

# Carolinas Investment Consulting, LLC

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This Brochure provides information about the qualifications and business practices of Carolinas Investment Consulting, LLC. If you have any questions about the contents of this Brochure, please contact us at (704) 643-2455. 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.

Carolinas Investment Consulting, LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Adviser.

Additional information about Carolinas Investment Consulting, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Material Changes**

There have been no material changes since our last Brochure dated May 24, 2011.

Pursuant to SEC Rules, we will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide clients with a new Brochure as necessary based on changes or new information, at any time without charge. Our Brochure may be requested by contacting us at our main number.

Additional information about Carolinas Investment Consulting, LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website provides information about any persons affiliated with Carolinas Investment Consulting, LLC who are registered, or are required to be registered, as investment adviser representatives of Carolinas Investment Consulting, LLC.

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## Advisory Business

Carolinas Investment Consulting, LLC ("CIC") was established in July 2000 and approved as a Registered Investment Adviser in April of 2001. George H. Edmiston, Jr. is its CEO and 93% owner.

CIC may furnish discretionary and non-discretionary investment advice through individual consultations on a fee-for-service or fixed-fee basis. In order to determine a suitable course of action for a client, CIC shall review such variables as investment objectives, consideration of financial condition, income and tax status, personal and business assets, risk profile and other factors unique to the client.

All information and advice furnished by either the client or CIC, including their agents and employees, shall be treated as confidential and will not be disclosed to third parties except as agreed upon in writing or required by law.

CIC offers the following Wrap Fee Programs which are administered through its clearing broker/dealer, First Clearing LLC ("First Clearing"), Member NYSE/SIPC, a non-bank affiliate of Wells Fargo & Co. CIC will furnish you with an additional Wrap Fee Brochure which will provide additional information on these programs.

- Private Advisor Network Program;
- Masters Investment Consulting Program;
- Custom Choice / Fund Source Program;
- Asset Advisor Program;
- The Pathways Program; and
- PIM (Private Investment Management).

**Private Advisor Network Program:** Under the Private Advisor Network Program, we may assist clients in identifying an investment advisory firm to advise and counsel the client, relative to the client's investment of assets. The goal of this Program is to offer a competitive roster of investment management firms representing a broad array of investment classes and styles; from which clients may select one or more Private Advisor Network Managers to handle the day-to-day management of their account(s). Private Advisor Network services may include: matching personal and financial data provided by the client with a database of approved investment advisors, and providing reports to allow for periodic evaluation and comparison of account performance with objectives. We may also assist in the preparation, revision or review of an investment policy statement in connection with the client's advisory needs.

All Private Advisor Network accounts are managed by the third-party advisors and CIC has no discretionary trading authority with respect to such accounts.

**Masters Investment Consulting Program:** Under the Masters Investment Consulting Program, we assist each client in reviewing their investment objectives, including any restrictions designated by the client with respect to investment securities. In addition, we assist in selecting one or more investment advisors from a universe of investment advisors that have been approved by the Manager Strategy Group based on their quantitative and qualitative research criteria. The intent of the Program is to offer a competitive roster of high-quality investment management firms, representing a broad array of investment classes and styles, from which a client may select one or more Masters Managers to handle the day-to-day management of their account(s).

**Custom Choice / Fund Source Program:** Under the Custom Choice / Fund Source program, the client is provided with either non-discretionary or discretionary investment recommendations based upon a review of the client's investment goals, financial situation, and risk tolerance. Under the Fund Source Discretionary Account program, CIC will act as the investment manager for the account. As such, we will supervise and direct the investments and make all investment decisions for the account within the overall parameters and guidelines of Fund Source. Under the Custom Choice non-discretionary account option, CIC will provide recommendations to the client as to the appropriate mix of investments in the account; however, the client will direct the investments and make all investment decisions for the account. Within the overall parameters and guidelines of Custom Choice Program, CIC will not have investment discretion over the client's account. The client agrees to pay CIC for the service detailed above an annual fee in accordance with the below referenced schedule.

