

# **Creative Financial Designs, Inc.**

Form ADV Part 2A  
Disclosure Brochure

March 30, 2018

Creative Financial Designs, Inc.  
2704 South Goyer Road  
Kokomo, IN 46902  
800.745.7776  
765.453.9600  
[www.creativefinancialdesigns.com](http://www.creativefinancialdesigns.com)

**This brochure provides information about the qualifications and business practices of Creative Financial Designs, Inc. If you have any questions about the contents of this brochure, please contact us at 765.453.9600 and/or [www.creativefinancialdesigns.com](http://www.creativefinancialdesigns.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Creative Financial Designs, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Creative Financial Designs, Inc. is a Registered Investment Adviser. Being registered does not imply any certain level of skill or training.**

## **MATERIAL CHANGES**

The Material Changes section of this brochure will be updated annually to describe material changes that have occurred since the most recent Brochure update. The following information consists of the material changes made by the Applicant since its last annual updating amendment which was dated March 30, 2017.

### **Material Changes since most recent Brochure Update**

The firm established an additional brokerage investment management strategy called the Inspire Focused Strategy. This strategy is centered around using the Inspire ETF's through brokerage managed accounts. The Inspire ETF's are likely a sizeable portion of the portfolio and the firm's management team uses other mutual funds and possibly ETF's to make up the entire portfolio allocation. Five investment portfolios are available within this strategy similarly found in the majority of other managed strategies within the firm. More information including minimums and such can be found inside this ADV.

The firm has put into place an asset based pricing (ABP) fee schedule for new discretionary FCCS (formerly NFS) brokerage accounts moving forward and working on converting pre 2018 existing FCCS brokerage accounts to ABP in 2019. The discretionary brokerage accounts consists of all brokerage programs except for our Fee-in-Lieu brokerage program. The Fee-in-Lieu brokerage program will not be included in the asset based pricing fee schedule and remain with transactional charges. ABP fees are calculated and charged monthly to the respective brokerage accounts unless otherwise agreed upon. Fees are based on a schedule and calculated on the average daily balance monthly and in arrears. Other custodians likely still incur transactional charges for brokerage trades.

The firm has added to its Fee-in-Lieu program by including annuities to the options. Some annuities are offering advisory side options for advisory business and away from commissions. Details can be found later in this ADV about the Fee-in-Lieu program with fixed annuities.

Planning schedule fees have been adjusted for many of the planning services available through the firm. Details of such fees are listed under the appropriate heading in this brochure.

Folio FN custodian services has been removed as an option for the firm's clients. The firm maintains no relationship with Folio FN or the clients that used to be associated with the custodian.

The NTF Brokerage Management strategy has been eliminated due to the fact the firm moved away from new accounts having transaction fee charges and has elected to move to the before mentioned asset based pricing structure under FCCS. Existing accounts are being moved over to the Funds investment strategy within the Brokerage Management platform.

The Sector Cycle Brokerage Management investment strategy has lowered its recommended minimum investment amount down to \$25,000 from \$50,000.

The ETF Brokerage Management investment strategy has lowered its recommended minimum investment amount down to \$25,000 from \$50,000.

The name of the Brokerage Management investment strategy “Mutual Funds Only” to “Funds” has been effected to better illustrate the ability to use mutual funds and ETF’s inside the respective investment portfolio.

The name of the Brokerage Management investment strategy “Biblical Faith Values Mutual Funds Only” to “Biblical Faith Values Funds” has been effected to better illustrate the ability to use mutual funds and ETF’s inside the respective investment portfolio.

Clients may request a complete copy of our ADV Brochure and supplements by calling 765-453-9600 or by email requests to [managedaccounts@creativefinancialdesigns.com](mailto:managedaccounts@creativefinancialdesigns.com).

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## **A. OVERVIEW OF ADVISORY BUSINESS**

### **1. Firm Description and Ownership**

Creative Financial Designs, Inc. is a corporation formed according to the laws of the State of Indiana in 1982. Applicant is a ‘federal covered’ investment adviser, meaning it is registered with the United States Securities and Exchange Commission. [SEC “registration” does not mean, and is not meant to imply, any particular level of skill or training, or an “approval” of any sort by the SEC.] Applicant is also “notice filed” with many states. The states where we may conduct business activities, and other relevant information about Applicant or its agents is available through the SEC’s Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).

The Applicant is privately owned. There is currently only two owners with twenty-five percent or more ownership interest. These are the Brent Owens Family Trust, which owns approximately forty-four percent and the Mick Owens Family Trust, which owns approximately thirty percent. The current trustee of the Brent Owens Family Trust is Brent Owens. The current trustees of the Mick Owens Family Trust are Mick Owens and Kathy Owens. Mick Owens also has individual ownership in Applicant at approximately three percent.

Brent Owens is president of Applicant and the son of the Applicant’s founder, Mick Owens.

The Mick Owens Family Trust, whose beneficial owner is the applicant’s founder, Mick Owens and Kathy Owens, and the Brent Owens Family Trust, whose beneficial owner is Brent Owens, the president of the company, are also significant stock holders of a related company, cfd Investments, Inc., a securities broker/dealer that also often provides services to advisory clients. Mick Owens is also the principal owner of several other companies founded to complement the comprehensive financial planning and investment management services of Creative Financial Designs, Inc. Those companies include cfd Accounting, cfd Realty [a Coldwell Banker franchise owned by Mick’s wife, Kathy Owens], cfd Accounting Services, and cfd Insurance Planners [a life and health insurance agency].

### **2. Investment Advisory Services**

Creative Financial Designs offers investment advisory services of two types, managed account services and financial planning services. These services are discussed in turn, below.

#### **a. MANAGED ACCOUNT SERVICES**

The Applicant’s managed accounts services are comprised of three distinct service platforms: Brokerage Management, Self-Directed Retirement Management, and Variable Annuity Management. Applicant also offers a non-discretionary brokerage and annuity advisory service known as the “Fee-in-Lieu” (FIL) program.

## **i. Brokerage Management**

### **a. Descriptions and Account Minimums**

Under the Brokerage Management platform the Applicant manages a client's brokerage account according to the client's selections typically determined by their investment objectives, risk tolerance, time horizon, selection of investment strategy, and any other financial information of the client. Though the Applicant reserves the discretion to invest in any type of security, on behalf of a client, managed brokerage accounts typically consist of investments in such securities as, without limitation, common and/or preferred stocks, bonds, other fixed income securities, mutual funds, exchange traded funds, options on any of the foregoing, certificates of deposit and money market funds or other cash-like investments.

Applicant has developed asset class based model allocations originating from Morningstar (formerly Ibbotson) models (e.g. conservative, moderately conservative, moderate, moderately aggressive, and aggressive). Available investments are categorized according to the model guidelines and overall asset allocation is determined taking those categorizations into effect in arriving at the model portfolio allocations. The Medallion Investment Strategy and the Liquid Alternatives Strategy, as described later in this brochure, do not rely on asset allocation. The Sector Cycle Strategy diversifies among individual sectors for the equity portion of the portfolio and not necessarily among asset classes.

