

# Disclosure Brochure

March 23, 2011

## **Creative Wealth Management, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Creative Wealth Management, LLC (hereinafter "Creative Wealth"). If you have any questions about the contents of this brochure, please contact Glenda Kresh at (631) 232-9170. 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 Creative Wealth Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Creative Wealth Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since Creative Wealth's last annual update dated March 12, 2011. Creative Wealth does not have any material changes to disclose in this Item.

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### Supervised Person Brochure Supplements

## Item 4. Advisory Business

Creative Wealth was founded in October 2002 by Principal Michael Kresh. From 2001 through 2011, Creative Wealth was under common control with M.D. Kresh Financial Services, Inc. (a registered investment adviser also founded by Michael Kresh); however, as of January 2011 the firms have merged their operations and advisory businesses. As of January 31, 2011, Creative Wealth has \$62,307,000 of assets under management, all of which are managed on a discretionary basis.

Creative Wealth provides financial planning, consulting, and investment management services. Prior to engaging Creative Wealth to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Creative Wealth setting forth the terms and conditions under which Creative Wealth renders its services (collectively the “*Agreement*”).

This Disclosure Brochure describes the business of Creative Wealth. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Creative Wealth’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Creative Wealth’s behalf and is subject to Creative Wealth’s supervision or control.

### Financial Planning and Consulting Services

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Creative Wealth may provide its clients with total financial planning and consulting concentrating on retirement and investment planning, and where appropriate estate planning, college planning, and risk management.

In performing its services, Creative Wealth 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. Creative Wealth may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Creative Wealth recommends its own services. The client is under no obligation to act upon any of the recommendations made by Creative Wealth under a financial planning or consulting engagement or to engage the services of any such recommended professional, including Creative Wealth itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Creative Wealth’s recommendations. Clients are advised that it remains their responsibility to promptly notify Creative Wealth if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Creative Wealth’s previous recommendations and/or services.

## Investment Management Services

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Clients can engage Creative Wealth to manage all or a portion of their assets on a discretionary or non-discretionary basis. Creative Wealth primarily allocates clients' investment management assets among mutual funds and exchange-traded funds ("ETFs") in accordance with the investment objectives of the client. Creative Wealth also provides advice about any type of investment held in clients' portfolios.

Creative Wealth 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, Creative Wealth either directs or recommends 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.

Creative Wealth tailors its advisory services to the individual needs of clients. Creative Wealth consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Creative Wealth ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Creative Wealth if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Creative Wealth's management services. Clients may impose reasonable restrictions or mandates on the management of their account if, in Creative Wealth's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Use of Independent Managers

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Creative Wealth may recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between Creative Wealth or the client and the designated *Independent Managers*. Creative Wealth renders services to the client relative to the non-discretionary recommendation of *Independent Managers*. Creative Wealth also monitors and reviews the account performance and the client's investment objectives. Creative Wealth receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending an *Independent Manager* for a client, Creative Wealth reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that Creative Wealth considers in recommending an *Independent Manager* include the client's stated investment objectives,

## Creative Wealth Management, LLC Disclosure Brochure

management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Creative Wealth's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Creative Wealth, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to Creative Wealth's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Creative Wealth. In such instances, Creative Wealth may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 5. Fees and Compensation

Creative Wealth offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Additionally, certain of Creative Wealth's *Supervised Persons*, in their individual capacities, may offer securities brokerage services under a commission arrangement.

### Financial Planning and Consulting Fees

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Creative Wealth may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$250 to \$5,000 on a fixed fee basis and/or from \$150 to \$500 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages Creative Wealth for additional investment advisory services, Creative Wealth may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Creative Wealth to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Creative Wealth setting forth the terms and conditions of the engagement. Generally, Creative Wealth requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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Creative Wealth provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Creative Wealth. Creative Wealth'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. Creative Wealth does not, however, receive any portion of these commissions, fees, and costs. Creative Wealth's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Creative Wealth on the last day of the previous quarter. The annual fee varies (between 0.60% and 1.50%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

Creative Wealth, in its sole discretion, may negotiate to 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.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), Creative Wealth generally recommends that clients utilize the brokerage and clearing services of Royal Alliance Associates, Inc. ("*Royal*") for investment management accounts.

Creative Wealth may only implement its investment management recommendations after the client has arranged for and furnished Creative Wealth with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Royal*, any other broker-dealer recommended by Creative Wealth, broker-dealer 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 such as fees charged by *Independent Managers* (as defined below), 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, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Creative Wealth's fee.

