

# CARNICK & KUBIK, LLC

## CLIENT BROCHURE

*This brochure provides information about the qualifications and business practices of Carnick & Kubik, LLC. If you have any questions about the contents of this brochure, please contact us at (719)579-8000 or via email directly to the Chief Compliance Officer at [Craig@carnick.com](mailto:Craig@carnick.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC").*

*Additional information about Carnick & Kubik, LLC is also available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Carnick & Kubik, LLC's SEC number is: 8-72828*

*The firm's CRD number is: 159115*

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*Registration does not imply a certain level of skill or training.*

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## ITEM 2: MATERIAL CHANGES

This Form ADV Part 2A represents an update of the previous disclosure document prepared by Carnick & Kubik, LLC (“Carnick & Kubik” or “Firm” or “Adviser”) on October 2011 in conjunction with its initial registration as an Investment Adviser pursuant to the Investment Advisers Act of 1940 (“Advisers Act”).

Nathan Kubik and David Kubik are now registered representatives for an unaffiliated broker/dealer, Northland Securities, LLC. Other personnel associated with Carnick & Kubik may, in the future, also become registered representatives of the firm. The Firm considers this a material change to Carnick & Kubik’s business since the previous disclosure document was prepared. Additional information on these registrations is provided under Item 10 of this Brochure.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. DESCRIPTION OF THE ADVISORY FIRM**

Carnick & Kubik is a 100% principal-owned fee-based investment advisory practice based in Colorado Springs, Colorado. The Firm was formed in 2011 and is owned equally by Nathan Kubik, Managing Member and David Kubik, Managing Member. The Firm was formed to assume the investment advisory business of Carnick & Company, Inc. ("CCI") which was purchased by David Kubik and Nathan Kubik on September 30, 2011. As part of the purchase, the prior owner, Craig E. Carnick, CFP®, and his entire team remains with the Firm. CCI has been a Registered Investment Adviser since 1991. Since that time, CCI has maintained its registration with the SEC and its notice filings in Colorado and various other jurisdictions.

The Adviser has no affiliated entities.

### **B. TYPES OF ADVISORY SERVICES**

Carnick & Kubik is a fee-only Registered Investment Advisory Firm that offers Investment Advisory Services, Financial Planning Services and Consultation Services.

The term fee-only means the Adviser and its Advisory Representatives do not accept commissions but are compensated only in the form of advisory fees paid by clients. The Adviser receives fees in the form of a percentage of assets under management, a fixed fee, or an hourly fee, depending upon the nature and scope of the services provided. Advisory Representatives are those persons who are approved to provide investment advisory services on behalf of the Adviser. The Advisory Representatives of Carnick & Kubik are neither registered representatives of a broker/dealer nor are they independent insurance agents.

Carnick & Kubik is committed to helping its clients build, manage, and preserve their wealth, and to provide assistance in helping clients to achieve their stated financial goals. Carnick & Kubik may offer a complimentary initial consultation to discuss services available, to give a prospective client the opportunity to review services desired, and to determine the possibility of a potential relationship. Services begin only after the client and Adviser formalize the relationship with a properly executed client Agreement.

Advisory Representatives always conduct a careful, no-cost analysis of the client's individual situation in order to determine the parameters of the engagement. The Adviser provides a projection of the fees involved, in writing, in advance of services. Fees are generally based upon the complexity of the services required. Should the client's situation or needs change after the analysis or while the engagement is underway, additional fees may apply. However, the Adviser will properly inform the client before engaging in any additional time, effort and services that may result in additional fees.

After the formal engagement and depending upon the scope of the engagement, the Adviser and client will share in a data gathering and discovery process in an effort to determine the client's needs, goals, intentions, time horizons, risk tolerance and investment objectives, based upon information provided by the client and the nature of services requested. The client and Adviser may complete a risk assessment, investment policy statement or similar document, depending upon the nature of services to be provided.

Carnick & Kubik is not a broker/dealer or custodial firm. Any transactions in securities will be executed by an unaffiliated custodial firm of the clients' choosing.

Carnick & Kubik offers Investment Advisory Services, Financial Planning and Consultation Services.

### **1. Investment Advisory Services**

Investment Advisory Services are generally ongoing in nature. Carnick & Kubik offers financial and investment advice to clients in several ways, depending upon the stated individual needs of the client since the Adviser provides individualized services. Carnick & Kubik provides these fee-only Investment Advisory Services on two levels.

Carnick & Kubik manages stock and bond portfolios on a discretionary basis using an investment committee made of up of a Chartered Financial Analyst™ and two Certified Financial Planners®, one of whom has a degree in accounting and is a member of the American Institute of Certified Public Accountants (AICPA®). The Operational Chair of the Investment Committee is William Moyer, CFA®.

Investment Advisory Services normally involve ongoing and continuous portfolio management. Carnick & Kubik does not analyze individual securities issues nor does the Adviser recommend a particular investment strategy until a client's financial objectives have been clearly understood, based upon information provided, and the options explored.

After the formal engagement, the Adviser and client will share in a data gathering and discovery process in an effort to determine the client's stated needs, goals, intentions, time horizons, risk tolerance and investment objectives, based upon information provided by the client and the nature of services requested.

Carnick & Kubik attempts to measure an investor's goals, risk tolerance and time horizon based on information provided by the client. The Adviser will rely on the information provided by the client and is not obligated to verify the accuracy of information or reports provided. Investment strategies may be based upon a number of concepts and determined by the type of investor.

The client and Adviser may complete an investment policy statement or similar document. Carnick & Kubik utilizes the information provided by the client to prepare recommendations for investments, which may include planning for long-range goals, short-range goals, or other segments of an investment plan that may be desired. The Adviser anticipates that each client will actively participate in the review of information and the formulation of advice and recommendations.