For management of the model portfolio, there are several "investment strategies" that the client can choose between. They are as follows:

- American Funds Focused  
-minimum \$25k account size
- Biblical Faith Values Combination  
-minimum \$50k account size
- Biblical Faith Values Funds  
-minimum \$25k account size
- Biblical Faith Values Individual Equities  
-minimum \$50k account size
- Biblical Faith Values Inspire Focused  
-minimum \$25k account size
- CFD4  
-minimum \$10k account size



- Combination
  - minimum \$50k account size
- Exchange Traded Funds
  - minimum \$25k account size
- Income Strategy
  - minimum \$100k account size
- Funds
  - minimum \$25k account size
- Tax-Wise
  - minimum \$100k account size

For management that does not utilize a model portfolio based on the firm's traditional asset allocation models, the following options are available:

- Sector Cycle Strategy
  - minimum \$25k account size
- Liquid Alternatives
  - minimum \$50k account size
- Medallion
  - minimum \$50k account size

For all the previously mentioned investment strategies, client accounts must be established with cfd Investments, Inc. [through one of its clearing arrangements: FCCS (Fidelity Custody and Clearing Solutions), f/k/a NFS (National Financial Services) or RBC CS (RBC Correspondent Services)]; TD Ameritrade, or such other broker/dealer as selected by the client and approved by the management of Applicant on a case by case basis. Please note that the charges applied by the broker/dealer relating to account maintenance are not described herein, and clients are encouraged to review statements carefully to determine other fees or charges that may be applied by their broker/dealer and/or associated clearing firms.

If a client's managed brokerage account falls below the account minimum, the Applicant reserves the authority to change the chosen strategy to one that is more conducive to the management of assets at that level, or to discontinue management in its entirety (E.g. client had \$80k in the combination strategy, and then withdrew \$65k from the account. Applicant could move the assets to the CFD4 strategy or some other suitable strategy, or terminate management on the account). Applicant reviews accounts for adherence to the account minimum requirements at the end of each calendar year or as distributions happen, and makes strategy changes accordingly. Clients can choose to change their strategies at any

time as long as the client's investment in the strategy meets the stated minimums for the strategy selected.

#### **b. Client Limitations on Investments**

All client securities are held by custodians unaffiliated with the Applicant. Securities are held in the client's name, or the name of the applicable custodian or trust, in the case of qualified accounts. Clients may request to place reasonable restrictions on certain aspects of the management of their accounts. For instance, clients may elect to retain certain securities in their managed account and not have those assets be subject to sale in the course of Applicant's management of the account. Clients may also elect, in some circumstances, to have capital gains "managed" so as to be taken over a specified period of time. Applicant reserves the right to charge its management fee inclusive of such assets because of the additional work and considerations that must be afforded in accommodating such client-imposed restrictions. The firm may, at times, allow additional special requests of the client regarding the management of the client's account.

#### **c. American Funds Focused -- description**

The American Funds Focused investment strategy is a diversified strategy focusing on the use of American Funds mutual funds as the base of the diversified portfolio. The strategy also uses ETF's and potentially other mutual funds to fill in the completed allocation helping fully diversify and add additional asset classes that American Funds may lack. There is a \$25,000 minimum account size in this investment strategy. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models.

#### **d. Biblical Faith Values – Combination -- description**

Under this Biblical Faith Values investment strategy, Applicant utilizes certain software and asset screening programs of unaffiliated third parties in order to limit investments in the stock of companies that engage in certain industries or support certain activities or lifestyles, or otherwise contribute to or endorse such industries or activities. We generally endeavor to exclude as potential investments companies that engage in or participate in or support industries or lifestyles relating to gambling, tobacco, alcohol, pornography, abortion, non-family lifestyles and other factors traditionally considered to be adverse to Biblical standards.

Due to a limited pool of available investments in certain management strategies, it is not always possible to exclude all investments that might violate some of the standards that are described above. Applicant does not make any claim that the investments in the model will fully exclude any and all companies that could be excluded based on the criteria above. Instead, this strategy should substantially reflect Biblical Values, and will otherwise attempt to follow the models established by Applicant.

The Biblical Faith Values – Combination investment strategy attempts invest in accordance with the Biblical Faith Values limitations described above, and to create a diversified portfolio based on a combination of mutual funds, ETF's, and individual equity positions. Recommended minimum account size is set at \$50,000. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models.

**e. Biblical Faith Values – Individual Equities -- description**

Under the Biblical Faith Values investment strategy, Applicant utilizes certain software and asset screening programs of unaffiliated third parties in order to limit investments in the stock of companies that engage in certain industries or support certain activities or lifestyles, or otherwise contribute to or endorse such industries or activities. We generally endeavor to exclude as potential investments companies that engage in or participate in or support industries or lifestyles relating to gambling, tobacco, alcohol, pornography, abortion, non-family lifestyles and other factors traditionally considered to be adverse to Biblical standards.

Due to a limited pool of available investments in certain management strategies, it is not always possible to exclude all investments that might violate some of the standards that are described above. Applicant does not make any claim that the investments in the model will fully exclude any and all companies that could be excluded based on the criteria above. Instead, this strategy should substantially reflect Biblical Values, and will otherwise attempt to follow the models established by Applicant.

The Biblical Faith Values – Individual Equities investment strategy attempts to invest in accordance with the Biblical Faith Values limitations described above, and to create a diversified portfolio with a goal of majority individual equity positions. Mutual funds or ETF's may be used especially in the fixed income portfolio of the portfolio to complete the portfolios allocation. Recommended minimum account size is set at \$50,000. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models.

**f. Biblical Faith Values – Funds -- description**

Under the Biblical Faith Values investment strategy, Applicant utilizes certain software and asset screening programs of unaffiliated third parties in order to limit investments in the stock of companies that engage in certain industries or support certain activities or lifestyles, or otherwise contribute to or endorse such industries or activities. We generally endeavor to exclude as potential investments companies that engage in or participate in or support industries or lifestyles relating to gambling, tobacco, alcohol, pornography, abortion, non-family lifestyles and other factors traditionally considered to be adverse to Biblical standards.

Due to a limited pool of available investments in certain management strategies, it is not always possible to exclude all investments that might violate some of the standards that are described above. Applicant does not make any claim that the investments in the model will fully exclude any and all companies that could be excluded based on the criteria above. Instead, this strategy should substantially reflect Biblical Values, and will otherwise attempt to follow the models established by Applicant.

The Biblical Faith Values –Funds investment strategy attempts to invest in accordance with the Biblical Faith Values limitations described above, and to create a diversified portfolio based on mutual funds & ETF positions. Recommended minimum account size is set at \$25,000. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models.

#### **g. CFD4 -- description**

The CFD4 brokerage investment strategy is a likely simpler mutual fund &/or ETF diversified model concept with a very low minimum of \$10,000. This strategy uses mutual funds and ETF's likely u only using four asset classes (may be less or more given the portfolio objective selected) and holding perhaps as few as four investments. Management reserves the right to increase each however. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are very loosely modeled after Creative Financial Designs other diversified asset class models.

#### **h. Combination -- description**

The Combination Investment Strategy focuses on maximum diversification by using mutual funds, ETF's, individual equities, bonds, etc. to build the investment portfolios. The management team selects the investments from the said categories based on their research. Portfolios could fluctuate from investment vehicles, however, will likely contain several at a time. Minimum account value is recommended at \$50,000. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive).

#### **i. Exchange Traded Funds (ETF) – description**

The ETF Investment Strategy is focused on using Exchange Traded Funds to allocate within the given investment portfolios. Mutual funds may be added to complete the allocation if asset classes are not available or do not meet requirements by the Applicant. ETF's are normally a passive investment holding with lower than average internal expenses compared to active traded mutual funds. Minimum account value is recommended at \$25,000. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive).

