daily balance during the quarter. CCMI reserves the right to charge a portfolio set up fee.

### ***Sub-Advisory Fees***

With the use of sub-advisors, the first investment advisory fee will be billed at the time of the initial investment of funds pro-rated to the end of the quarter. In subsequent quarters, fees of sub-advisers and CCMI investment advisory fees will be billed in advance, based on the prior quarter's ending value.

### ***Additional Fee Information***

Investment advisory fees will be outlined in detail, indicating each incremental fee level that applies. For accounts established and maintained at independent custodians, a client can opt to have investment management fees paid out of their account by signing a special authorization form and initialing this preference on *the last page* of this disclosure statement. An informational copy of the invoice for the quarterly management fee will be sent to the client at the same time an invoice for payment purposes is sent to the custodian, where the fee will be withdrawn from the account and sent to CCMI. The client also receives a detailed statement of transactions in their account from their custodian, which will indicate disbursement of said management fees as well as the sale or purchase of any asset(s) for the portfolio(s).

The client has the right to terminate the fee agreement, without penalty, within five days of signing the fee agreement. There will be no assignment of this agreement, without consent of both the client and the advisor pursuant to requirements of the Investment Advisor's Act of 1940, and fees are not negotiable. The client may terminate his/her relationship with the financial advisor or Creative Capital Management, Incorporated, at any time; however, beyond the five days noted above, the client will be responsible for fees incurred and billed for any work performed, and is not entitled to any refunds.

## **"FIRST STEP" FINANCIAL PLANNING AND INVESTMENT ADVISORY SERVICES**

### ***First Step Financial Plan™***

In addition to our traditional financial planning services, we also have a First Step Financial Plan™ offering, suitable for clients with less complex financial lives, provided on a fee only basis. Generally, this offering is best suited for younger clients who have not yet acquired a high level of wealth and are interested in financial planning for the first time. The CCMI First Step Financial Plan™ process provides personalized solutions and recommendations based on a client's particular financial concerns; thus, for these clients, we will need to review the above-mentioned financial information.

The First Step Financial Plan™ process does not require an initial meeting with the client. Most, if not all, of the communication will be handled via letters, e-mail, and telephone calls. However, we *may* make ourselves available for an initial appointment on an as-needed basis. There *may* be no charge for an initial appointment (if one is conducted) or for an initial telephone appointment.

A First Step Financial Plan™ is considered complete when the client reviews the plan with a CCMI team member, unless the client opts out of this step in the process. If appropriate, amendments may be made to the initial draft of the plan following the review meeting with the client, for which there *may* be an additional charge. Assistance in completing items from the implementation schedule that accompanied the First Step Financial Plan™ may be offered on an hourly fee basis.

Clients are encouraged to periodically review their financial progress. Upon client request, we provide First Step Financial Plan™ reviews that might target a specific concern, or provide a general assessment of the client's overall financial progress. These reviews are also provided on a fee-only basis.

### ***First Step Financial Plan™ Fees***

The fee for a First Step Financial Plan™ ranges from \$1,200 to \$2,000 and an initial retainer will be requested from the client before any work is performed for the client's benefit. The remainder of the fee will be billed upon completion of the plan. The fee includes time spent in a meeting with a CCMI team member reviewing the recommendations and possible alternative solutions. The client may choose not to have a review meeting conducted; however the fee, as stated in preliminary correspondence with the client, will still be charged.

### ***First Step Investment Advisory***

In certain appropriate cases, investment advisory services are available to clients who have participated in CCMI's financial planning process or the First Step Financial Plan™ process and have liquid assets available for investment. Other potential candidates for this service are children or relatives of clients with whom CCMI has an existing working relationship.

Under the First Step Investment Advisory Services, the advisors will select mutual funds and Exchange Traded Funds (ETFs) that are consistent with clients' stated objectives, risk tolerance, time horizon, and tax status.

The client initiates the process by opening a retail brokerage and/or retirement account at Charles Schwab & Co. and handling the transfer of all assets from outside institutions into the account. The client then signs a Limited Power of Attorney agreement with CCMI to allow us to begin managing the assets in the account(s). The method of performance reporting will be done electronically, via e-mail, or online. Clients will also receive a quarterly newsletter, market commentary and a Year in Review summary. The service also includes an annual review for which 45 minutes has been allocated to review the performance of the portfolio and to outline goals for the coming year. This will be done in our office, via e-mail or the over telephone. In addition, the management fees cover two hours of time per year spent on the phone or via e-mail with the client addressing specific questions about their portfolio.