Clients engaging the Adviser for Investment Advisory Services must play an active role. The Adviser requires the client to participate in the gathering of data, the development of an investment policy or investment plan to be followed, as well as their participation in reviews, and the ongoing advice and recommendations.

Carnick & Kubik can tailor services to focus only on certain portfolio components or the Adviser can provide comprehensive portfolio management services, depending upon the client's wishes and/or the nature of the engagement. However, where Investment Advisory services or information are limited, clients must understand that comprehensive investment needs and or objectives may not be fully considered due to the client's option to receive limited services, the lack of information received, and/or client disclosure.

After an analysis and data-gathering process and depending upon the nature of services desired, the Adviser may prepare reviews, analysis, asset allocation recommendations, and may recommend specific investments. Carnick & Kubik places a focus on liquidity, diversification, risk control and cash flow through the use of multiple publicly available investments.

All proposed investment strategies are closely evaluated, in advance, to assure they are in keeping with the client's ultimate stated objectives, risk tolerance and suitability. In the Financial Planning process, recommendations for strategies (investments and otherwise) are stated in generic terms. Carnick & Kubik never recommends a specific product unless

a company's product is so unique and singular that the product has become the only option available. In providing Investment Advisory Services, Carnick & Kubik will work with clients to carefully assess their objectives, risk tolerance and suitability. A written questionnaire is used for this purpose and once completed by a prospective client; the information is used to determine what investment recommendations are appropriate. Advice may include specific or overall investment information as determined by the client or the Adviser.

The portfolio strategies considered for use by Carnick & Kubik Incorporated would include two types: portfolios of individual securities issues and portfolios of no-load mutual funds.

For clients with smaller portfolios, generally under \$250,000, proper diversification of assets can be most efficiently achieved by using mutual funds.

For those clients with portfolios over \$250,000, a portfolio of individual securities is appropriate. The critical aspect is to reduce risk by selecting portfolio styles within the parameters of the client's situation that will tend to maximize potential returns while reducing risk to a level in keeping with the client's risk-reward tolerance.

Ongoing services require that clients maintain contact with Carnick & Kubik. Clients are responsible for promptly notifying the Adviser of any changes in the client's personal situation, lifestyle situation, needs, and financial condition that may alter the client's goals and objectives in order to provide the Adviser with the opportunity to review investment strategies. Clients may call the office at any time during normal business hours to discuss the client's portfolio, financial situation or investment needs directly with the client's Advisory Representative.

Investments can include short-term instruments (e.g., T-Bills), stocks, bonds, mutual funds, exchange-traded funds, or other investment products.

Carnick & Kubik may also offer advice on the following: warrants; corporate debt securities (other than commercial paper); certificates of deposit; municipal securities; options contracts on securities and commodities; and investments clients may already hold in variable life or annuity products. The Adviser may also offer advice on partnerships (public and private) and real estate investment trusts but generally would not manage these types of investments. In such cases, the Adviser's services may be limited to review of the offering.

Where an existing portfolio has been designed by the client or another party, Carnick & Kubik can provide recommendations for ongoing management, re-design, adjustments or re-balancing.

Once the portfolio has been implemented or transferred for services, Carnick & Kubik can provide continuous monitoring, recommendations and investment advice as outlined in the engagement for services. The ongoing Investment Advisory Services are based upon the investment strategy or policy agreed upon between Carnick & Kubik and the client. In providing ongoing Investment Advisory Services, the Adviser will manage investor funds in accordance with an investment strategy selected by the client and the Adviser will remain available for ongoing advice and recommendations. Carnick & Kubik will monitor the portfolio in accordance with the directives provided. Investment Advisory Services are continuous in nature and therefore are ongoing until terminated by either party.

Certain clients may desire to place or keep certain assets within their account(s) that are selected by client and are not the subjects of investment advice by Adviser. These are “self-directed” assets. The Adviser will have no responsibility to manage any “self-directed” assets in client accounts and the Adviser accepts no liability to those clients in connection with any loss relating to the “self-directed” assets. In such cases, the Adviser will not pass on the suitability of self-directed assets. Should the Adviser ever assist clients with self-directed implementation it may do so only as a value-added service at the client’s request. The Adviser will therefore not manage this facet of the client’s portfolio unless specifically agreed to in writing.

Services and investment recommendations in connection to assets invested with corporate retirement plans are limited to those offered within the plan and via the plan’s contracted service providers.

Clients engaging investment advisory services are expected to play an active role in the ongoing Investment Advisory process. The Adviser requires the client to participate in the formation of the investment plan, the development of investment advice and recommendations as well as the ongoing services provided.

Clients may call the office during regular business hours to discuss their portfolio or ask questions, but the Adviser recommends that clients initiate a meeting with the Adviser no less than quarterly. However, clients are obligated to immediately inform the Adviser of any changes in their financial situation and to provide the Adviser with the opportunity to review the portfolio to ensure it is still structured to help meet the client’s stated needs and objectives.

Carnick & Kubik's Investment Advisory Services are based upon the client's stated individual needs, objectives and directives. In providing ongoing Investment Advisory Services, Carnick & Kubik will manage investor funds in accordance with an investment policy/strategy or plan as selected by the client and the Adviser will remain available for ongoing advice and recommendations. Additionally, the Adviser will provide ongoing monitoring of the portfolio in accordance with the directives provided.

If services desired go outside the scope of Investment Advisory Services during the engagement, the Adviser may be available to provide Consultation Services. In such cases, the Adviser may request a new or amended client Agreement and additional fees may apply. The Adviser will not engage in additional services without the client's direction.