**Asset Advisor Program:** Under the Asset Advisor program, the client is presented with non-discretionary investment recommendations based upon a review of the client's investment goals, financial situation, and risk tolerance. On a periodic basis, monitoring and reporting of portfolio performance is provided. Most types of securities are eligible for purchase in this account including, but not limited to, common and preferred stocks, exchange-traded funds, closed end funds, fee-based unit investment trusts, corporate, municipal and government bonds, certificates of deposit, options and certain wrap class alternative investments, such as hedge funds. Clients are charged an all-inclusive wrap fee on Program Assets that covers advisory, execution, custodial and reporting services on Eligible Assets.

**Pathways Program:** The Pathways Program is a personalized asset allocation portfolio based upon a review of the client's investment goals, financial situation and risk tolerance. Pathways provide the client the opportunity to allocate assets among various mutual funds of the Russell Investment Company. The client may elect to access Pathways via a pre-determined model portfolio, the Pathways Optimal Blend, or by creating an allocation of Pathways funds, the Pathways Customized Blend. Fund-selected investment managers are terminated or replaced by Russell generally due to changes in senior investment personnel and/or a deviation from the desired investment discipline. Such changes to fund investments are made without prior notice to the client.

**PIM (Private Investment Management) Program:** The Private Investment Management program is a discretionary investment account in which the Financial Advisor is the portfolio manager. Asset allocation and securities selection are determined by the Financial Advisor in conjunction with the client's investment goals, financial situation and risk tolerance. In making investment determinations with respect to the Account, the Financial Advisor will rely on the information contained in the client Investment Profile/Investment Policy and at least annually will contact the client and request current information. Client agrees to inform the Financial Advisor in writing of any material change in the client's circumstances, which might affect the manner in which the client's assets should be invested.

CIC offers the following Managed Account Programs which are administered through Schwab Institutional, a division of Charles Schwab & Co, Inc.:

- Managed Account Select;
- Managed Account Access; and
- Managed Account Marketplace

**Managed Account Select Program:** Under this Program, we assist each client in reviewing the client's investment objectives, including any restrictions designated by the client with respect to investment securities. In addition, we assist in selecting one or more investment advisors from a universe of investment advisors. This universe of investment advisors is evaluated by Charles Schwab Investment Advisory, Inc. and meets their quantitative and qualitative research criteria. The intent of the Program is to offer a competitive roster of high-quality investment management firms representing a broad array of investment classes and styles from which a client may select one or more Select Managers to handle the day-to-day management of the client's account(s).

**Managed Account Access and Managed Account Marketplace Programs:** Under these Programs, we may assist clients in identifying an investment advisory firm to advise and counsel the client relative to the client's investment of assets. The intent of the Program is to offer a competitive roster of investment management firms representing a broad array of investment classes and styles from which a client may select one or more Access or Marketplace Managers to handle the day-to-day management of the client's account(s). Access and Marketplace services may include: matching personal and financial data provided by the client with a database of approved investment advisors, and providing reports to allow for periodic evaluation and comparison of account performance with objectives. We may also assist in the preparation, revision or review of an investment policy statement in connection with the client's advisory needs.

All Managed Account Access and Managed Account Marketplace accounts are managed by the third-party advisors and CIC has no discretionary trading authority with respect to such accounts.

From time to time, CIC will provide investment advisory services with regard to investment-related partnerships or other pooled investment vehicles. Typically, such products shall be Direct Participation Programs or privately placed securities that are typically exempt from registration under the Securities Act of 1933 in reliance on an exemption such as the provisions set forth under Regulation D.

As of December 31, 2011 CIC held \$6,298,658 in discretionary assets under management and \$697,933,481 in non-discretionary assets under management.

### **Fees and Compensation**

CIC may charge a fixed fee for investment advisory, financial planning, family office or consultation services. These fees are negotiable, but generally range from \$2,500 to \$50,000 annually, depending upon the agreed upon level and scope of the services provided. Fixed fees will be billed quarterly in advance based upon a signed Investment Consulting Services Agreement or Carolinas Family Office Agreement.