Creative Wealth's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Creative Wealth or *Independent Managers* to debit the client's account for the amount of Creative Wealth's fee and to directly remit that management fee to Creative Wealth or the *Independent Managers*. Any *Financial Institutions* recommended by Creative Wealth 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 Creative Wealth. Alternatively, clients may elect to have Creative Wealth send an invoice for payment.

## **Fees for Management During Partial Quarters of Service**

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

The *Agreement* between Creative Wealth and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Creative Wealth's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Creative Wealth's right to terminate an account. Additions may be in cash or securities provided that Creative Wealth reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Creative Wealth, subject to the usual and customary securities settlement procedures. However, Creative Wealth designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Creative Wealth 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.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Commissions or Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with Creative Wealth (but not Creative Wealth) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Creative Wealth. Under this arrangement, clients may implement securities transactions through certain of Creative Wealth's *Supervised Persons* in their respective individual capacities as registered representatives of *Royal*, an SEC registered broker-dealer and member of FINRA. *Royal* may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by *Royal* to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with *Royal*. The brokerage commissions charged by *Royal* may be higher or lower than those charged by other broker-dealers. In addition, certain of Creative Wealth's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. When an appropriate investment option for client portfolios, Creative Wealth recommends no-load funds.

A conflict of interest exists to the extent that Creative Wealth recommends the purchase of securities where Creative Wealth's *Supervised Persons* receive commissions or other additional compensation as a result of Creative Wealth's recommendations. Creative Wealth has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts covered by ERISA (and such others that Creative Wealth, in its sole discretion deems appropriate), Creative Wealth provides its investment advisory services on a fee-offset basis. In this scenario, Creative Wealth may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by Creative Wealth's *Supervised Persons* in their individual capacities as registered representatives of *Royal*.

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

Creative Wealth 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

Creative Wealth provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, Creative Wealth generally imposes a minimum portfolio size of \$250,000. Creative Wealth, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. Creative Wealth only accepts clients with less than the minimum portfolio size if, in the sole opinion of Creative Wealth, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Creative Wealth may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than Creative Wealth. In such instances, Creative Wealth may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Methods of Analysis

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Creative Wealth recognizes that no single source provides all the information necessary to allow the firm to design portfolios tailored to a client's investment return and risk tolerance. Creative Wealth relies on multiple research tools when developing investment recommendations, including Internet-based media and financial sources as well as academic research. Through the use of fundamental and technical analysis, combined with Modern Portfolio Theory, Creative Wealth designs portfolios tailored to the client's investment objectives.

*Modern Portfolio Theory* is a theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. Modern Portfolio Theory seeks to construct an optimal portfolio by considering the relationship between risk and return, especially as measured by alpha, beta, and R-squared.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Creative Wealth will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Creative Wealth will be able to accurately predict such a reoccurrence.

### Investment Strategies

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Creative Wealth believes that each client represents a unique investor and should be invested accordingly, but will take a global view of familial assets and holdings when appropriate. Creative Wealth focuses on controlling the risk of a portfolio than seeking absolute returns.

Creative Wealth implements a dynamic and tactical approach to investment management, and factors such as investment horizon, risk tolerance, tax efficiency and lifestyle considerations are carefully evaluated when building a portfolio. Creative Wealth believes that liquidity is very important in client accounts, and relies primarily on mutual funds and ETFs when constructing client portfolios since these investments offer strong diversification that allows indirect exposure to commodities, non-dollar denominated investments, and inflation-indexed bonds.

Creative Wealth does not try to time the market; rather, it believes that global economic conditions often give insight into trends that are then used as an indicator whether to overweight or underweight certain market sectors.

## Risks of Loss

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

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### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

Creative Wealth 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. Creative Wealth does not have any required disclosures to this Item.

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

Creative Wealth is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Creative Wealth has described such relationships and arrangements below.

#### **Registered Representatives of Broker Dealer**

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As discussed above in Item 5, certain of Creative Wealth's *Supervised Persons* are registered representatives of *Royal*.



### Item 11. Code of Ethics

Creative Wealth and persons associated with Creative Wealth ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Creative Wealth's policies and procedures.

Creative Wealth has adopted a code of ethics that sets forth the standards of conduct expected of its 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 Creative Wealth or any of its associated persons. The *Code of Ethics* also requires that certain of Creative Wealth's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Creative Wealth's *Code of Ethics*, none of Creative Wealth's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Creative Wealth's clients.

When Creative Wealth is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Creative Wealth is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Creative Wealth to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Creative Wealth generally recommends that clients utilize the brokerage and clearing services of *Royal*.