### **The Selection of Other Advisers**

Carnick & Kubik no longer utilizes the investment programs available through unaffiliated Independent Managers and has not done so for many years. Certain legacy accounts remain (very few) at SEI Investments and will continue to do so until such time the clients determine otherwise. The terms and conditions of the services provided by SEI to those legacy accounts are set forth in separate written agreements between (1) the client and the Adviser and (2) the client and SEI. Carnick & Kubik shall continue to render advisory services to the client relative to the ongoing monitoring of the investments.

## **2. Financial Planning Services**

Financial Planning Services are dependent upon the nature and scope of services to be provided. Investment advice can also be provided through the process of a formal written analysis, or "Financial Plan." The Adviser's services and the fee are agreed to at the time of engagement.

Carnick & Kubik undertakes two general approaches for providing written Financial Planning Services:

1. A "Comprehensive Financial Analysis" which reviews all the various aspects of a client's situation as presented by the client, including, but not limited to: Individual needs, finances, goals and objectives, time horizons and risk tolerance, business activities, taxes, estate planning, insurance, educational funding, budgeting, retirement and more. This Comprehensive Financial Analysis includes the data-gathering process, actual presentation of the Written Plan and 12 months of ongoing consultation on the implications and recommendations provided. This particular service terminates one year after the actual Plan presentation to the client. If clients are interested in renewing the relationship, they may do so by paying a renewal invoice.

2. A “Focused Financial Analysis” typically deals with a single component or special circumstance that requires review. Examples include: Impending retirement, college funding, review of a qualified plan structure, risk management (insurance), estate planning or some other single-issue concept. In this planning mode, Carnick & Kubik uses the same extensive data-collection method as utilized in the Comprehensive Financial Analysis because this approach help ensure that critical, cross-referenced aspects of the client’s financial situation are not ignored. However, because of the time and project limitations, the client’s overall financial situation may not be considered. The Focused Financial Planning Service terminates upon delivery of the formal Written Analysis and no ongoing reviews are performed. If desired, clients may secure ongoing Consultation Services.

In the event the client engaged long-term Financial Planning or Investment Advisory Consultation Services, Carnick & Kubik strongly encourages clients to contact the Adviser quarterly or no less than annually, to review investment and ongoing needs. However, clients are to contact Carnick & Kubik promptly if there has been any change in the clients’ current financial status information to determine if there needs to be a change in investment objectives. Clients may call the office at any time during normal business hours to discuss directly the client’s accounts, financial situation or investment needs with their Advisory Representative. Clients can expect to receive monthly transaction statements as they may occur, and a quarterly statement of the account from the custodian or brokerage firm. Additionally, clients should ensure Carnick & Kubik receives copies of account statements.

Advisory Representatives may suggest the client work closely with the client’s attorney, accountant, insurance agent, and the client’s custodian. Clients requiring assistance on issues relating to matters outside of investment advisory topics should consult their personal tax Adviser, legal counsel, or other professionals for expert opinions.

Implementation of any advice or recommendations pertaining to securities and/or non-securities matters – in whole or in part – is entirely at the client’s discretion via the service provider(s) of the client’s choice.

When providing a review or advice on investments within retirement plans, the advice and any recommendations are limited to plan offerings and the service provider(s) selected by the plan providers.

### **3. Consultation Services**

Consultation Services are dependent upon the nature and scope of services to be provided. The Adviser's services and the fee are agreed to at the time of engagement.

Carnick & Kubik can provide consultation services relating to businesses and family office services. Carnick & Kubik's business consulting services are focused on individuals and families who run their own business - small, medium or large. The Adviser is available to help guide clients at various levels from those who are starting a new company, to those wondering about the best exit strategy, or those needing to streamline operations to increase the business' bottom line. Carnick & Kubik understands that when a client owns a business it becomes impossible to separate its financial success from that of the client.

Oftentimes, healthcare professionals, such as physicians, dentists and veterinarians need professional assistance with the business side of their practices. Carnick & Kubik offers the specialized skills and talent to help healthcare professionals hone in on the business aspects of their operations. The Adviser's goal is to help these professionals run a more efficient, profitable practice so they can concentrate on the art of patient care.

Carnick & Kubik can assist with business valuation and restructuring and dealing with all facets of human resources, including employment negotiation, benefits and severance issues. These services are offered outside of the Adviser's Financial Planning and Investment Advisory Services and specific information and a separate client Agreement are available upon request.

### **C. CLIENT TAILORED SERVICES AND CLIENT IMPOSED RESTRICTIONS**

Carnick & Kubik recognizes that each client is unique and therefore the Adviser focuses on providing individualized services. The Adviser can tailor services to focus only on certain portfolio components, depending upon the client's wishes and/or the nature of the engagement. However, where client services or information are limited, clients must understand that comprehensive financial and/or investment needs and objectives may not be fully considered due to the client's option to receive limited services, the lack of information received, and/or client disclosure.

The Adviser and client will share in a data gathering and discovery process in an effort to determine the client's stated needs, goals, intentions, time horizons, risk tolerance and investment objectives, based upon information provided by the client and depending upon the nature of services requested. The client and Adviser may complete a risk assessment,

investment policy statement or similar document, depending upon the nature of services to be provided.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs (i.e., no gambling, tobacco, liquor, etc.), if agreed by the Adviser in writing and in advance of services.

Clients may make additions to and withdrawals from their accounts at any time, subject to the Adviser's right to terminate the account. Clients may withdraw assets on notice to the Adviser, subject to the usual and customary securities settlement procedures.

Carnick & Kubik normally designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives. Clients are always advised to let Carnick & Kubik know as far in advance as possible about pending withdrawals so orderly liquidation of assets is maximized.