#### **j. Income Strategy -- description**

The overall concept of the Income Strategy is to provide an income portfolio solution for clients. These portfolios are focused on generating income and the goal of providing relatively stable yield in most market conditions.

The fixed income portion of the Income Strategy looks to own individual corporate or municipal bonds to build a portfolio designed to generate income. The team, along with bond managers, look for higher credit quality bonds while also focusing on durations, maturities, diversification across sectors (and if necessary across multiple states for municipals), and of course yield. A small amount of cash will also be held and the potential for a small mutual fund or ETF holding for small residual amounts of investments. The client has the option to select tax avoiding municipals for their account. Bonds will vary from account to account.

The equity portion of the portfolio is primarily focused on large cap and giant large cap value stocks. Applicant uses Bloomberg, ValueLine, Dorsey Wright, and Morningstar (and possibly others) to help search, identify, price, rank and determine the diversified equities to use in any given account. The team's goal is to find price stability using several key matrices such as and not limited to: financial strength, safety ratings, yield, sectors, price points, dividend stability, etc. Equities may vary from account to account. Minimum account size is set at \$100,000. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models.

#### **k. Biblical Faith Values – Inspire Focused -- description**

The Inspired Focused investment strategy is centered on using the Inspire companies ETF's. To date, the Inspire company has created four index ETF's (with plans to increase their ETF offerings) that attempt to filter Biblically. The Inspire ETF's are likely a sizeable portion of the portfolio and the firm's management team uses other mutual funds and possibly ETF's to make up the entire portfolio allocation to maximize diversification. Minimum account size is set at \$25,000. The goal is that this be a Biblically Based investment strategy, using the filters discussed above for the other investments utilized. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models.

#### **l. Funds -- description**

The Funds Investment Strategy is focused on using mutual funds & ETF's that are available from the respective custodians to allocate within the given investment portfolios. Thousands of mutual funds & ETF's are available and can provide both active and passive

investment vehicles. Minimum account value is recommended at \$25,000. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models.

#### **m. Tax-Wise Strategy -- description**

The Tax-Wise Investment Strategy is available for non-qualified brokerage accounts and the investment management team primarily uses ETF's and municipal mutual funds, though we may also choose to use other investments to build the diversified portfolios. Our goal for the strategy is to reduce the amount of taxable income, dividends, and capital gains for a client. Using ETF's helps our investment management team use investments that historically allow clients to keep more and reduce the potential amount of capital gains passed through to clients. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models. Recommended account size is \$100,000.

#### **n. Liquid Alternatives -- description**

The Liquid Alternatives brokerage investment strategy is a diversified portfolio of available alternative mutual funds to help create a more market-neutral investment portfolio, perhaps for a portion of a client's overall portfolio. The investment strategy uses Morningstar, and possibly others, to help identify mutual funds that fit the Investment Teams portfolio goal of having a very low investment correlation to the S&P 500 Index and the goal of a low portfolio market volatility. The team looks to use diversified mutual funds across many alternative strategies. Only one investment portfolio is available in the Liquid Alternative Strategy. Minimum account size is set at \$50,000. Ticket charges do apply.

#### **o. Sector Cycle Strategy -- description**

Under the Sector Cycle Strategy, Applicant attempts to analyze the market cycle, determine the current phase within that market cycle, and allocate equity investments based on sectors that tend to outperform the market in general during the applicable market phase. Applicant recognizes that economists may disagree as to what market phase applies at any given time. This investment strategy is not based on any standardized model portfolio, but rather a diversification among sectors. The Sector Cycle Strategy uses economic data as well as an in-house proprietary calculation to help determine the current cycle as well as the strength of the cycle. Allocations within ETF's and mutual funds are then used to build a portfolio based on the determination of said cycles. Five portfolios are also available within the Sector Cycle Strategy and include fixed investments depending on the investment objective. Mutual funds and or ETF's can be used for the fixed income area and ETF's for the equity sector portion of the portfolio. Minimum recommended account size is set at \$25,000. Five investment objective portfolios are available for the client to

choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are very loosely modeled after Creative Financial Designs other diversified asset class models.

#### **p. Medallion Strategy – Brokerage -- description**

This strategy is designed for those investors who seek a technical investment approach to the management of their money. This strategy is designed for those that have a long-term focus and likely commit to invest only a portion of their portfolio in this strategy. Furthermore, unless the strategy is employed in a qualified account, the strategy may result in phantom gains due to short-term trading, which may not be offset by countervailing losses due to the wash-sale rule. This could result in an increased tax liability.

This disciplined strategy has the potential to reduce volatility and enhance overall client diversification by identifying potential growth opportunities during both bull AND bear markets. Creative Financial Designs uses a proprietary quantitative model to assess the equity markets on a daily basis. The model attempts to determine whether market conditions are favorable or unfavorable for investing.

This strategy is available under three options; Lite, Core and Plus.

The Medallion Lite fluctuates between in the market and out of the market, but never holds investments that are negative the market, and does not use leveraged investment options. The Medallion Core can be in the market, out of the market, negative the market, and can use some leveraged investment options. The Medallion Plus Strategy is similar to the Medallion Core Strategy in the types of investment positions utilized, but it more heavily relies upon leveraged investments under certain conditions.

The strategy can hold cash the majority of the time and also has the ability to short the market in the core and plus options during rare periods of apparent market weakness. The strategy can also be long the market and can use leveraged funds in the Core and Plus options. The use of leverage by a mutual fund increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments.

Due to the complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to any index. Technical and dynamic investment strategies normally involve more frequent trading than the traditional "buy-and-hold" investment strategies. Such trading can increase and create more short-term tax gains than the Client may be used to seeing in other types of strategies.

Under each of the strategies, certain market indicators are measured daily. Depending on which option is selected, when signals are neutral, the strategy typically allocates to money market type funds in the lite and core options and subaccounts (historically 45%-55% of the time). The plus strategy remains invested more often in the market than the lite and

core (historically 35%-45% of the time in money market type funds). Due to the large and frequent positions in cash equivalents, the strategy may limit the upside potential of the market in a similar way that it attempts to limit the downside participation. Minimum recommended account size is set at \$50,000.

**q. Alternative Investment Rider (AIR) -- description**

With respect to all of the strategies described in this section, except for certain strategies, such as: Medallion Strategy, CFD4, Income Strategy, Sector Cycle, Tax-Wise, and Liquid Alternatives; Applicant makes the Alternative Investment Rider (AIR) available to its clients. Under AIR, a portion of the client's holdings, up to 25% of the portfolio, is invested so as to be inversely correlated, less correlated, or non-correlated to the traditional stock market. This is done in a number of ways.

One option under AIR includes the holding of inverse index funds (either leveraged or non-leveraged) or certain non-correlated or less correlated, which are designed to reduce overall portfolio risk.

These AIR options are designed to reduce the overall risk and volatility of the portfolio, but there is no guarantee that this objective will be achieved.

**r. Allocate Over Time Option -- description**

With respect to all of the strategies described in this section, except for the Medallion Strategy, Sector Cycle Strategy, CFD4, Liquid Alternatives, and the Income Strategy; Applicant makes the Allocate Over Time option available. If selected by the client, the Applicant will not likely immediately invest all of the client funds into the selected model portfolio. Instead, Applicant will allocate the account slowly, usually over a 4-8 month timeframe, with the intention of investing funds during pullbacks in the markets. During this transition period, the account may not be invested according to the model portfolio, and may have fewer and less-diversified holdings than would be normally the case in the same portfolio.