Factors which Creative Wealth considers in recommending *Royal* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Royal* enables Creative Wealth to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Royal* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Creative Wealth's clients comply with Creative Wealth'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 Creative Wealth 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. Creative Wealth seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Creative Wealth 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 Creative Wealth in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Creative Wealth will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Creative Wealth (as described below). As a result, the client may pay higher commissions 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, Creative Wealth may decline a client's request to direct brokerage if, in Creative Wealth's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless Creative Wealth decides to purchase or sell the same securities for several clients at approximately the same time. Creative Wealth 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 Creative Wealth'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 Creative Wealth's clients pro rata to the purchase and sale orders placed for each client on any

given day. To the extent that Creative Wealth determines to aggregate client orders for the purchase or sale of securities, including securities in which Creative Wealth's *Supervised Persons* may invest, Creative Wealth 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. Creative Wealth does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Creative Wealth 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, Creative Wealth 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 Creative Wealth in its investment decision-making process. Such research generally will be used to service all of Creative Wealth'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 Creative Wealth does not have to produce or pay for the products or services.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain *Supervised Persons* in their respective individual capacities, are registered representatives of *Royal*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *Royal* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *Royal* unless they first secure written consent from *Royal* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *Royal*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *Royal* under *Royal's* internal supervisory policies. Creative Wealth

is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

*Royal* sponsors the Elite Focus Program. In this program, selected vendors will be invited to pay additional marketing fees to *Royal* for its enhanced marketing and distribution efforts. As part of such compensation, such vendors will, at no additional charge, be invited to participate in *Royal's* educational and sales seminar's included in *Royal's* "Sourcebook" publication, and will also be granted access to lists containing *Royal's* registered representatives such as Creative Wealth's *Supervised Persons* and marketing information. In addition, ticket charges for purchasing such funds may be reduced or waived. A list of *Royal's* Elite Focus Program members is available to clients upon request.

### **Software and Support Provided by Financial Institutions**

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Creative Wealth may receive from *Royal*, without cost to Creative Wealth, computer software and related systems support, which allow Creative Wealth to better monitor client accounts maintained at *Royal*. Creative Wealth may receive the software and related support without cost because Creative Wealth renders investment management services to clients that maintain assets at *Royal*. The software and related systems support may benefit Creative Wealth, but not its clients directly. In fulfilling its duties to its clients, Creative Wealth endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Creative Wealth's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Creative Wealth's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

In addition, the principal of Creative Wealth, Michael Kresh, has received a forgivable loan from *Royal*. As such, Creative Wealth has a conflict of interest due to the financial incentive to recommend and/or choose the services of *Royal* to its clients.

### Item 13. Review of Accounts

For those clients to whom Creative Wealth provides investment management services, Creative Wealth monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Creative Wealth provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Creative Wealth’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Creative Wealth and to keep Creative Wealth informed of any changes thereto. Creative Wealth 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 Creative Wealth provides investment advisory services will also receive a report from Creative Wealth that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Creative Wealth.

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

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

Creative Wealth 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, Creative Wealth is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to Creative Wealth by either an unaffiliated or an affiliated solicitor, Creative Wealth 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 Creative Wealth's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Creative Wealth by an unaffiliated solicitor, the solicitor provides the client with a copy of Creative Wealth's written disclosure brochure 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 Creative Wealth discloses 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 Creative Wealth's written disclosure brochure at the time of the solicitation.

Creative Wealth may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### Item 15. Custody

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

The *Financial Institutions* recommended by Creative Wealth 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 Creative Wealth. In addition, as discussed in Item 13, Creative Wealth also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Creative Wealth.

### Item 16. Investment Discretion

Creative Wealth is given the authority to exercise discretion on behalf of clients. Creative Wealth 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. Creative Wealth is given this authority through a power-of-attorney included in the agreement between Creative Wealth and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Creative Wealth 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

Creative Wealth may vote client securities (proxies) on behalf of its clients. When Creative Wealth accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in Creative Wealth's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Creative Wealth's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Creative Wealth to request information about how Creative Wealth voted proxies for that client's securities or to get a copy of Creative Wealth's Proxy Voting Policies and Procedures. A brief summary of Creative Wealth's Proxy Voting Policies and Procedures is as follows:

- Creative Wealth has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to Creative Wealth's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Creative Wealth devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Creative Wealth's vote on a particular solicitation but can revoke Creative Wealth's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Creative Wealth maintains with persons having an interest in the outcome of certain votes, Creative Wealth takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

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

## **Creative Wealth Management, LLC**

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