#### **D. WRAP FEE PROGRAMS**

Carnick & Kubik does not sponsor or manage a wrap fee program.

#### **E. AMOUNTS OF ASSETS UNDER MANAGEMENT**

As of February 29, 2012, the Firm had assets under management of \$236,000,000 all of which are managed on a discretionary basis.

## **ITEM 5: FEES, COMPENSATION AND TERMINATION OF SERVICES**

### **A. FEE SCHEDULES**

Carnick & Kubik is only compensated for advisory services as a percentage of assets under management, fixed fees or hourly fees (which are dependent upon the nature and scope of the engagement).

#### **1. Investment Advisory Services and Selection of Other Services**

Advisory fees for Investment Advisory Services are agreed upon at the time of engagement and are based on a number of factors. The fee schedules listed on the following page represent annual fees which are billed quarterly and in arrears based upon the market value of the portfolio as of the last market day of the quarter. The market value of the portfolio is determined by the client's custodian.

In special circumstances, generally based upon the complexity and/or nature of services, the advisory fees may be modified. Modification of fees is at the discretion of the Adviser. If the Adviser's services are engaged at any time other than the beginning of a calendar quarter, advisory fees are prorated.

The fee structure for Investment Advisory Services varies with the size of the client's portfolio, the level of services requested and the strategy selected. Furthermore, services can be combined and substantive fee savings achieved. For instance, a client who engages Carnick & Kubik for ongoing asset performance reporting, an annual financial plan review and asset consultation services will achieve a considerable savings over the cost of each of these services on a stand-alone basis.

As always, fees are quoted in advance and clients have the right to accept, reject or request modification of any service proposal made by Carnick & Kubik. Fees Investment Advisory Services, which includes portfolio design, security selection, monitoring, quarterly performance reporting and tracking of tax considerations, is as follows:

## Annual Fee Structure

<u>Equity Portfolio</u>	<u>Annual Fee</u>
Up to \$1,000,000	1.25%
The Second \$1,000,000	1.15%
The Third \$1,000,000	1.00%
The Fourth \$1,000,000	0.90%
The Fifth \$1,000,000	0.80%
The Sixth \$1,000,000	0.70%

Municipal Bond Portfolio Annual Fee: 0.50%

Income Portfolio Annual Fee: 0.75%

The fees shown in this schedule are subject to modification at any time due to special situations. However, the fee schedule to be utilized for any given client situation will always be stated in writing as part of the client Agreement before any advisory relationship is initiated. Once a fee schedule is implemented, it will not be changed without advanced client notification and approval.

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

Either party may terminate the agreement for Investment Advisory Services by written notice to the other. Clients who do not receive the Adviser's Form ADV Part 2A and applicable 2B brochures at least 48 hours prior to engagement have the right to terminate the Adviser's services within five business days of signature without penalty (no fees due or prepaid fees will be promptly refunded). Clients will only be invoiced for services rendered prior to the effective date of termination.

For the legacy accounts remaining at SEI Investments, the Independent Manager calculates the total advisory fees (SEI's fee and the Adviser's fee) pursuant to the agreements between all parties (SEI, Adviser and clients). Therefore, the regular fee deductions from the client's account(s) include both the Independent Manager's and the Adviser's fees. The Adviser then receives its management fee in accordance with applicable securities laws, rules, regulations, or requirements. The Adviser shall not charge any additional fees to the client in connection with these management services.

Either party may terminate the agreement for Investment Advisory Services associated with the investments within these unaffiliated management programs by written notice to the other(s). Where the Adviser is invoicing the client directing for its management services,

the Adviser will only invoice fees for services up until the effective date of termination. In the alternative, the Independent Manager will process a billing adjustment or a refund of Investment Advisory fees in accordance with the disclosure provided and the terms of the contract for services.

## **2. Financial Planning Services**

Fees for Financial Planning Services are determined at the time of engagement based upon the time and effort required and/or the nature and complexity of services.

Minimum fees for Comprehensive Financial Planning Services are \$3,000. Carnick & Kubik provides a 100% satisfaction guarantee for this service: If the client does not find the Financial Plan acceptable and returns the document by the close of business on the 5th business day following plan presentation, the entire financial planning fee will be refunded. The Financial Planning Services provided by Carnick & Kubik will satisfy our clients by addressing and meeting their needs or they will not be charged for our services. Obviously, investment results cannot be guaranteed, but the Adviser can guarantee good service.

The fees for Financial Planning Services are not based on the client's net worth or investments, but instead are based solely upon the complexity of services and are determined at the discretion of the Adviser. For some specialized financial planning services, there is no satisfaction guarantee available. In these cases, the client Agreement will reflect this fact.

The minimum fee for the Focused Financial Planning Service is \$500. These services are provided to clients who seek to receive Financial Planning Services that focus only on certain financial planning components they may select (vs. comprehensive planning services). Fees for these limited services are normally charged hourly according to the fee schedule below:

\$250: Professional Consultation (Two Hour Minimum)

\$100: Research

\$ 75: Administrative Services

For larger projects and where ongoing services may be desired, Carnick & Kubik will propose a fixed fee, agreed upon at the time of Engagement. Fixed fees are dependent upon the complexity of the desired services and the Adviser will use its hourly fee scale as its guide. Once a fee has been agreed upon, no additional fees will be charged to the client unless the terms of our Engagement Letter are modified and agreed upon by the Adviser and the client.

Clients who do not receive the Adviser's Form ADV Part 2A and applicable 2B brochures at least 48 hours prior to engagement have the right to terminate the Adviser's services within five business days of signature without penalty (no fees due or prepaid fees will be promptly refunded). Prior to completion and presentation of the financial plan, Financial Planning Services may be immediately terminated upon written notice by either party and client may only be invoiced for time incurred by the Adviser and the decision to invoice is at the discretion of the Adviser.