**ii. Self-Directed Retirement Management Platform -- description**

In the Self-Directed Retirement Management platform, the assets held in clients' 401k, 403b, 457 or other company retirement plan assets are managed by Applicant's investment management staff.

Applicant has developed model portfolios loosely based upon Morningstar models (e.g. Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive). Available plan investments are categorized according to the Model guidelines, and overall asset allocation is determined taking those categorizations into effect in arriving at the model portfolio allocations.



Two investment strategies exist using the Self-Directed Retirement Management platform. They are the “Active” strategy and the “Passive” strategy.

**a. Active Strategy -- description**

The Self-Directed Retirement Management “Active” Strategy attempts to analyze clients’ available investment plan options on a quarterly basis and to perhaps reallocate or rebalance quarterly (or as it sees necessary). Applicant performs daily reviews to check for misallocations or changes needed for an account.

**b. Passive Strategy -- description**

The Self-Directed Retirement Management “Passive” Strategy attempts to analyze clients’ available investment plan options annually and may rebalance or reallocate quarterly, perhaps semi-annually, or longer.

**iii. Variable Annuity Management Platform -- description**

Under the Variable Annuity Management platform, Applicant’s management staff will actively manage within the underlying subaccounts of the clients’ variable annuity contracts/products. The service is not available with respect to all issuers’ variable annuities.

The Applicant manages a client’s variable account according to the client’s selections determined by looking at their investment objectives, risk tolerance and time horizon and other financial information of the client. Applicant has developed asset class based model allocations originating from Morningstar (formerly Ibbotson) models (e.g. Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive). Available investments are categorized according to the model guidelines and overall asset allocation is determined taking those categorizations into effect in arriving at the model portfolio allocations. The Medallion Investment Strategy and the Liquid Alternatives Strategy do not rely on asset allocation.

Applicant takes precautions designed to prevent the benefits of an annuity contract (e.g. income benefits, withdrawal benefits, etc.) from being negatively impacted by the management of the contracts, however, it is up to the client to determine what effects, if any, will apply to a contract based on the management of the contract/product.

**a. Medallion Investment Strategy – Variable Annuity -- description**

This strategy is designed for those investors who seek a technical approach to the management of their money. This strategy is designed for those that have a long-term focus and likely commit to invest only a portion of their portfolio in this strategy. The disciplined process has the potential to reduce volatility and may enhance overall client diversification by identifying potential growth opportunities during both bull AND bear

markets. Creative Financial Designs uses a proprietary quantitative model to assess the equity markets on a daily basis. The model helps to determine whether conditions are favorable or unfavorable for investing.

The strategy can hold cash the majority of the time and also has the ability to short the market during rare periods of apparent weakness. The strategy can also be long the market and can use leveraged funds. The use of leverage by a mutual fund increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments.

Due to the complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to any index. Technical and dynamic investment strategies normally involve more frequent trading than the traditional "buy-and-hold" investment strategies. Such trading can increase transaction costs and create more short-term tax gains than the Client may be used to seeing in other types of strategies.

This strategy is available under three options; Lite, Core and Plus.

The Medallion Lite fluctuates between in the market and out of the market, but is never investing in options that are negative the market, and does not use leveraged investment options. The Medallion Core can be in the market, out of the market, negative the market, and can use some leveraged investment options. The Medallion Plus is similar to the Medallion Core in the types of investment positions utilized, but it more heavily relies upon leveraged investments at certain times.

Under each of the strategies, market conditions are measured daily. Depending on which option is selected, when signals are neutral, the strategy typically allocates to money market type funds and subaccounts (historically 45-55% of the time). Due to the large and frequent positions in cash equivalents, the strategy may limit the upside potential of the market in a similar way that it attempts to limit the downside participation.

This program option is suitable for use with variable annuities that permit unlimited trading within the variable annuity, and have no riders affected by the strategy. Designs identifies certain variable annuity products that meet these criteria.

#### **b. Biblical Faith Values Strategy – Variable Annuity -- description**

Under the Biblical Faith Values investment strategy, Applicant utilizes certain software and asset screening programs of unaffiliated third parties in order to limit investment in the stock of companies that engage in certain industries or support certain activities or lifestyles, or otherwise contribute to or endorse such industries or activities. We generally endeavor to exclude as potential investments companies that engage in or participate in or support industries or lifestyles relating to gambling, tobacco, alcohol, pornography, abortion, non-family lifestyles and other factors traditionally considered to be adverse to Biblical standards.

Due to a lack of investments in certain management strategies, it is likely not possible to exclude all investments that violate some of the standards that are described above. Additionally, Variable Annuities have limited sub-accounts, and those sub-accounts can change from time-to-time. These limitations can restrict application of this strategy, and this strategy cannot be effectively carried out for any Variable Annuity that does not have a sufficiently diversified selection of sub-accounts that meet the selection criteria. Due to these limitations, this strategy is only available within the Jefferson National Variable Annuity and such product the firm feel it can bring a solution too.

Applicant does not make any claim that the investments in the model will fully exclude any companies that could be excluded based on the criteria above. Instead, this Strategy will attempt to substantially reflect Biblical Values, and will otherwise attempt to follow the models established by Applicant.

#### **c. Hybrid Strategy -- description**

Available in only the Jackson National Life Elite, the Hybrid variable annuity investment strategy looks to build a diversified portfolio of both alternative and historical asset class subaccounts. Five investment objective portfolios are available for the client to choose from (Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Aggressive) and are modeled after Creative Financial Designs other diversified asset class models. Depending on the product and the investment objective chosen, the investment management team determines the amount of each investment type to use, however, focusing on reducing investment portfolio volatility. The goal of the strategy is to reduce the portfolio risk using alternative investments along with traditional investments.

#### **d. Liquid Alternative -- description**

The Liquid Alternatives variable annuity investment strategy is a diversified portfolio of available alternative subaccounts to help create a market neutral stable investment portfolio, perhaps as a portion of a client's overall portfolio. This strategy is only available in the Jackson National Life Elite variable annuity. The investment strategy using Morningstar, as-well-as others, to help identify subaccounts that fit the Investment Teams portfolio goal of having a very low investment correlation to the S&P 500 Index and the goal of a low portfolio market volatility. The team looks to use diversified subaccounts across many alternative strategies knowing that each variable annuity product will limit these choices. Only one investment portfolio is available in the Liquid Alternative Strategy.

#### **iv. Fee-in-Lieu -- description**

Applicant provides a service to its clients whereby clients may have brokerage accounts for which no separate transaction fees (i.e. trade-by-trade transaction fees) are charged for transactions that the clients may effect in the account. Applicant does not provide separate investment advice for a fee under such arrangements and does not take any level of discretion with respect to the accounts.

Clients pay Applicant an annual fee of up to two percent, with a minimum of .50%, of the value of assets in the account, billed quarterly in advance, and based upon the prior quarter-end value of assets in the Account. "Value of the Account" means all assets in the Account, including securities, cash, and money market balances. Margin debit balances and short positions do not reduce the value of these assets.

