

CORE CAPITAL SOLUTIONS LLC

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Part 2A to Form ADV

This brochure provides information about the qualifications and business practices of Core Capital Solutions LLC. If you have any questions about the contents of this brochure, please contact us at 630-753-9900. 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. The registration of an investment adviser does not imply a certain level of skill or training. Additional information about Core Capital Solutions LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

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This annual update to Core Capital Solutions LLC's ("CCS") brochure does not include information on material changes to CCS's policies, practices or conflicts of interest. However, the information included is provided in a new format as required by the Securities and Exchange Commission.

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## ADVISORY BUSINESS

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### *Firm Description*

Core Capital Solutions LLC (“CCS,” the “Firm,” “we,” or “us”) is an investment advisory firm that has been in business and providing advisory services to clients since November 2005. CCS has two investment counselors and one support person. CCS is federally registered with the SEC as a registered investment adviser.

CCS provides investment management and limited financial planning to individuals, families and their related entities. We also provide investment advice and consulting to retirement plans.

CCS’s compensation is entirely from fees paid directly by clients. CCS does not receive commissions from the sale of financial products, including insurance.

Our clients’ assets are held by an independent custodian, Fidelity Institutional Brokerage (“Fidelity”), except for retirement plans which may be held at other custodians such as Principal Financial.

### *Ownership*

David M. Fluett is the sole owner of CCS.

### *Types of Advisory Services*

CCS provides investment advisory services to individuals, corporations, trusts, estates, charitable organizations and both qualified and non-qualified retirement plans.

### *Services for Individuals, Corporations, Trusts, Estates and Charitable Organizations*

For individuals, corporations, trusts, estates and charitable organizations, CCS provides investment management services on a discretionary basis using an asset allocated approach that emphasizes risk reduction through diversification. It is important to understand that diversification cannot remove all possibility of loss. In addition to investment management, we seek to answer clients’ questions regarding financial matters. The level of this service varies greatly between clients and is entirely driven by each client’s specific situation and questions. Some clients do not utilize this service. We do not consider this to be a comprehensive financial planning service.

Each asset-allocated portfolio is built to reflect that client’s goals and ability to tolerate risk. We work with each client to understand their goals, financial position and risk tolerance prior to determining jointly with the client the general parameters for their portfolio. This is summarized in an Investment Policy document that outlines the limits on exposure to various asset classes and is signed by both the client and us.

Clients are allowed to impose restrictions on the management of their accounts, but we cannot accommodate all restrictions without upsetting our basic investment strategy. We encourage all clients to raise these issues so we can discuss how and if we can accommodate the restriction.

*Services for Qualified and Non-Qualified Retirement Plans*

*Trustee-Directed Plans*

For trustee-directed plans, CCS provides discretionary investment management services using an asset-allocated approach that emphasizes risk reduction through diversification. It is important to understand that diversification cannot remove all possibility of loss.

Each asset-allocated portfolio is built to reflect a plan's goals and ability to tolerate risk. We work with the plan trustees to understand the plan's goals, financial position and risk tolerance prior to determining jointly with the trustees the general parameters for their portfolio. This is summarized in an Investment Policy document that outlines the limits on exposure to various asset classes and is signed by both the client and us.

Clients are allowed to impose restrictions on the management of their accounts, but we cannot accommodate all restrictions without upsetting our basic investment strategy. We encourage all clients to raise these issues so we can discuss how and if we can accept the restriction and maintain the integrity of our investment process.

*Participant-Directed Plans*

For Participant-Directed Plans, we advise the Plan's Investment Committee on the selection of the investments and the ongoing monitoring of those investments. We produce an investment policy that summarizes the investment selection process and the monitoring process to help the Plan's trustees comply with their fiduciary responsibilities under ERISA. Our process focuses on helping the sponsor comply with the 404(c) regulation, which encourages diversification of investments and the dissemination of investment information to plan participants. These services may be provided on a discretionary or on a non-discretionary basis.