CIC offers the following Wrap Fee Programs which are administered through its clearing broker-dealer, First Clearing LLC, Member NYSE/SIPC, a non-bank affiliate of Wells Fargo & Co.:

- Private Advisor Network Program;
- Masters Investment Consulting Program;
- Custom Choice / Fund Source Program;
- Asset Advisor Program;
- The Pathways Program; and

- PIM (Private Investment Management).

For these wrap fee programs, advisory fees charged are separate and distinct from the fees and expenses charged for mutual funds that may be recommended to Clients. Clients may incur certain charges imposed by third parties other than CIC. A description of these and other expenses are available in each fund's prospectus.

CIC will not be compensated on the basis of a share of capital gains or on capital appreciation of the funds or any portion of the funds of the Client.

Fees are billed and paid in advance of service. The client agrees to pay CIC, for the services detailed under "Advisory Business", an annual fee in accordance with the following standard fee schedules, which are negotiable:

**Private Advisor Network Program\***

<u>Equity, Balanced and Fixed Income Accounts</u>	
<u>Total Household Value</u>	<u>Annualized Fee</u>
First \$2,500,000	1.00%
Over \$2,500,000	Negotiable

\*Under the Private Advisor Network Program, clients will pay a separate Manager's Fee for participation in the program, which may cause the effective program fee (expressed as a percentage) to be greater than the fee rates shown above. The Manager's Firm Brochure contains important information regarding fees, conflicts of interest, risks, and other information that prospective investors should review and consider.

**Masters Investment Consulting Program**

<u>Equity and Balanced Accounts</u>	
<u>Total Household Value</u>	<u>Annualized Fee</u>
First \$2,500,000	2.00%
Over \$2,500,000	Negotiable
<u>Fixed Income Accounts</u>	
<u>Total Household Value</u>	<u>Annualized Fee</u>
First \$2,500,000	1.50%
Over \$2,500,000	Negotiable

**Custom Choice / Fund Source Program**

**Asset Advisor Program**

**The Pathways Program**

**PIM (Private Investment Management)**

<u>Total Household Value</u>	<u>Annualized Fee</u>
First \$2,500,000	1.00%
Over \$2,500,000	Negotiable

The account value is calculated as the market value of all long and short securities positions in the account. Although the fees listed above are "default" fees, they may, in some circumstances, be

negotiable. The fee encompasses all transaction related costs associated with the execution of the transaction. The client shall pay an initial fee from the account to CIC on the date of acceptance of the contract based upon the value of the account on the date of acceptance and prorated through the end of the calendar quarter. Thereafter, the quarterly fee shall be paid to CIC on the first business day of each succeeding calendar quarter based upon the value of the account on the last business day of the prior calendar quarter. In the case of a net capital contribution or withdrawal, fees will be prorated and charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. No fee adjustment will be made during any fee period for appreciation or depreciation in the market value of assets in the account during that period. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Client will maintain or deposit sufficient funds in the account to cover payment of all fees authorized by the contract and the client authorizes CIC and clearing firm to debit the account balances or redeem money market fund shares in the amount equal to the fee that is due. If there are not funds to cover the fees, then CIC may liquidate assets to cover fees. The service fee schedule may be changed upon written notification from CIC to the client.

CIC offers the following Managed Account Programs which are administered through Schwab Institutional, a division of Charles Schwab & Co, Inc.:

- Managed Account Select;
- Managed Account Access; and
- Managed Account Marketplace

The specific manner in which fees are charged by CIC is established in a client's written agreement. CIC will bill its fees on a quarterly basis in advance. Fees will be debited directly from the client's account, are based on the assets under management found on the fee schedule below and in some instances, may be negotiated.