Client will not pay brokerage execution costs and commissions, but may pay such charges as:

- Certain dealer-markups and odd-lot differentials, custodial shipping and handling fees, transfer taxes, exchange fees mandated by the Securities Exchange Act of 1934, and any other charges imposed by law with regard to any transactions in the Account;
- Management and other fees on open-end, closed-end mutual fund shares, EFTs, UITs, etc.;
- Individual Retirement Accounts (IRA) fees and qualified retirement plan account fees;
- Margin interest;
- Check reordering costs and fees;
- Any contingent deferred sales charge assessed by a mutual fund company on the sale or liquidation of a mutual fund; and
- Short-term trading charges for purchases and corresponding redemptions of certain mutual fund shares (see fund prospectus for details) made within short periods of time; and
- Other fees and expenses as charged by a broker/dealer or clearing firm.

Further, the annual fee charged by Designs for the Account is in addition to the fees charged by the underlying investments. To the extent that a client intends to hold fund shares for an extended period of time, or purchases no load funds within the Account, it may be more economical for the client to purchase fund shares outside of the Account. Clients are advised that transferring mutual fund shares into the Account will result in an obligation to pay an annual fee based on the value of the funds so held in the Account, and that such fee(s) is in addition to any sales charges or commissions paid when the funds were purchased by Client. Also, no fee adjustments are made during any calendar quarter for appreciation or depreciation in the value of the Account. With FCCS managed accounts an additional fee may, however, be assessed if cumulative deposits during a quarter equals or exceeds \$10,000 of account value, and, a refund of fees will occur if a withdrawal equals or exceeds \$10,000 of account value. Clients are advised that they may be able to purchase similar services separately from other service providers and the cost of such services may be more or less than the program fee charged by Applicant.

## **b. CONDITIONS FOR MANAGING ACCOUNTS**

For its Managed Account programs, Applicant imposes the recommended minimum initial account values reflected below, but reserves the right to allow exceptions based upon specific client facts and circumstances.

- American Funds Focused - minimum \$25,000 account size
- Biblical Faith Values – Combination - minimum \$50,000 account size

- Biblical Faith Values –Funds - minimum \$25,000 account size
- Biblical Faith Values – Inspire Focused – minimum \$25,000 account size
- Biblical Faith Values – Individual Equities - minimum \$50,000 account size
- CFD4 - minimum \$10,000 account size
- Combination - minimum \$50,000 account size
- ETF - minimum \$25,000 account size
- Income Strategy - minimum \$100,000 account size
- Liquid Alternative - minimum \$50,000 account size
- Medallion - minimum \$50,000 account size
- Funds - minimum \$25,000 account size
- Sector Cycle Strategy - minimum \$25,000
- Tax-Wise - minimum \$100,000 account size

The Applicant may make exceptions to the minimum account size requirements in some instances. Those exceptions may be made for a variety client-specific reasons, which may include, but are not limited to such situations as a client having multiple managed accounts with the Applicant, an anticipation of the client adding additional assets at a future point in time, or such other circumstances as the Applicant may deem applicable.

For the managed Self-Directed and Variable Annuity investment management programs, the investment options are limited based on factors beyond the control of Creative Financial Designs, and the management of those accounts is strictly limited to the investment options available under the products being managed.

### **c. FINANCIAL PLANNING SERVICES**

Applicant provides Comprehensive Financial Planning services. Clients desiring a less comprehensive financial plan can choose to have a "mini" or "modular" plan created for them. It may consist of one or more of the following services: Estate Analysis, Medicaid Planning, Business Financial Plan, Investment Analysis, Tax Analysis, Income Funding Analysis, Insurance Analysis, Retirement Analysis, Accumulation Funding Analysis, Budget Construction/Analysis, Credit Negotiation, Special Project Work, Checkbook Maintenance and Bill Paying.

Applicant may provide advice regarding particular investments and securities, and these may include investments currently owned by the client, or investments that the Applicant may recommend to a client.

The client is under no obligation to effect securities or insurance transactions through the applicant's affiliates or related persons if they choose to act on or otherwise implement any recommendations made in either a Comprehensive Financial Plan or other Modular Plan.

## **3. ASSETS UNDER MANAGEMENT**

At December 31, 2017, the Applicant had Assets Under Management of approximately \$1,070,692,168, of which approximately \$190,611,385 was non-discretionary.

## **B. FEES AND COMPENSATION**

Advisory fees are as set forth below with respect to the various programs and services. Fees may, in some instances, be negotiable depending on such factors as, without limitation, special needs or requirements of the client and/or the complexity or simplicity of the work required.

Clients may elect to pay their fees directly to Applicant, or may elect to have Applicant deduct its fees directly from specified managed accounts, annuity contracts, or bank account. Clients may also elect to allow Applicant to charge its fees directly to a client's credit or debit card through PaySimple™.

Applicant does not charge performance based fees under any advisory program, nor does it share or participate in the capital gains of client accounts.

Clients may pay certain fees and charges which are in addition to Applicant's fees. Such fees and charges may include, but are not necessarily limited to:

- Certain dealer-markups and odd-lot differentials, transfer taxes, exchange fees mandated by the Securities Exchange Act of 1934, and any other charges imposed by law with regard to any transactions in the Account;
- Management and other fees on open-end and closed-end mutual fund shares and UITs;
- Individual Retirement Accounts (IRA) fees and qualified retirement plan account fees;
- Margin interest;
- Custodial fees such as account fees, check reordering costs and fees, and other add-on features with charges
- Any contingent deferred sales charge assessed by a mutual fund company on the sale or liquidation of a mutual fund.
- Variable Annuity fees and expenses.

Further, the annual management fee charged by Creative Financial Designs for the Account is in addition to the management fees charged by open-end, closed-end funds, and ETF's. To the extent that a client intends to hold fund shares for an extended period of time, or purchases no load funds within the Account, it may be more economical for the client to purchase fund shares outside of the Account. Clients are advised that transferring mutual fund shares into the Account will result in an obligation to pay an annual fee based on the value of the funds so held in the Account, and that such fee(s) is in addition to any sales charges or commissions paid when the funds were purchased by Client.

### **1. MANAGED ACCOUNT SERVICES – Fees and Compensation**

#### **a. Brokerage Management – Fees and Charges**

Under its Brokerage Management platform, applicant charges a fee based on the value of the assets in a managed account. Fees on these accounts generally start at 0.50% of the assets under management, and may increase up to a maximum of 2.50% annually. No fees

for brokerage management account services of over 2% shall be charged except in the instance where another investment adviser is working with Creative Financial Designs, Inc. with respect to a particular account, and the total fee retained by Creative Financial Designs, Inc., less the fee paid to that investment adviser, is equal to or less than 2%.

All fees are negotiable.

The annual rate that will be applied is fixed when a client opens an account and is indicated in their Investment Management Agreement. The quarterly fee is based on the annual rate divided by four.

Fees charged through brokerage accounts are payable quarterly and in advance and are based upon the ending account value of the prior calendar quarter. When an account is opened during the quarter, the fee for that quarter is prorated for the portion of the calendar quarter for which management services will be provided.

Under other strategies, transaction charges and/or other related fees may apply to an account, in addition to management fees. Clients have the option, however, to establish the account through CFD Investments, Inc. and to establish asset-based pricing, which will involve the payment of an asset-based fee that will cover transaction costs, statement and mailing costs, and prospectus delivery costs. This option is only available through the FCCS platform.

Although not required, it is generally the case that the applicant will utilize its related broker/dealer, cfd Investments, Inc., to affect all securities transactions for its managed accounts. The statement of fees and other charges as described above is premised on the idea that the client selects cfd Investments, Inc. and may not apply to accounts held at other broker/dealers.