### **3. Consultation Services**

Hourly fees for Business Consultation Services are computed at the hourly rate according to our hourly fee schedule listed below and will vary depending upon the complexity of services, special circumstances and at the discretion of the Adviser. Fees for Consultations are due and payable upon delivery of the services. The Hourly fee schedule is as follows:

\$250: Professional Consultation (Two Hour Minimum)  
\$100: Research  
\$ 75: Administrative Services

For larger projects and where ongoing services may be desired, Carnick & Kubik will propose a fixed fee, agreed upon at the time of Engagement. Fixed fees are dependent upon the complexity of the desired services and the Adviser will use its hourly fee scale as its guide. Once a fee has been agreed upon, no additional fees will be charged to the client unless the terms of our Engagement Letter are modified and agreed upon by the Adviser and the client.

During the course of an engagement, should the client's condition change during the course of services such that new advice, recommendations, re-evaluation or research are required, additional fees may apply. The Adviser will not engage in additional services that result in additional fees without the client's approval.

Clients who do not receive the Adviser's Form ADV Part 2A and applicable 2B brochures at least 48 hours prior to engagement have the right to terminate the Adviser's services within five business days of signature without penalty (no fees due or prepaid fees will be promptly refunded). Consultation Services may otherwise be immediately terminated upon written notice by either party and client may only be invoiced for time incurred by the Adviser and the decision to invoice is at the discretion of the Adviser.

## **B. PAYMENT OF FEES**

### **1. Investment Advisory Services**

Unless otherwise agreed in writing, Investment Advisory fees are payable quarterly in arrears as disclosed herein. Payment of Investment Advisory fees may be made directly to the Adviser or through a debit directly from the client's account by the qualified custodian holding the client's funds and securities. The Adviser follows the following criteria when payment is made via a qualified custodian as required by the Advisers Act:

(1) The client provides written authorization permitting the fees to be paid directly from the client's account held by the independent qualified custodian and the authorization is limited to withdrawing contractually agreed upon Investment Adviser fees; (2) The client will directly receive regular (monthly or quarterly) reports from the qualified custodian which reflect the Adviser's fee deduction; (3) The frequency of fee withdrawal shall be specified in the written authorization/agreement; (4) The custodian of the account shall be advised in writing of the limitation on the Adviser's access to the account and; (5) The client shall be able to terminate the written billing authorization or agreement at any time.

It is important to note that custodial firms do not verify advisory fees. Therefore, clients should review their custodial statements carefully. If a client should have any questions or concerns in connection with an advisory fee deduction, they should promptly contact Carnick & Kubik.

If at any time during the engagement, the client fails to receive the regular statements produced by the custodian, it is important for the client to promptly notify Carnick & Kubik and the custodial firm.

If the designated account(s) do not contain sufficient funds to pay advisory fees, the client can leave standing orders to deduct fees via other accounts. In the absence of alternate instructions, the Adviser will issue an invoice for advisory fees to the client and payment is expected with 10 days of the invoice date.

Fees associated with the Selection of Other Advisers ("Independent Managers") are payable quarterly in advance or arrears as outlined in the compensation disclosure provided by the unaffiliated Adviser or Wrap Fee Program. Payment of Investment Advisory fees within these programs are coordinated by the program's service provider and are paid to the Adviser through a debit directly to the client's account by the qualified custodian holding the client's funds and securities. As previously noted, this only applies to a few legacy accounts still remaining at SEI Investments.

## **2. Financial Planning**

Financial Planning fees are invoiced directly. Payment of Financial Planning fees are paid directly by the client.

## **3. Consultation Services**

Consultation fees are invoiced directly. Payment of Consultation fees are paid directly by the client.

## **C. CLIENTS ARE RESPONSIBLE FOR FEES ASSOCIATED WITH INVESTING**

Clients are responsible for the payment of all third party fees associated with investing. clients may pay transaction and brokerage commission to their broker/dealer or other service providers ("Financial Institutions") as well as any fees associated with their particular accounts (e.g., account opening, maintenance, transfer, termination, wire transfer, retirement plan, trust fees, and all such applicable third party fees, deferred sales charges, oddlot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

All fees paid to the Adviser for advisory services are separate from the fees and expenses charged to shareholders of ETFs or mutual fund shares offered by mutual fund companies. If a mutual fund previously purchased by or selected by a client should impose a sales charge, a client may pay an initial or deferred sales charge. Carnick & Kubik does not receive any portion of these investment-related fees. Such charges, fees and commissions are exclusive of and in addition to the Adviser's fees. A complete explanation of the expenses charged by a mutual fund or ETF is contained in the respective mutual fund prospectus. Clients are encouraged to read each prospectus and securities offering documents. The Adviser's fee is separate and in addition to any fees charged by unaffiliated Independent Managers or Wrap Fee Programs that may be utilized.

Portfolio additions may be in cash or securities provided that the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Adviser may consult with its clients about the options and ramifications of transferring securities. However, clients are hereby advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

#### **D. PREPAYMENT OF FEES**

Carnick & Kubik normally collects portfolio management fees quarterly and in arrears in connection with its services. The Adviser does require a pre-payment for Financial Planning or Consultation Services unless otherwise agreed upon at the time of engagement.

As previously noted in the service sections of this brochure, clients who do not receive the Adviser's Form ADV Part 2A and applicable 2B brochures at least 48 hours prior to engagement have the right to terminate the Adviser's services within five business days of signature without penalty (no fees due or prepaid fees will be promptly refunded). Alternatively:

Investment Advisory services may be terminated upon receipt of written notice by either party. If the termination occurs prior to the end of a billing period, the Adviser will only charge for services provided up until the effective date of termination.