### ***First Step Investment Advisory Fees***

The minimum fee for this service is \$1,500 annually which is billed in quarterly installments directly to the client's Schwab account(s) and paid to CCMI, which the client will authorize. The client will receive a duplicate of the invoice sent to Schwab and the fee withdrawal will appear as well on their Schwab statements. This minimum fee applies up to the first \$125,000 of liquid invested assets. Thereafter, the following incremental fee structure applies, and is billed in quarterly installments based on the average daily balance of the portfolio per quarter:

- .80% of liquid assets valued between \$125,001 and \$250,000

- .60% of liquid assets valued between \$250,001 and \$500,000

CCMI assistance in transferring assets to Schwab accounts and for determining prior tax basis will be billed at an hourly fee schedule found on page 4. When a managed portfolio is established, the first quarterly investment advisory fee will be billed at the end of the first quarter and will be pro-rated for the time the funds were under CCMI direction based on the average daily balance during the quarter. CCMI reserves the right to charge a portfolio set up fee.

## **CLIENT ACKNOWLEDGMENT AND AGREEMENT**

In signing the last page of this disclosure statement form, the client acknowledges that he/she has received and reviewed this CCMI disclosure statement and privacy policy, and that he/she understands the scope of services to be provided and the fees that will be incurred. In addition, the client acknowledges with his/her signature that information has been provided and read by the client on the background of the financial planners and investment advisors at CCMI and, further, that no financial or investment results are guaranteed either by CCMI or its staff.

### ***Acknowledgement:***

I understand that Creative Capital Management, Inc., (hereinafter "CCMI") is a Registered Investment Advisor and that three of its personnel, Robert C. Eddy, Margaret F. Eddy, and Matthew B. Showley are CERTIFIED FINANCIAL PLANNER® professionals. I also understand that various advisory services for a fee are provided by CCMI.

Having read the information provided, I/we understand the following:

- That any financial and/or tax advice is based on information which I/we will provide; therefore, CCMI and its advisors are not responsible for verification of this information;
- That to enhance the financial planning or investment management process, I agree to fully disclose all matters pertinent to my financial affairs, including, but not limited to, information regarding my financial objectives, expenses, assets, liabilities, investments, insurance, tax and estate planning programs, retirement plans, and any personal matters or changes which may have a bearing on my current or prospective financial status. It is not CCMI's responsibility to discover facts which are not made readily available to CCMI;
- That I am authorizing CCMI to contact my accountants, attorneys, and other consultants as deemed necessary by them. I assume responsibility to review all tax and legal implications of CCMI's recommendations with an attorney or an accountant, as is necessary;
- That the employees of CCMI may personally invest in the same mutual funds or securities for their own investment accounts as those of their clients. No employee will invest in any mutual fund or security if he/she has any direct or indirect beneficial interest in any of these transactions. A personal transactions log is maintained for any personal securities transaction of each principal, board member, and employee of the firm. These transactions are recorded no later than ten days after the end of the calendar quarter in which they were effected. The records include the title and amount of the security, the trade date, the nature of the transaction, the price at which the security was effected, and the name of the broker, dealer or bank through whom the transaction was effected. In addition, the employees do not place personal trades in advance of client transactions, nor do they time the market with their own portfolios;
- That CCMI is not qualified to and does not give legal advice, and that I am not relying on CCMI for advice on legal matters;
- That my advisor is acting as an advisory representative of CCMI, that CCMI has investigated his/her qualifications and methods of analysis and has authorized him/her to provide financial advice and give investment advice pursuant to this Disclosure Statement and Agreement;
- That the financial advice provided is based upon judgment and neither the advisor nor CCMI ensure, guarantee, or make assurances concerning the results of any action recommended;
- That the investment advisors do not provide advice on individual securities, or on rights and warrants to individual securities, except on a limited basis. I also acknowledge that the investment advisors do not vote proxies for the mutual funds which they have selected for my portfolio, or for any individual securities;