In addition to cfd Investments, Inc., Applicant uses other broker dealers including TD Ameritrade.

The advisory fees charged for the management of accounts maintained at TD Ameritrade are consistent with the advisory fees described above, however for other fees and expenses, including account opening and maintenance fees, transaction fees, and other assorted fees, , clients are directed to materials produced by the respective broker dealers to itemize such fees and expenses.

## **b. Self-Directed Retirement Management Platform**

### **i. “Active” Strategy – Fees**

For managed Self-Directed Retirement “Active” managed accounts, fees may be assessed on a monthly basis, in arrears, and determined according to the value of the account being managed. Applicant will annually adjust the fee according to changes in the account value. Several fee arrangements are available.

The standard initial billing rate will be determined by the account value at the time the Management Agreement is initiated and will remain in effect for the remainder of the calendar year in which the account is opened, after which, the new monthly rate may be established, and may increase or decrease based upon the account value at that time. The fee will be reevaluated annually, based on the assets as of December 31 of the previous year.

Account Size	Recommended “Active” Monthly Fee Rate
< \$24,999	\$15/month
\$25,000 - \$49,999	\$25/month
\$50,000 - \$74,999	\$50/month
\$75,000 - \$99,999	\$75/month
\$100,000 - \$124,999	\$100/month
\$125,000 - \$149,999	\$125/month
\$150,000 - \$249,999	\$150/month
\$250,000 - \$499,999	\$200/month
\$500,000+	\$250/month

These are the standard fees, however all fees are negotiable.

As an alternative to the set monthly fee described above, an asset management fee of up to 1½% of the assets under management can be charged quarterly, in arrears, directly to plan assets for plans that participate in or otherwise permit in the direct billing of a client’s plan assets for advisory fees.

An additional alternative billing method is to charge, in arrears, a set monthly fee based on an asset under management fee not to exceed 1½% of the assets under management at the time the fee is determined. Under this fee method, the set fee is determined based on the assets under management at the time of inception of the account, and is reset annually based on the value of the account on January 1 of each year thereafter. The amount will not be reset routinely except as set forth above, and based on asset value fluctuations, additional contributions, or in-service withdrawals, the fee paid may not always reflect the stated percentage fee when compared to asset values. In the event that the account value significantly changed and the client makes a request, the monthly fee can be reset apart from the annual reset schedule.

## **ii. “Passive” Strategy – Fees**

Under the “Passive” management strategy, for which fees are \$45, \$90 or \$135 per quarter, accounts are monitored and rebalanced no more frequently than on a quarterly basis, as needed, to retain the desired allocation. Additionally, investment options are analyzed at least annually.



### **c. Variable Annuity Management Platform–Fees**

Under the Variable Annuity Management platform, applicant charges a fee based on the value of the assets in a managed account. Fees on these accounts generally start at 0.50% of the assets under management and may increase up to a maximum of 2.0%. In certain instances, fees may be charged to the contract, or to the client directly, at the client's option. Charging fees to a contract may negatively impact certain benefits/riders of a given contract, and it is up to the client to determine what effects, if any, the payment method selected by the client will affect the contract/product.

The annual rate that will be applied is fixed when a client opens an account and is indicated in their Investment Management Agreement. The quarterly fee is based on the annual rate divided by four. Fees are payable quarterly and in advance and are based upon the ending account value of the prior calendar quarter. When an account is opened during the quarter, the fee for that quarter is prorated for the portion of the calendar quarter for which management services will be provided.

All fees are negotiable.

## **2. FINANCIAL PLANNING SERVICES – Fees and Compensation**

Comprehensive Financial Plan fees are based on the client's gross income as reported on their most recent tax return. The total fee is fixed when the client signs the Financial Planning Agreement.

Gross Income	Down Payment	+	Monthly Amount	Fee Range
under \$50,000	\$280		\$35	\$700-2,000
\$50,000 but under \$75,000	\$380		\$35	\$800-3,000
\$75,000 but under \$100,000	\$480		\$35	\$900-4,000
\$100,000 but under \$150,000	\$580		\$35	\$1,000-5,000
\$150,000 but under \$250,000	\$680		\$35	\$1,100-10,000
\$250,000 and above	\$780		\$35	\$1,200-20,000

The down payment is due upon submission of the client's data. The monthly payment is due each month for the following 12 months. If there is a balance due, (the contract price less the down payment and the monthly payments is less than the total fee), then the balance is due 30 days after the written report is completed and made available to the client. Clients can pay the total plans fees all at once also and not monthly.

Clients desiring a "mini" or "modular" plan, including but not limited to the following services, may pay fees ranging as noted below:

	<b>Service</b>	<b>Fee Range</b>
1.	Estate Analysis	\$600-20,000
2.	Medicaid Planning	\$200-10,000
3.	Business Financial Plan	\$600-20,000

4.	Investment Analysis	\$300-3,000
5.	Tax Analysis*	\$300-3,000
6.	Income Funding Analysis	\$150-3,000
7.	Insurance Analysis	\$150-3,000
8.	Educational Funding Analysis	\$150-3,000
9.	Retirement Analysis	\$300-3,000
10.	Accumulation Funding Analysis	\$150-3,000
11.	Budget Construction/Analysis	\$300-3,000
12.	Credit Negotiation	\$50/hr. + expenses
13.	Special Project Work	up to \$350/hr.
14.	Checkbook Maintenance	\$20/mo.
15.	Checkbook Maintenance w/ Bill Paying	\$30/mo.

As a rule with Modular Planning, the entire fee is due upon delivery of the analysis or service and is generally not refundable.

The client is under no obligation to effect securities or insurance transactions through the applicant's affiliates or related persons if they choose to act on or otherwise implement any recommendations made in either a Comprehensive Financial Plan or other Modular Plan.

#### Other Fee Paying Services

Clients may also be charged for resources received from the adviser.

**Hourly Fee:** Client and Adviser may agree to elect for an hourly fee arrangement for stated services for the client. These likely specialty services can be billed up to \$350 per hour.

**Retainer Fee:** Client and Adviser may agree to elect for a retainer fee payment option up to \$2,500 per month, paid monthly, quarterly, or annually, based on the agreed upon services provided for the client. Adviser will provide the services for such fee until the client or adviser terminate the relationship which may, depending upon the services requested during a period, result in an hourly equivalent fee that is higher or lower than Client would have paid during the period on a standard hourly basis.

\* With respect to the Tax Analysis identified above, we provide guidance and expectations about the tax consequences of certain investment decisions, but Creative Financial Designs does not provide legal or tax advice, and will work with the attorney or accountant of the client about any tax-related recommendations.

### **3. TERMINATION PROVISIONS**

Termination of advisory services can be accomplished by written notice from one party to another. Under the Managed Brokerage account and Variable Annuity platforms, Applicant will return to client any unearned pre-paid advisory fees upon receipt of termination notice.

With respect to financial planning services, the Investment Advisory Agreement may be terminated by either party upon written notice. If, before the total fee has been paid, the client is not satisfied and the plan cannot be modified, then one-half of the total fee that has been collected will be refunded. If, after payment in full, the client is not satisfied and the plan cannot be modified, then 50% of the total fee will be refunded. Any claim for refund of a financial plan fee must be made within sixty days of delivery of the completed plan to the client.