Consultation Services terminate upon the delivery of services unless ongoing services are engaged pursuant to the client Agreement. These services otherwise may be immediately terminated prior to the conclusion of services upon written notice from either party and the client will only be responsible for time incurred by the Adviser up until the effective date of termination. Any unearned portion of fees will be promptly refunded.

#### **E. OTHER COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS TO CLIENTS**

Neither the Adviser nor its supervised persons accept any compensation/commission for the recommendation of securities or non-securities products including asset-based sales charges or service fees from the sale of mutual funds or insurance products.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Carnick & Kubik's fees associated with services are not "performance based" (based upon a share of capital gains or capital appreciation, or performance, for any portion of funds under an advisory contract). The fees noted herein represent fees for advisory services only.

## **ITEM 7: TYPES OF CLIENTS AND MINIMUM CONDITIONS**

Carnick & Kubik is available to provide advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

If an account is subject to the Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), the Adviser acknowledges that the Adviser is a fiduciary within the meaning of the Act and the ERISA client is a named fiduciary with respect to the control or management of the assets in the Account. In each instance, the client will agree to obtain and maintain a bond satisfying the requirements of Section 412 of ERISA and to include the Adviser and the Adviser's principals, agents, and employees under those insured under that bond and will deliver to the Adviser a copy of the governing plan documents. If the Account assets for which the Adviser provides services represent only a portion of the assets of an employee benefit plan, client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

Carnick & Kubik requires a minimum portfolio size of \$250,000 for its Investment Advisory Services. Independent portfolio managers that may be recommended generally have minimum portfolio requirements as described in their disclosure documents. For clients who do not meet the minimum portfolio size or who do not desire intensive Investment Advisory Services, the Adviser also offers Consultation and Financial Planning Services.

The Adviser reserves the right to decline to provide investment advisory services to any person or firm in its sole discretion and for any reason.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

The Adviser believes each client presents a unique set of goals, values, interests, objectives, time horizons and challenges. Carnick & Kubik provides individualized attention to each type of investor who engages the Adviser for services.

The Adviser provides individualized Investment Advisory Services to its clients. The Adviser can provide advisory services for portfolios ranging from conservative to aggressive; each designed to meet the varying needs of and within the direction set forth by the investors. Working in partnership with the client, the Adviser selects the portfolio most appropriate after clients have defined their objectives, risk tolerance and time horizons.

Based upon information provided by the client, the Adviser attempts to evaluate an investor's risk tolerance, time horizon, goals and objectives through an interview and data-gathering process in an effort to determine an investment plan or portfolio to best fit the investor's present and future objectives. Client participation and sharing of accurate and complete information are critical to the Adviser's process. In performing its services, the Adviser shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information.

During the process of financial planning or consultation, the Adviser may recommend the services of the firm, its Advisory Representatives in their individual capacities as investment managers, and other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if the Adviser recommends its own services. Any professional referrals (i.e., insurance agents/firms, accounting professionals, legal professionals, etc.) are solely a courtesy and the Adviser receives no direct or indirect compensation as a result of referrals. The client is welcome but is never under any obligation to act upon any of the recommendations made by the Adviser under a consulting engagement and/or engage the services of any such recommended professional, including the Adviser itself. The client retains absolute discretion over all such

implementation decisions and is free to accept or reject any of the Adviser's recommendations.

The Adviser utilizes the following methods of analysis. However, Carnick & Kubik takes the position that no single strategy can be relied upon to outperform the market. As outlined in this section, Carnick & Kubik's goal in its analysis is not to time the market.

### **1. Fundamental Analysis**

Fundamental Analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

For example, an investor can perform fundamental analysis on a bond's value by looking at economic factors, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. For assessing stocks, this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated.

Very broadly described, this type of analysis involves a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors (like financial condition and management).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives:

- ❖ to conduct a company stock valuation and predict its probable price evolution,
- ❖ to make a projection on its business performance,
- ❖ to evaluate its management and make internal business decisions, and

❖ to calculate its credit risk.

## **2. Technical Analysis**

Technical Analysis is a method of evaluating securities by analyzing the statistics generated by market activity, such as past prices and volume. Generally speaking, technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity.

The field of technical analysis is based on three assumptions.

1. The market discounts everything.
2. Price moves in trends.
3. History tends to repeat itself.

This type of analysis can be broadly described as a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. It is a discipline for forecasting the direction of prices through the study of past market data, primarily price and volume. Technical analysts lean towards the belief that the historical performance of stocks and markets are likely indications of future performance.

Carnick & Kubik utilizes many sources of public information to include financial news and research materials. Investment strategies may include long-term and short-term purchases depending upon the individual needs of the client.

## **3. Other**

Carnick & Kubik's investment strategies may be based upon a number of concepts and determined by the type of investor. Services are customized for each individual client. Investment strategies may be based upon a number of other concepts.

Clearly, the concept of asset allocation, or spreading investments among a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. Small cap stocks; corporate bonds vs. government securities), certainly has a great deal of acceptance in the professional investment community. At its heart, asset allocation seeks to achieve the most efficient diversification of assets, to help lessen risk while not sacrificing the effectiveness of the portfolio in an effort to yield the client's objectives. Since Carnick & Kubik believes that risk reduction is a key element to long-term investment success, asset allocation principles are a key part of the Adviser's overall approach in preparing advice.

When appropriate and based on the individual needs of clients, the Adviser may utilize covered puts and calls as a hedging strategy to help manage risk. Where client accounts are of a smaller size however, this strategy may not be available.