**Managed Account Select**  
**Managed Account Access**  
**Managed Account Marketplace**

<u>Total Household Value</u>	<u>Annualized Fee</u>
First \$2,500,000	1.00%
Over \$2,500,000	Negotiable

For Schwab programs, clients pay CIC an overall advisory fee, and will pay a separate Manager's Fee for participation in the program, if applicable. As a result, the effective program fee (expressed as a percentage) may be greater than the fee rates shown above. The program fee is negotiated with each individual account holder, based on Schwab's recommended client fee schedules. Fees are subject to exclusions, calculations, and conditions contained in each Program Disclosure Document and Advisory Agreement. The Firm Brochure for each separate Manager contains important information regarding fees, conflicts of interest, risks, and other information that prospective investors should review and consider.

For purposes of calculating CIC's advisory fees, the market value of assets in the account shall consist of the market value of securities and other investments held in the account as shown on the custodial



statement, and will not be reduced by any margin or other indebtedness of the client with respect to such securities or other investments. In calculating its advisory fees, CIC may, in its discretion, aggregate the market value of assets in the account with the market value of assets in other accounts maintained by the client and/or the client's immediate family members who reside in the same residence.

In the case of a net capital contribution or withdrawal, fees will be prorated and charged or refunded at the end of that calendar quarter. No fee adjustment will be made during any fee period for appreciation or depreciation in the market value of assets in the account during that period. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

All transaction fees will be borne by the client and paid directly to Schwab. Client will maintain or deposit sufficient funds in the account to cover payment of all fees authorized by the contract, and the client authorizes Schwab to debit the account balances or redeem money market fund shares in the amount equal to the fee that is due. Schwab will remit a portion of the fee to CIC. If there are not sufficient funds to cover the fees, then the firm may liquidate assets to cover fees.

CIC's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to CIC's fee, and CIC shall not receive any portion of these commissions, fees, and costs.

Transaction fees charged to client accounts may be higher than those otherwise available if the services were provided separately for a discrete fee or if an Investment Advisor were to select brokerage and negotiate commissions in the absence of the extra consulting service provided. All fees described herein may be subject to negotiation depending on a range of factors including, but not limited to, account size and overall range of services requested. Clients should consider the value of the additional consulting services when making such comparisons. The combination of custodial, consulting, and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. A portion of the fees charged by CIC for the advisory services described herein may be paid to CIC Financial Advisors. Financial Advisors may have a financial incentive to recommend advisory services over broker/dealer services. Costs and transaction fees arising out of transactions effected by entities other than CIC or Schwab or attributable to dealer mark-ups, mark-downs or "spreads" (in transactions where another entity acts as principal for its own account) will be separately borne by clients.

#### Account Termination

Client may initiate termination of the contract at any time by sending written notice to CIC. CIC may terminate the contract at any time for any reason; in which event CIC will refund the pro-rata fee received for the calendar quarter to the extent that such fee exceeds the execution charges that would have been owed based upon CIC's regular commission and execution rates. A full refund will be provided without penalty if the client terminates the contract within 5 business days of signing with CIC.

CIC advisory agreements provide that any party may terminate at any time. Upon termination, all securities and cash positions will remain intact absent any liquidation orders. If specific liquidation orders are received, CIC and its agent will, in an orderly and efficient manner, proceed with liquidation of the client's account. There will not be a charge by us for such redemption; however, the client should be aware that certain mutual funds impose redemption fees as stated in each company's fund prospectus in certain circumstances. Clients must keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with the client's tax advisor. Factors that may affect the orderly and efficient manner would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate client's investment advisory service and communicate the instructions to client's Investment Advisor, termination orders received from clients are not market orders; it may take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. CIC and its agent are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

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

CIC does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Types of Clients**

CIC provides portfolio management services to individuals, pension and profit-sharing plans, charitable institutions, foundations, endowments, estates, trusts, and corporations and business entities.