### **C. TYPES OF CLIENTS**

Applicant provides advisory services to individuals and business entities, as well as to employer retirement plans. For account minimums, see the Overview of Advisory Business and look to the particular service.

### **D. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

For Managed Accounts, the Applicant, with the use of independent software and internet programs, research, and tools seeks to match the client investment goals, objectives and risk tolerance to the client selected management portfolio, and then within each portfolio, the appropriate strategy, as selected by the client. Categorizations of assets are made using the Morningstar software, when possible. Appropriate adjustments to model portfolios are determined by the Applicant's Investment Committee, and are based upon the committee members assessments and views of then-current or future forecasted market and industry circumstances, in addition to other variables such as economic, demographic and geo-political events both in the U.S. and globally.

With respect to financial planning activities, Applicant utilizes several professional planning software programs, depending upon the client needs and desired scope of services.

With all investments and investment strategies there is a risk of loss of investment principal, and no guarantees are or can be made that any particular investment, investment plan or strategy will fulfill its objective or prove to be profitable.

### **1. EDUCATION, BUSINESS STANDARDS OF PERSONS GIVING OR DETERMINING ADVICE**

Advisers cannot provide management for clients directly except as approved by the Applicant. All such advisers must follow the guidelines established by Applicant.

Applicant utilizes an Investment Committee in determining the general strategies employed in the delivery of investment advice provided to clients. Individualized advice is determined by members of the Financial Planning Department and/or appropriately qualified and registered Financial Advisers, within the parameters approved by the

Investment Committee. Specific strategic determinations for actively managed accounts are determined by the professionals in the Investment Management Department.

Biographies of the investment committee members are set forth below:

Brent A. Owens, born in 1969, graduated from Indiana Wesleyan University with a B.S. in Business Administration in 1992. He is a General Securities Principal and a Financial Operations Principal. He has passed the following FINRA/state-regulatory qualifying examinations: Series 7, Series 24, Series 27, Series 63 and Series 65. He is an active member of the Financial Services Institute and the National Association of Insurance and Financial Advisers. Mr. Owens has been President of the Applicant and cfd Investments, Inc. (a registered broker/dealer) since 1997. From 1992 to 1997, Owens served both the Applicant and cfd Investments, Inc. in various capacities, including plan writing and investment management of the Applicant's managed accounts.

Kregg J. Rooze, born in 1974, graduated from Purdue University with a B.S. in Financial Counseling and Planning and Consumer Affairs in 1998. He is a General Securities Principal and Vice President of the Applicant. He has passed the following FINRA/state-regulatory qualifying examinations: Series 7, Series 24, and Series 63. He began working for Applicant in 1997. His experience includes plan writing, but, since 1999, Rooze served as the Managed Account Director of the Applicant.

Matthew O. Bahrenburg, born in 1970, graduated from Tabor College with a B.A. in Philosophy in 1992, and received his J.D. from the University of North Dakota Law School in 1995. Since 2012, He has served as the Chief Compliance Officer of the Applicant. He is a General Securities Principal, and also serves as the Chief Compliance Officer and General Counsel of cfd Investments, Inc. He has worked in the Compliance Departments of cfd Investments, Inc. and the applicant since 2007. He has passed the following FINRA/state-regulatory qualifying examinations: Series 7, Series 24, and Series 66. Bahrenburg was an enforcement attorney with the North Dakota Securities Department from April 1996 until February 2007.

Daniel K. Hale, born in 1972, graduated from the University of North Carolina - Pembroke in 1995 with a B.S. in Business Administration. He also has an Associates Degree in Accounting from Garden City Community College. He is a General Securities Principal and an Options Principal, as well as Vice President of cfd Investments, Inc. He has passed the following FINRA/state-regulatory qualifying examinations: Series 4, Series 7, Series 24, Series 27, Series 62, and Series 63. He has been working for cfd Investments, Inc. since 1995.

Mick Owens, born in 1946, graduated from Indiana State University in 1968 with a B.S. in Mathematics. Owens is the founder of the Applicant and of cfd Investments, Inc. Owens is also the founder of several companies that do not have material interrelationships with the Applicant; cfd Insurance Planners, cfd Accounting Services, and cfd Realty. Owens has obtained the CLU, ChFC, and CFP designations and is a general securities principal.

He has passed the following FINRA/state-regulatory qualifying examinations: Series 7, Series 24, Series 63 and Series 65.

Chris Rockey, born in 1979, graduated from Butler University in 2001 with a B.S in Physician Assistant Studies. Chris has worked in the financial services industry since 2008 after working as an emergency department Physician Assistant for more than 10 years. He works with individuals and small businesses to help them formulate their financial goals and develop strategies to implement them. Rockey has obtained the ChFC designations and has passed the following FINRA/state-regulatory qualifying examinations: Series 7 and Series 66.

## **2. OTHER BUSINESS ACTIVITIES**

The Applicant's services entail more than providing investment advice or managed accounts. Particularly with respect to financial planning services, in-depth fact finding interviews are conducted and clients may elect to receive advice and/or services concerning things other than securities (e.g. budget analysis, etc.). The purpose of this approach is to address a client's entire financial life, rather than just investments.

### **a. Solicitor Activities**

#### *Acting as Solicitor:*

Applicant may in some instances act as a solicitor to third party asset managers and receive a fee for its solicitation activities. The fee received may include any of the following: a portion of the asset management fee charged to the client, a platform fee paid directly by third party asset manager, which may or may not be based on the assets under management maintained by the asset manager.

#### *Engaging Solicitors:*

To the extent permitted under applicable state law(s), the Applicant may pay a fee under its referral program. The amounts paid and the persons eligible under the referral program are provided for by written agreement. The amount is based on a percentage of the fees it collects for investment advisory or financial planning services.

### **b. Other Activities of Staff Members and Financial Advisers**

Most of the Applicant's personnel and Financial Advisers are registered representatives of cfd Investments, Inc., a securities broker/dealer and related person of Applicant. cfd Investments acts as broker for securities transactions and, in those instances, receives transaction-based compensation. Where advisory clients of Applicant elect to effect securities transactions through cfd Investments, Inc., their Financial Adviser, in the capacity of registered securities representative, will be compensated thereon.

The client is not obligated to affect any transactions through cfd Investments, but may choose to utilize the securities firm of their choice. Not all investment strategies are available through the use of other broker/dealer firms.

A client's financial adviser or cfd Investments, Inc. may occasionally purchase securities which are also recommended to the Applicant's clients. This situation almost universally entails publicly traded stocks or mutual funds, where there is little risk that Clients might be disadvantaged by the Applicant or their Financial Adviser trading in advance of clients. However, the Applicant's Financial Advisers are required to affect any client transactions prior to their own.

In addition to acting as investment adviser representatives of the Applicant and registered representatives of its affiliate, cfd Investments, Inc., financial advisers to clients may also have various other outside business activities, related to the financial services industry or totally unrelated to same. All outside business activities of financial advisers must be disclosed to, and approved by, Applicant's compliance department. Applicable disclosures of potential conflicts of interest relating to individual circumstances are made to clients in such situations.

#### **E. DISCIPLINARY INFORMATION**

Applicant is not subject to any reportable disciplinary matters.