Carnick & Kubik believes that clients must be kept aware of developments in the global economy, shifts in domestic markets and indicators that signal key opportunities on which to take action. When the Adviser is engaged for the delivery of long-term Investment Advisory Services, Carnick & Kubik communicates with its clients on a regular basis to make sure that critically important information is communicated in a timely fashion.

Carnick & Kubik utilizes a number of computer databases and research available to professional investment advisers by subscription. Databases are reviewed on a regular basis, sometimes daily. Additionally, outside consultants may be engaged to provide statistical reports, tax alerts and investment reviews to the Adviser on a regular basis. When special situations arise, the Adviser may also consult with outside experts for additional input. Examples of these outside, unaffiliated consultants include, but are not limited to: attorneys, actuaries, accountants, pension specialists and insurance experts. Examples of special situations which may call for outside assistance may include a charitable trust arrangement or a unique investment program for an injured minor under “protected person” status through a judicial district. Any costs associated with these consultations would be born solely by Carnick & Kubik unless other arrangements have been made, in writing, with the client in advance. Any fees paid by the Adviser to any outside persons would be disclosed in advance with a Compensation Disclosure Document and signed by the client.

Typically, sales of investments result in taxable gain(s) or loss(es) to the client. Also, the sale of investments to maintain the client asset allocation policy may cause taxable gain(s) or loss(es) to the client. The client understands that Carnick & Kubik does not render tax advice and is not responsible for the tax consequences to the client as a result of account transactions. Clients are encouraged to consult their tax adviser about tax consequences as a result of transactions or any particular investment held in their account.

In providing Financial Planning Services, Carnick & Kubik takes a long-term perspective. After Carnick & Kubik evaluates the clients’ financial needs, the Advisor will design investment and risk-management strategies to help the client achieve his or her financial goals.

It is important that the client promptly notifies the Adviser of any change in the client’s financial condition so the Adviser has the opportunity to assess any possible impact upon the advice, recommendations or investment strategies. Changing conditions in the client’s

financial life or significant changes in market conditions may warrant a collaborative effort with the client to modify their strategic investment framework, which consequently may also trigger changes to investment holdings within the portfolio.

*It is important to understand that investing in securities involves a risk of loss that a client should be prepared to bear.*

## **B. MATERIAL RISKS INVOLVED**

Carnick & Kubik takes the general position that investors with diverse portfolios have a better chance of making a profit because it is difficult to accurately predict the movement of the economy.

No single strategy can be relied upon to outperform the market. As outlined below, Carnick & Kubik's goal in its analysis is not to time the market.

### Equities

In the equity portfolio area, Carnick & Kubik generally utilizes a combined approach of technical and fundamental stock analysis focusing on a top-down, sector-oriented strategy. On occasion, covered options (puts and calls) may be utilized to generate income or protect volatile positions.

### Fixed Income

Carnick & Kubik purchases bonds for safety and income so we focus our purchases on higher quality, short duration bonds. We use a laddered approach to help reduce the reinvestment risk which is inherent in bonds and we generally purchase securities with maturities that are between two and twelve years from the date of purchase. Our fixed income universe includes treasury bonds, agency bonds, corporate bonds and municipal bonds. While we employ a buy-and-hold strategy, we may swap to add value based upon our interest rate outlook and/or the availability of a relatively favorable bond. To help meet clients' income needs, we can also use a combination of bonds and preferred stocks, real estate investment trusts and high dividend paying stocks.

Portfolio additions may be in cash, cash equivalents and securities provided that the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Adviser may consult with its clients about the options and ramifications of transferring securities when provided pre-notification of the client's intentions. Clients are hereby advised that when transferred securities are

liquidated, they could be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

Clients may choose to make self-directed securities transactions, which are investments that are not reviewed and/or not recommended by the Adviser. In such cases, the Adviser has not passed on the suitability of said investments and while the Adviser may assist with client-directed implementation as a value-added service at the client's request, the Adviser will not manage these types of investments unless agreed in writing. It is the Adviser's policy that within accounts managed by the Adviser, clients may not engage in self-direct securities transaction.

*It is important to understand that investing in securities involves a risk of loss that a client should be prepared to bear.*

## **C. RISKS OF SPECIFIC SECURITIES UTILIZED**

### Stocks/Equity

Carnick & Kubik generally seeks investment strategies that do not involve significant risk or unusual risk beyond that of the general domestic and / or international equity markets.

Investments in mutual funds may bear a risk of investment loss. Clients who invest should also be prepared to bear a loss. Clients should review each investment prospectus carefully before investing.

### Bonds

There are certain risks involved in investing in all types of bonds: Government, Municipal, and Corporate. Carnick & Kubik does not recommend Mortgage-backed/Asset-backed securities (MBS/ABS).

The following is an overview of the types of risks that one should consider: Interest rate risk; reinvestment risk; inflation risk; mark risk, selection risk, timing risk, and price risk. Additional risks for some government agency, corporate and municipal bonds may include: Legislative risk (a change in the tax code could affect the value of taxable or tax-exempt interest income); Call risk (some corporate, municipal and agency bonds have a "call provision" entitling their issuers to redeem them at a specified price on a date prior to maturity.) Declining interest rates may accelerate the redemption of a callable bond, causing an investor's principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. If the bond is called at or

close to par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called. Additionally, there may be a liquidity risk involved if investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume.

Additional risks for corporate and municipal bonds may include: Credit risk; default risk; event risk and duration risk.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that all clients should be prepared to bear.