Clients are allowed to impose restrictions on the management of their accounts, but we cannot accommodate all restrictions without upsetting our basic investment strategy. We encourage all clients to raise these issues so we can discuss whether we can accommodate the restriction and maintain the integrity of our investment process.

*Managed Assets*

Client assets under discretionary management as of December 31, 2012 totaled \$116,442,444. Client assets managed on a non-discretionary basis totaled \$72,667,383 at December 31, 2012. Non-discretionary management is available only to investment committees for Participant Directed Plans.

## **Fees and Compensation**

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### *Fees*

Our standard fee schedule for discretionary accounts is based on average daily net assets under management during each calendar quarter. The maximum annual rate charged, which is subject to a discount based on volume, is as follows:

First \$1,000,000	1.00% of average daily net assets
Next \$2,000,000	0.75% of average daily net assets
Next \$2,000,000	0.50% of average daily net assets
Over \$5,000,000	0.25% of average daily net assets

Fees, methods for computing fees and frequency of billing are negotiable under certain limited circumstances. Also, as an alternative to fees based on assets under management, CCS may enter into a fixed annual retainer where some portion of the assets to be advised are held in custody outside CCS's control. In these cases, the annual retainer will be determined using the schedule above and will be reset annually. We have a minimum annual fee of \$4,000 for each relationship.

For non-discretionary accounts, fees are quoted as a flat annual retainer and are based on the specifics of each engagement, but typically CCS would be engaged by an investment committee of an employee benefit plan to provide advice on investment, plan design and fiduciary matters. On occasion, we may undertake a project on an hourly or retainer basis that does not include ongoing investment advice. Such projects typically include retirement analysis or tax analysis.

### *Billing*

Clients may elect to have fees charged to their accounts or pay by check. Clients are billed quarterly in arrears with an exception for some retirement plans that are billed monthly in arrears. We do not bill fees in advance.

### *Termination*

Discretionary accounts may be terminated on five (5) days' written notice by either party. Non-discretionary accounts may be terminated on thirty (30) days' written notice by either party.

### *Other Fees and Expenses*

Clients will incur custodial fees, mutual fund management fees and expenses, brokerage commissions and other transaction costs, and the internal costs of any other pooled investment products in addition to the fees charged by us. We seek to keep these costs as low as possible, but it is not possible to eliminate all these expenses and execute our investment strategy. See "Brokerage Practices" below for a discussion of brokerage.

We do not accept compensation for the sale of securities or other investment products, including brokerage commissions and asset-based sales charges or service fees from the sale of mutual funds.

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

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This item is not applicable to CCS. We do not manage accounts using a performance fee and do not intend to do so in the future. Generally, performance-based fees are designed to incent the manager to take greater risks in search of greater profits. We believe this conflicts with our clients' capital preservation goals.

## **Types of Clients**

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CCS provides its services to two basic types of clients – Individuals and Retirement Plans. Individual clients also include the clients' personal retirement accounts, their estates, their businesses' investment assets, private foundations and their trusts, whether living (revocable), testamentary (irrevocable) or charitable in nature.

Retirement plan clients include Qualified Plans such as defined benefit pensions, and defined contribution plans such as 401(k) Plans. We also manage the assets of funded Non-Qualified Retirement Plans.

### *Conditions for Opening or Maintaining Accounts*

CCS requires all clients to enter into a written investment advisory agreement. We reserve the right to decline any new account, or to resign as advisor to any account after initiation of the investment advisory relationship. We impose a minimum annual fee of \$4,000 for each new client relationship. This fee may be waived for certain new accounts related to an existing client and in particular for IRA rollovers from existing client retirement plans. We require all clients, except qualified retirement plans, to appoint Fidelity as custodian and as a designated broker/dealer. We may utilize other custodians for Variable Life or Variable Annuity contracts. The selection of the custodian for insurance products is dependent on the nature of the contract and the client's needs.