#### **F. OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS**

The Applicant has some common shareholders, officers and directors with cfd Investments, Inc., cfd Insurance Planners, Inc. and other companies related only by common ownership. No CFD company has a controlling ownership interest in any other CFD company. cfd Investments, Inc., is a registered Broker/Dealer and member of FINRA and is also an insurance agency. cfd Insurance Planners is a licensed life and health insurance agency. As disclosed elsewhere, there are also related companies such as cfd Accounting Services [accounting and tax service business], and cfd Realty [a real estate broker affiliated with Coldwell Banker]. The object is to make the products and services of those companies available to clients, if desired, in order to provide superior services and products toward achievement of clients' overall financial goals. However, unless otherwise noted herein, clients are not obligated to use either cfd Investments or any other affiliated entity in the course of implementing advice given by Applicant. For some management platforms, clients are required to use the services of cfd Investments, Inc. for brokerage services. While the Applicant believes that the commissions and charges of cfd Investments, Inc. are competitive with the industry norms, and negotiation of commission rates is possible, clients may be able to obtain substantially similar services from other industry broker/dealers at lesser cost.

#### **G. CODE OF ETHICS -- PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Applicant, its employees and Financial Advisers are subject to Applicant's Code of Ethics. The Code generally provides that in all of Applicant's business the best interest of the client is primary. Conflicts of interest are to be avoided and, where they cannot be avoided, acted

upon in the client's best interests. The Code further requires employees and Financial Advisers to, among other things, adhere to all applicable regulatory requirements and to protect the confidential information of clients. Clients may obtain a copy of Applicant's Code of Ethics upon request.

Although not required unless certain portfolios or strategies are utilized, it is generally the case that the applicant will utilize its related broker/dealer, cfd Investments, Inc., to affect all securities transactions for its managed accounts. (See also disclosures above re "OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS")

## **H. BROKERAGE PRACTICES**

### **1. Choice of Broker/Dealers:**

Although not required, it is generally the case that the applicant will utilize its related broker/dealer, cfd Investments, Inc., to affect all securities transactions for its managed accounts. cfd Investments, Inc. utilizes Fidelity Custody and Clearing Services ("FCCS") and RBC Correspondent Services ("RBC CS") as its clearing firms, and those firms provide such services as transaction execution, clearance, settlement and custody. The Applicant believes that the commission and other charges available through cfd Investments, Inc. are competitive relative to the services provided. Clients may negotiate commissions and other charges.

For new accounts established through FCCS, asset based pricing will apply to the account, which will be a fixed charge that will be applied to cover the custodial and transaction-based fees associated with the managed account. This is not a Wrap fee, as the advisory fee associated with the management of the account is separately identified and negotiated. Additionally, the financial adviser does not share in any portion of that fee. The fee principally offsets those costs incurred by the Applicant and/or cfd Investments, Inc. based on the fees charged by FCCS for the custody and trading services that they provide. cfd Investments, Inc. will also receive some additional compensation as a result of the charges. cfd Investments, Inc. will not receive any additional compensation based on a decision of the manager to conduct more frequent transactions in a customer's account.

An additional option for the choice of broker/dealer is TD Ameritrade. For the costs and expenses related to TD Ameritrade, please check with the information made available by those broker/dealers, as their fees and charges can change from time to time.

### **2. Execution of Transactions:**

When effecting securities transactions for managed assets on the RBC CS and FCCS transaction platforms, the Applicant's personnel will generally effect transactions for all clients on one platform (i.e. either RBC CS or FCCS) before effecting the transactions for clients on the other clearing platform. Typically, the Applicant will conduct all of the transactions on the FCCS platform before making the corresponding transactions on the RBC CS platform. This practice will result in some clients obtaining execution of their

portfolio transactions earlier than clients on the other clearing platform and may, in periods of market volatility, result in differing execution prices for some clients for transactions involving the same securities.

### **3. Soft Dollars/Referrals/Directed Brokerage:**

Applicant does not receive research or other soft dollar benefits. Applicant does not direct brokerage to any broker/dealer in return for any form of compensation or referrals. As noted elsewhere in this disclosure brochure, substantially all of Applicant's investment adviser representatives are also registered securities representatives with cfd Investments, Inc., a registered broker/dealer and affiliate of Applicant. Applicant itself utilizes the brokerage services of cfd Investments, Inc. and generally recommends, and in some cases requires, that advisory clients utilize the services of the affiliated broker/dealer. However, financial planning clients are advised that they are free to use the broker/dealer of their choice to implement financial planning recommendations. However, clients should be aware that a conflict of interest is present when utilizing cfd Investments, Inc. for plan implementation transactions since their financial adviser may be compensated for such securities transactions by the broker/dealer. That compensation in their capacity as registered securities representatives is in addition to any compensation they may receive from Applicant in their capacity as investment adviser representatives.

### **4. Client Referrals and Other Compensation**

There is no formal client referral arrangement between cfd Investments, Inc. and Applicant, but there are several clients of Applicant that are also clients of cfd Investments, Inc. and it can be understood that clients are being referred between cfd Investments, Inc. and Applicant. Additionally, several investment adviser representatives of Applicant are also registered representatives of cfd Investments, Inc. These facts may be a consideration in a recommendation by the Applicant to utilize cfd Investments, Inc. as its broker/dealer.

### **5. Review of Accounts**

Managed accounts are reviewed continually by the managed accounts department. Various internal limits on gains, losses, allocation, and diversification are constantly monitored via independent software and alerts and signals as well as personal observations. Managed account clients may choose to receive custom account reports showing current positions, account results, fees, diversification mix, and market commentary no less frequently than quarterly and still receive their monthly and/or quarterly statements from the financial institutions where the account assets are held. All trades are reviewed by the Managed Accounts Director or his designee.

## **I. CUSTODY OF CLIENT FUNDS AND SECURITIES**

All client assets are held at qualified custodians who provide account statements directly to clients at their stated address of record. Occasionally, qualified clients may invest in



private placements of securities which are not held at qualified custodians. In those cases, statements are generally provided directly by the investment issuer at least annually.

While the Applicant does not take physical custody of client funds or securities, SEC rules under the Investment Advisers Act of 1940 deem the Applicant to have custody of client assets because of certain business methodologies employed by Applicant. Particularly, clients under the Self-Directed Retirement management platform gives the Applicant access to their employer plan account to allow the Applicant to effect investment management transactions with regard to those assets. Under SEC rules, this level of access by the Applicant to the client assets is considered the equivalent of the Applicant having “custody” of the client assets.

Because the Applicant is deemed to have custody of client assets due to the circumstances described above, Applicant has engaged an independent auditor to perform an unannounced audit of Applicant’s activities relating to client assets on at least an annual basis. The purpose of the audit is to ensure that the Applicant and its personnel are dealing appropriately with client assets and to verify those client assets with the respective custodians where the client assets are held, as well as directly with clients themselves. Results of audits are available upon request.

#### **J. INVESTMENT OR BROKERAGE DISCRETION**

Applicant exercises discretion with respect to the Brokerage Management, Self-Directed Retirement, and Variable Annuity Management programs. For managed accounts utilizing brokerage accounts (e.g. equity securities), it is not required that the clients utilize cfd Investments, Inc. as the broker of record, or a third party broker/dealer approved by the Applicant.

Though the Applicant generally recommends that planning clients utilize cfd Investments, Inc. for securities transactions, the planning clients' choice of broker/dealers to use for the implementation of securities transactions is the client's decision.

#### **K. PROXY VOTING**

The Applicant does not vote proxies for its clients with regard to their securities holdings. All client securities are held at their respective custodians in the name of the client and therefore client custodians direct proxies to the clients themselves for voting.