The minimum initial account value for the Private Advisor Network and Masters Investment Consulting Program is \$100,000, the Pathways Program and the PIM Program is \$50,000 and the Custom Choice / Fund Source Program and the Asset Advisor Program is \$25,000; which are set by the program sponsor/manager. The Managed Account Select, Managed Account Access and Managed Account Marketplace Programs generally have a minimum initial account value of \$100,000; certain managers may require a higher minimum as disclosed in the individual manager's Firm Brochure. Under certain circumstances, the minimum may be waived, including related accounts that may be combined to meet the minimum if the services involved may otherwise be provided.

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

Our investment strategy begins with an understanding of a client's financial goals. Advisors use demographic and financial information provided by the client to assess the client's risk profile and investment objectives in determining an appropriate plan for the client's assets. Investment strategies ordinarily include long- or short-term trading of stock portfolios, mutual funds, fixed income securities and options.

Investment recommendations are based on an analysis of the client's individual needs, and are drawn from research and analysis. Security analysis methods may include fundamental analysis, technical analysis, charting and cyclical analysis. Information for this analysis may be drawn from financial newspapers and magazines; inspections of corporate activities; research materials prepared by others;

annual reports, corporate filings and prospectuses; company press releases; and corporate ratings services.

CIC may also seek the opinion of third party money managers for security analysis. This information will be considered in conjunction with other analysis methodology. In addition, CIC utilizes other sources of information such as Schwab Institutional website or First Clearing LLC's Advisory Services Department, which consists of Due Diligence Reports on Money Managers and Research Alerts to notify us of changes occurring on Money Managers.

It is important to note that investing in securities involves a risk that clients should be prepared to bear. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks. Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because CIC must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CIC or the integrity of CIC's management. CIC has no information applicable to this item.

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

CIC is effectively registered as a general securities broker-dealer with the U.S. Securities and Exchange Commission and various state regulatory agencies. CIC is also a member of FINRA and SIPC. In its

capacity as a broker-dealer, CIC is involved in the sale of various types of securities, including, but not limited to, stocks, bonds and mutual funds.

CIC also offers Family Office Services for a fee, which include Comprehensive Financial Planning, Estate/Tax Planning Review and Strategies (in coordination with tax and legal advisors), Cash Flow Budgeting and Analysis, Document Aggregation, Multi-Generation Services and Education, Charitable Giving Strategies, Family Gifting & Education Funding Strategies, Life Insurance Review and Planning and Outside Trust Services Review.

Individuals associated with CIC as an Investment Adviser Representative (“IAR”) may also be registered with CIC as a Registered Representative (“RR”). Although often times related, CIC’s brokerage services may be offered separately from its investment advisory services. As a result of certain investment-related recommendations (or other investment advisory services) provided to its clients, individuals associated with CIC as IARs as well as RRs may facilitate certain securities transactions related to its investment advisory services on behalf of such clients. Any such transactions may be facilitated through CIC in its capacity as a registered broker-dealer. If a trade error were to occur, it may result in profit or loss to the firm. The firm has controls in place to limit such trade errors. Investment Advisers will not participate in any profits resulting from such errors.

CIC is also separately licensed as an Insurance Agency and certain IARs are licensed as insurance agents/brokers. When applicable, these individuals may recommend insurance or broker-dealer transactions for advisory clients. In their capacities as Registered Representatives or as insurance agents, clients will be charged separately from their advisory services.

On average individual Investment Advisor Representatives and the principals of CIC spend as much as 50% of their time on these aforementioned nonadvisory activities. No CIC client is obligated to purchase any recommended insurance products.

CIC recommends that clients establish brokerage accounts with First Clearing, LLC (“First Clearing”) or Charles Schwab & Co., Inc. (“Schwab”), both FINRA registered broker-dealers, members SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although CIC may recommend that clients establish accounts at First Clearing or Schwab, it is the client’s decision. CIC is independently owned and operated and not affiliated with First Clearing or Schwab

“Brokerage Practices” includes additional details regarding brokerage practices and related disclosures.

### **Code of Ethics**

CIC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at CIC must acknowledge the terms of the Code of Ethics annually, or as amended.