- That the investment advisors at CCMI do not take physical custody of any security of any kind. All transmittal of securities and/or cash will be done directly by the client to the custodian or fund manager and not by the investment advisors;
- That I agree CCMI is not responsible for the acts, omissions, or solvency of any broker, agent, independent contractor, or third party who is recommended by CCMI in good faith to take action, provide counsel, negotiate, or to consummate transactions for the benefit of my accounts;
- That I may choose to implement any and all action recommendations with anyone I choose. However, while I am under absolutely no obligation to implement any action or recommendations through the CCMI advisor, the advisor may assist me in the areas of mutual funds and bonds, individual stocks, ETF's, REITs, and Government securities by following my direction and relaying said directions to any broker, investment company, bank, or financial institution. I also understand that, again, while I am under no obligation, the advisor may assist me in the implementation of any action or recommendations involving annuities, health, disability, long-term care, and life insurance by directing me to experts in these fields. I also understand that the advisor may assist me in the implementation of any action or recommendations involving investment vehicles that are not securities or insurance products. With respect to any such implementations, CCMI does not assume and in no way undertakes responsibility, supervision, or other obligations in connection with such implementations;
- That in the event I select the advisor to implement any investment decisions, I will retain absolute discretion over all such decisions unless I specifically authorize the advisor(s) to do so, via appropriate Limited Power of Attorney or other written authorization. I understand that CCMI has no possession or custody of any client assets or funds. The limited power of attorney exercised by CCMI with client accounts is for the sole purpose of serving client interests in those accounts and gives CCMI no direct or indirect access to client funds;
- That investments have certain risks and that the advisors at CCMI make no market performance guarantees. Any market losses resulting from the purchase, sale, or exchange of any security or product recommendations by the advisors are normal market risks of which I am aware. I understand that investment risk is modified by long-term participation, as opposed to market timing, and have agreed with CCMI advisors on the long-term approach to my investment objectives;
- That CCMI and its advisors agree to keep all financial information confidential, realizing that there are situations when client information must be disclosed during examinations performed by the Securities and Exchange Commission. In all other cases, however, such confidential information will only be available to authorized employees of CCMI and will only be disclosed to outsiders with my permission. I also acknowledge receipt of the current CCMI privacy policy;
- That the information in this disclosure statement and accompanying materials has not been passed upon or approved by the Securities and Exchange Commission, or by the California Department of Corporations, nor has the Commission or the State passed upon or approved the qualifications or business practices of CCMI or its advisory representatives;
- That I can terminate my relationship with CCMI by means of written notice. Any fees incurred up to that time are due in full;
- That the advisors at CCMI presently utilize the Charles Schwab and Company Investment Management Services and, as such, may recommend clearing trades through an account in my name at Schwab for convenient management and tracking purposes. I also understand that I am not obligated to open an account at Schwab. CCMI does not serve as a registered broker/dealer, underwriter, or sponsor of any products or services. CCMI has no selling agreements with any providers which would create a conflict of interest between their income and my/our best interests;



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- That I have read and understood all the information in this outline, including the full description included of the background, experience, and method of operation of the advisor that will provide services;
- That the fees I will incur will be detailed and outlined prior to services being performed. I understand that the current CCMI Financial Advisory/Planning hourly fee for a principal is \$300, \$185 hourly for an associate planner, \$150 for financial planning support, and \$65 for administrative services. I acknowledge that there may be a separate Portfolio Design fee for extraordinary work performed and the annual portfolio management fee will be based on the graduated fee schedule as noted herein. This fee will be billed quarterly at 25% of the applicable annual fee. I also acknowledge that fee increases will apply to future services and that CCMI will provide at least a 30-day notice of any fee increases.

***If you are retaining CCMI to manage your funds, please indicate your billing preference by initialing the appropriate blanks below:***

           Please initial here if you wish to have investment advisory fees billed directly to your account.

           Please also initial here if you would prefer all of your investment advisory fees billed to a taxable account from which you may be able to claim a tax deduction.

           Please initial here to acknowledge that the investment management fees do not provide for or include financial planning services. When requested, financial planning services will be provided and billed separately according to the fee schedule outlined on pages 4 and 5 of this disclosure statement.

I have received, read, and understand this statement of disclosure about CCMI, its advisors, its services and fees. I also acknowledge receipt of the CCMI privacy policy.

**Signed:**

**Dated:**

X \_\_\_\_\_  
Client

\_\_\_\_\_

X \_\_\_\_\_  
Spouse

\_\_\_\_\_

I acknowledge providing this information to the client(s) whose signature(s) appears above.

Advisor \_\_\_\_\_  
For Creative Capital Management Incorporated

Dated \_\_\_\_\_