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

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CCS uses an asset-allocated approach to investing client assets. Asset allocation can be simply described by the old adage; "don't put all your eggs in one basket." Asset allocation takes the concept of diversification up to the asset class level. In conventional diversification, one decides to hold a portfolio of stocks rather than hold just one stock. In asset allocation, we look at the asset class (stocks or bonds) or a subset of the asset class, such as small capitalization stocks. Then, for example, we decide how much of a client's assets should be devoted to small capitalization stocks versus the other asset classes in which one could invest like emerging market stocks. Once the asset allocations are determined for each asset class, we purchase a diversified portfolio of assets representing each asset class. Clients should remember that diversification and asset allocation cannot prevent losses. Investing in securities involves a risk of loss that clients should be prepared to bear. Diversification and asset allocation are strategies designed to reduce but not eliminate the risk of loss.

CCS builds and maintains a series of asset-allocated models that vary based on levels of risk. The riskiest model has the greatest exposure to equity securities, while the least risky has the greatest exposure to fixed income securities. Thus the riskiest portfolios are most exposed to any negative event in the equity markets while the least risky portfolio has the greatest exposure to a negative event in the fixed income market. We attempt to minimize trading in order to economize on the cost of commissions, markups and income taxes. We attempt to conduct our management in a tax efficient manner, realizing capital losses and minimizing capital gains where possible and consistent with our investment philosophy.

## **Disciplinary Information**

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CCS does not have any legal or disciplinary events to disclose.

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

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CCS does not have business relationships with other financial industry entities, including advisers, that create a material conflict of interest.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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CCS maintains a Code of Ethics as required under Rule 204A-1 under the Investment Advisers Act of 1940 that sets forth certain standards of conduct that govern the personal investment activities of our employees, including the standard that the interests of advisory clients must be placed first at all times. Our Code of Ethics informs employees about Insider Trading and requires them to report all transactions in “reportable securities,” generally equity securities and options, to the Firm’s Chief Compliance Officer. The procedures in the Code apply not only to transactions by the individual, but also to transactions for accounts in which such person has an interest individually, jointly or as guardian, executor or trustee. It also applies to such person’s spouse, minor children or other dependents residing in the same household. We maintain records of all personal securities transactions covered by the Code. A copy of CCS’s Code of Ethics is available by contacting us at 630-753-9900.

CCS and its employees typically invest in the same securities as our clients, but those securities are not typically “reportable securities.” Our investments are typically made in mutual funds and exchange-traded funds.

## **Brokerage Practices**

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Currently, all clients except qualified retirement plans are required to appoint Fidelity as custodian of their advisory accounts and to utilize Fidelity to execute transactions for their accounts. We do this for efficiency within our back office and for obtaining the best pricing for commissions and other custodial services. We believe our ability to obtain favorable pricing increases by holding all client assets with one custodian. CCS also invests nearly all assets in no-load and load waived open-end mutual funds that are executed once a day at the net asset value. As a result, seeking best execution only relates to a very small portion of the trading CCS executes (currently estimated to range from 5% and 10% of client assets).

CCS receives services, products, research and other benefits (“Services”) beyond execution from Fidelity. These Services are similar to what would be available to CCS from any of the major custodians who service registered investment advisers. The receipt of these Services provides us with a substantial benefit that we do not have to pay for or produce with our own resources. We may have an incentive to select Fidelity based on our interest in receiving Services, rather than on your interest in receiving more favorable execution. The Services received from Fidelity are not dependent on the amount of transactions directed to, or amount of assets held at, Fidelity.

During the last year, CCS received research from Fidelity Investments on certain Fidelity Funds that we use in our investment strategy. We also receive Fidelity research on general economic conditions and market segments of interest to CCS. Fidelity also sponsors a discount program where Fidelity negotiates a discount with vendors that is available to registered investment advisers who custody client assets at



Fidelity. The program is quite varied and includes, among other things, software for portfolio accounting to compliance services. In the last years, we made use of discounts on industry conference entrance fees such as the Morningstar Conference and on the purchase of Morningstar research software. The benefit to CCS is estimated to be less than \$2,000.