Advisors of CIC may buy or sell securities that are recommended to clients. CIC’s employees and persons associated with CIC are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of CIC and its affiliates may trade for their own

accounts in securities which are recommended to and/or purchased for CIC's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CIC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of CIC's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between CIC and its clients.

CIC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting us at (704) 643-2455 or (800) 255-2904.

### **Brokerage Practices**

As noted previously, CIC is registered as a broker-dealer. The Principals of CIC, in their capacity as Registered Representatives of CIC, may recommend CIC's broker-dealer services to clients who have or are utilizing CIC's advisory services. CIC's clients are free to implement advisory recommendations through any firm. Clients are under no obligation to purchase or sell securities through CIC and may select any broker-dealer on their own to implement the advice and recommendation received from CIC.

If clients choose to use CIC's broker-dealer services, the Adviser or its associated persons may receive compensation for such transactions, where such compensation is separate and distinct from Adviser's compensation related to its investment advisory services. Commissions paid to Advisers for broker-dealer services may be higher or lower than those paid by other brokers. Notwithstanding such additional compensation, CIC strives to serve the best interest of the clients. CIC believes that the overall level of services and support provided to clients by CIC outweighs the potentially lower transaction cost available under other brokerage arrangements. CIC receives no products, research, or services that CIC would consider a factor in recommending a particular broker dealer.

Both CIC and associated persons of CIC may receive sales compensation or other forms of compensation such as 12b-1 fees for the sale of investment company products and commissions through the sale of securities and insurance products to clients of CIC. This may create a conflict of interest. These arrangements pose a conflict of interest for those individuals to the extent they have a financial incentive to recommend such sales or other transactions to the client. CIC will make all recommendations independent of such fee consideration and based solely on its obligations to consider a client's objectives and needs.

For CIC client accounts maintained in its custody, First Clearing and Schwab generally do not charge separately for custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through First Clearing or Schwab or that settle into First Clearing or Schwab accounts. First Clearing and Schwab may make products and services available to CIC that benefit CIC but may not directly benefit its clients' accounts. Many of these products and services are used to service all or a substantial number of CIC accounts. Some of these products and services provided by First Clearing and/or Schwab include software and other technology that (i) provides access to client account data (such as trade confirmations and account

statements); (ii) facilitates trade execution and allocates aggregated trade orders for multiple client accounts; (iii) provides research, pricing and other market data; (iv) facilitates payment of CIC fees from its clients' accounts; and (v) assists with back-office functions, recordkeeping and client reporting.

### **Review of Accounts**

The Chief Compliance Officer will review accounts for which CIC provides supervisory services, discretionary investment advisory services or holds itself out as providing financial planning or some similarly termed service ("Investment Consulting Program") at least annually to determine the suitability of investments in relation to a client's objectives. The review process contains each of the following elements:

- a. Investment Policy Statement, where applicable, is reviewed as to any changes necessitated;
- b. Asset Allocation is reviewed and rebalanced as appropriate,
- c. Performance vs. appropriate selected indices are reviewed as are any variances on a current year-to-date and annual since inception basis; and
- d. All client comments and concerns are discussed and appropriately handled.

At least annually, the firm will contact the client and request current information to determine whether there have been any changes in the information provided in the questionnaire. Client agrees to inform the firm in writing of any material changes to the information included in the questionnaire or any other change in the client's financial circumstances that might affect the manner in which client's assets should be invested. Client may contact the firm during normal business hours to consult with the firm concerning the management of the client's account(s).

Clients will receive performance reports at least annually, or more frequently as agreed. These reports include:

- a. Consistency with policy statement;
- b. Current asset allocation;
- c. Beginning and ending valuation;
- d. Net flows;
- e. Returns on trailing 12 months as well as on a calendar basis since inception as compared to the appropriate indices and their corresponding variances;
- f. Up and down capture ratio as percent of index return;
- g. Market values and cash flows on quarterly basis since inception; and
- h. Measurement of volatility which may include Alpha, Beta,  $R^2$  calculations.