Directing transactions to Fidelity may cost clients more money; it may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or transaction fees than may be charged by other broker-dealers, or receive less favorable prices and executions on some transactions, or both. Not all advisory firms require, request and/or recommend that a client appoint a particular custodian and/or use a particular broker-dealer for execution of securities transactions.

CCS does not have any incentive to select or recommend a broker-dealer or a third party based upon an interest in receiving client referrals.

## **Review of Accounts**

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Accounts are reviewed no less than quarterly for compliance with the asset allocation targets contained in the account's Investment Policy Statement. This is accomplished by assigning each account a model that complies with their Investment Policy Statement. This model is then rebalanced using software that determines the trades to be made in order to keep the asset allocation within permissible ranges. We annually confirm with each client the client's asset allocation in terms of their goals and objectives to make certain that the Investment Policy we are using is still appropriate. Reviews are conducted by Mr. Fluett or Mr. Sullivan, CCS's account managers.

Clients receive quarterly reports detailing holdings and investment returns in dollars. Investment returns are also calculated on a percentage basis. Clients also receive a monthly report from the custodian detailing holdings and trading activity. After yearend, clients receive a report detailing realized gains and losses for each taxable account. Reports are available in written and/or electronic formats.

## **Client Referrals and Other Compensation**

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CCS does not receive or pay compensation for any client referrals.

## **Custody**

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CCS is deemed to have custody of client assets for purposes of the Investment Advisers Act of 1940 when it deducts advisory fees directly from advisory accounts.

Clients will receive monthly statements from Fidelity, the client's custodian. Clients also receive a quarterly Holdings report from CCS. We urge clients to carefully review and compare the statements they receive from Fidelity with the Holdings report they receive from us and to report any discrepancies. Certain qualified clients may invest in private placements which are not held at Fidelity. In these cases, statements or progress reports are generally provided directly by the investment's sponsor.

## **Investment Discretion**

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CCS accepts investment discretion for nearly all clients. The only exception is for advice provided to investment committees for qualified retirement plans who may elect either a discretionary or non-discretionary relationship. The discretionary authority we accept is typically limited by the terms of the Investment Policy that is negotiated between us and the client. The discretionary authority is also limited to investing the assets within the advisory account and does not provide us with the authority to transfer assets out of the account. Discretionary authority is granted to CCS in the Investment Advisory Agreement that each client executes.

## **Voting Client Securities**

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When CCS acts as discretionary investment adviser, it will exercise voting authority with respect to client securities as part of its investment advisory function, unless a client has retained voting authority in the client's advisory agreement with us. Our policy is to vote proxies in the best interests of clients. We have an established proxy voting policy, copies of which are available to clients upon request. Clients may also request a report on how we voted in any particular solicitation. Since CCS invests mainly in investment companies, proxies are seldom, if ever, controversial, thus conflicts of interest between us and our clients are expected to be rare. In those cases where a conflict arises, we will vote in a manner we believe will provide the greatest benefit to the client.

## **Financial Information**

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CCS does not believe there is any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

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Part 2B to Form ADV

Supervised Persons

David M. Fluett, James H. Sullivan

This brochure supplement provides information about our supervised persons that supplements the Core Capital Solutions LLC brochure. You should have received a copy of that brochure. Please contact Jean Lyon if you did not receive Core Capital Solutions LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about David M. Fluett and James H. Sullivan is available on the SEC's website at [WWW.adviserinfo.sec.gov](http://WWW.adviserinfo.sec.gov).

## Educational Background and Business Experience

David M. Fluett, CPA, AIF, born April 21, 1953.

### Post High School Education:

University of Illinois, BS Finance 1975

University of Chicago, MBA Finance 1988

### Business Experience:

Mr. Fluett founded Core Capital Solutions LLC (“CCS”) in November 2005 and has operated the business since. Mr. Fluett has been self employed in the investment management business since 1990 and has worked in the financial services industry since 1975.

Mr. Fluett holds a Certified Public Accountant certificate in the state of Illinois. Currently in order to take the exam a candidate must have 150 semester hours which in effect amounts to a Bachelors and a Masters degree in terms of total hours. The candidate must then take a four part exam achieving a passing score of seventy-five in each section. Upon successfully passing all of the sections, the Illinois Board of Examiners awards the candidate his or her certificate. In addition the certificate holder must register with the State of Illinois, Department of Financial and Professional Regulation, which does not require continuing professional education unless the CPA is engaged in auditing.

Mr. Fluett holds the Accredited Investment Fiduciary (AIF) designation which certifies that the recipient has specialized knowledge of fiduciary standards of care and their application to the investment management process. To receive the AIF designation, an individual must complete a training program, successfully pass a comprehensive, closed book final examination under the supervision of a proctor and agree to abide by the AIF Code of Ethics. In order to maintain the AIF designation, the individual must annually renew his/her affirmation of the AIF Code of Ethics and complete six hours of continuing education credits. The certification is administered by the Center for Fiduciary Studies, LLC (a Fiduciary 360 (fi360) company).

Disciplinary Information:     None

Other Business Activities:     None

Additional Compensation:     None

Supervision:

Mr. Fluett is the sole owner and the Chief Compliance Officer of CCS so he is responsible for himself. He can be reached at 630-753-9900.

## Educational Background and Business Experience

James H. Sullivan, CPA, born May 9, 1955.

### Post High School Education:

Northern Illinois University, BA History 1977

University of Illinois, MAS Accounting 1982

### Business Experience:

Mr. Sullivan has served as an Investment Counselor for Core Capital Solutions LLC (“CCS”) since May of 2007. Mr. Sullivan has worked in the financial services industry since 2002. Mr. Sullivan also owns and operates James H. Sullivan & Co., a business he founded in 2005.

Mr. Sullivan holds a Certified Public Accountant license in the state of Illinois. Currently in order to take the exam a candidate must have 150 semester hours which in effect amounts to a Bachelors and a Masters degree in terms of total hours. The candidate must then take a four part exam achieving a passing score of seventy-five in each section. Upon successfully passing all of the sections, the Illinois Board of Examiners awards the candidate his or her certificate. In addition the certificate holder must register with the State of Illinois, Department of Financial and Professional Regulation, which does not require continuing professional education unless the CPA is engaged in auditing.

Disciplinary Information: None

Other Business Activities: Mr. Sullivan receives a substantial portion of his income as a writer. He writes on a variety of consumer finance and financial planning topics including household budgeting, careful use of credit cards, Medicare planning, and reducing debt. These topics do not present a conflict with the investment-related business in which he is engaged through CCS. Mr. Sullivan is also a licensed life and health insurance agent in Illinois. He regularly consults on life and health insurance topics as a fee only advisor through CCS and James H. Sullivan & Co. In Illinois, a life and health insurance license is required if an individual either sells insurance and/or acts as a fee only consultant. Occasionally, Mr. Sullivan sells life and health insurance products – such as Medicare Supplement policies and long term care insurance policies - but only when it was in the best interest of the client. He does not actively pursue such sales. The income from such sales is not substantial. He assists some clients with evaluating the purchase of variable life and annuity products but only products that are no

load – in other words, only those products that do not pay a sales commission. In such cases Mr. Sullivan is paid either an hourly fee or a fee based on assets under management. None of the above-noted activities create a material conflict of interest with the advisory business Mr. Sullivan is engaged in through CCS and/or Mr. Sullivan's advisory clients.

Additional Compensation:   None

Supervision:

Mr. Sullivan is supervised by David M. Fluett, the sole owner and the Chief Compliance Officer of CCS. He reviews Jim's work through frequent office interactions and reviews of the articles he publishes. Mr. Fluett can be reached at 630-753-9900.