The client understands that it is his/her responsibility to review this material and report any discrepancies to CIC as soon as possible.

### **Client Referrals and Other Compensation**

CIC, in some instances, may compensate third-party solicitors for client referrals. The solicitor's agreements entered into by CIC comply with Rule 206(4)-3 under the Investment Advisers Act of 1940. Currently CIC has agreements with Mary A. Ferguson, CPA, Martha Louise Ramage Lewis, PLLC, Worth Williamson, and Ralph N. Strayhorn, III. Additional solicitor agreements may be initiated, or existing ones terminated at any time. Compensation will be based on a percent of referred clients' account

value managed by CIC. Such fees are paid pursuant to a written agreement between CIC and the solicitor. A client who is solicited will receive an additional disclosure document specifically describing the arrangement and the compensation paid to the solicitor. Solicitor's fees will be based on CIC's normal fee schedule; clients will not be charged any additional fees or expenses as a result of the referral.

### **Custody**

Clients should receive statements at least quarterly from First Clearing or Schwab, the qualified custodian that holds and maintains your investment assets. These reports include: (1) trade confirmations reflecting all transactions in securities (except money market mutual fund transactions) unless specifically waived by the client; (2) monthly and/or quarterly statements of the client's account itemizing all transactions in cash and securities, and all deposits and withdrawals of principal and income during the preceding calendar month; (3) statements of securities in custody, listing securities held in the account, submitted at least quarterly; and (4) an annual summary of transactions and dividend and interest statements.

CIC urges clients to carefully review such statements and compare the official custodial records to the account statements that we may provide you. CIC's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. CIC may furnish periodic statements of account activity in lieu of transaction-by-transaction confirmations as described above, to the extent and in the manner permitted by Rule 10b-10 under the Securities Exchange Act of 1934, as amended.

### **Investment Discretion**

CIC offers both discretionary and non-discretionary investment advice. When the client chooses to grant investment discretion to the Adviser, the Adviser will have authority to supervise and direct the investments of and for the client's account(s) without prior consultation with the client. Pursuant to this discretionary authority, the Adviser will determine which securities are bought and sold for the account and the total amount of such purchases and sales. The Adviser will make investment decisions for client accounts in accordance with the investment objectives, risk tolerance, investment time horizon, and any investment policies, guidelines, or reasonable restrictions as the client may impose in writing, and to which the Adviser agrees. Pursuant to the client's instruction, client money/cash may be invested in a money market mutual fund managed by their custodian who may charge a fee. Clients should contact their custodian for more information about this investment of their cash.

### **Voting Client Securities**

As a matter of firm policy and practice, CIC does not vote proxies on any client's behalf. Clients can authorize investment managers to vote proxy requests on their behalf in their client agreements. Please refer to the respective investment manager's Form ADV for a full disclosure of its proxy voting policies and procedures. Clients should contact their financial consultant if they have any questions and/or to obtain this information. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent.

### **Financial Information**

Registered Investment Advisers are required to provide clients with certain financial information or disclosures about CIC's financial condition. CIC has no financial commitment that impairs its ability to

meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

### **Privacy Policy**

CIC collects nonpublic personal information about clients from the following sources: Information we receive on applications or other forms and information about client transactions with our affiliates, others, or us. CIC does not disclose any non-public information about our current or former clients to anyone, except as permitted by law or in order to provide the current services. Employees have limited access to clients' personal information based on their responsibilities to provide products or services. Be assured that we maintain physical, electronic and procedural safeguards in compliance with federal standards to protect client information.

If the Adviser servicing a client's account leaves CIC to join another firm, he or she may be permitted to retain copies of client information so that they can assist with the transfer of client accounts and continue to serve the client at their new firm.

"Opting-out" of Third Party Disclosures: If you do not want your account Consultant to retain copies of your client sensitive information when he or she leaves us to join another firm, you may contact our Compliance Department by calling (704) 643-2455.