## **ITEM 9: DISCIPLINARY INFORMATION**

A. Neither Carnick & Kubik, nor any of our employees, has had any civil or criminal actions brought against them.

B. Neither Carnick & Kubik, nor any of our employees, has had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

C. Neither Carnick & Kubik, nor any of our employees, has had any proceedings before a self-regulatory organization, such as the CFP® Board of Standards.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. REGISTRATION AS A BROKER/DEALER OR BROKER/DEALER REPRESENTATIVE**

Nathan Kubik and David Kubik are registered representatives for an unaffiliated broker/dealer, Northland Securities, LLC (“Northland”). Other personnel associated with Carnick & Kubik may, in the future, also become registered representatives of the firm. As this creates a material conflict of interest, Carnick & Kubik has instituted the following safeguards:

- No client of Carnick & Kubik will ever have securities purchased in their account or sold in their account that were previously obtained through Northland or subsequently disposed of by Northland. Carnick & Kubik will always strive to effect transactions on a best execution basis ensuring the Firm fulfills its fiduciary obligation to its clients;
- To the extent possible, no client of Carnick & Kubik will be allowed to trade via an agency cross trade or a principal trade with clients of Northland or with the firm itself but rather will be executed on an agency basis unless it would be in the client’s best interest to trade in such a manner.

### **B. REGISTRATION AS A FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR OR A COMMODITY TRADING ADVISER**

Neither Carnick & Kubik nor its representatives are registered as a FCM, CPO or a CTA.

### **C. REGISTRATION RELATIONSHIPS MATERIAL TO THIS ADVISORY BUSINESS AND CONFLICTS OF INTEREST**

Neither Carnick & Kubik nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

Carnick & Kubik does not maintain registration relations with any of the following:

- broker/dealer, municipal securities dealer, or government securities dealer or broker;
- investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” or offshore fund);
- other investment adviser or financial planner;
- futures commission merchant, commodity pool operator, or commodity trading advisor;
- banking or thrift institution;
- accountant or accounting firm;
- lawyer or law firm;
- insurance company or agency;
- pension consultant;
- real estate broker or dealer; or
- sponsor or syndicator of limited partnerships.

Carnick & Kubik does not operate and does not have a material relationship with a hedge fund or other type of private pooled investment vehicle.

#### **D. SELECTION OF OTHER ADVISORS OF MANAGERS AND HOW THIS ADVISER IS COMPENSATED FOR THOSE SELECTIONS**

As discussed in the Advisory Services section of this Brochure, the Adviser no longer recommends the services of Independent Managers.

Carnick & Kubik is an independent Adviser and has no material conflicts of interest with any Independent Manager or wrap fee program it may recommend to clients other than the receipt of a portion of the advisory fees charged by these programs.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### A. CODE OF ETHICS

Carnick & Kubik takes the issue of regulatory compliance seriously and is committed to maintain compliance with federal and applicable state securities laws. Additionally, Carnick & Kubik has a position of public trust and it is our goal to maintain that trust; provide excellent service, good investment performance; and advice that is suitable.

Carnick & Kubik places great value on ethical conduct. Therefore, the ultimate goal of our internal policies is to challenge our staff to live up not only to the letter of the law, but also to the ideals set forth by the Adviser.

Clients may be familiar with the roles fiduciaries play in various legal situations and in certain industries. As an Investment Adviser, Carnick & Kubik is a fiduciary to each and every client. As fiduciaries, Investment Advisors owe their clients several specific duties. According to the SEC, an Investment Adviser's fiduciary duties include:

- ❖ Providing advice that is suitable;
- ❖ Providing full disclosure of material facts and potential conflicts of interest (such that the client has complete and honest disclosure in order to make an informed decision about services of the Adviser and about investment recommendations);
- ❖ The utmost and exclusive loyalty and good faith;
- ❖ Best execution of transactions under the available circumstances;
- ❖ The Adviser's reasonable care to avoid ever misleading clients; and
- ❖ Only acting in the best interests of clients.

It is Carnick & Kubik's policy to protect the interests of each of the Adviser's clients and to place the clients' interests first and foremost in each and every situation. Carnick & Kubik will abide by honest and ethical business practices including, but not limited to:

- ❖ The Adviser will not induce trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account.
- ❖ The Adviser will make investment decisions with reasonable grounds to believe that the decisions are suitable for the client on the basis of information furnished by the customer and we will document suitability.

- ❖ The Adviser and Advisory Representatives will not borrow money from clients.
- ❖ Carnick & Kubik will not recommend the purchase of a security without the reasonable belief that the security is registered, or the security or transaction is exempt from registration in states where we provide investment advice and based upon information the Adviser receives.
- ❖ The Adviser will not recommend that the client place an order to purchase or sell a security through a broker/dealer or agent, or engage the services of a broker/dealer that is not licensed, based upon information available to the Adviser.
- ❖ The staff of the Adviser will report all required personal securities transactions to Craig Carnick, Chief Compliance Officer as required by the SEC. Reportable trades include all but the following exceptions:
  - Transactions effected pursuant to an automatic investment plan;
  - Securities held in accounts over which the access person has no direct or indirect influence or control;
  - Transactions and holdings in direct obligations of the US Government;
  - Money market instruments – bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  - Shares of money market funds;
  - Transactions and holdings in shares of mutual funds are not reportable, since the Adviser does not have a material relationship with an investment company which would otherwise require reporting;
  - Transactions in units of a unit investment trust are not reportable if the unit investment trust is invested exclusively in unaffiliated mutual funds.

All applicable securities rules and regulations will be strictly enforced. Carnick & Kubik will not permit and has instituted controls against insider trading.

Advisory Representatives and administrative personnel who do not follow the Adviser's Code of Ethics or who in any way violate securities rules and regulations, or who fail to report known or suspected violations will be disciplined or terminated, depending upon severity. Such persons could also face action by the SEC and/or state securities regulators.

Clients are welcome to request a copy of the Adviser's Code of Ethics by contacting the Adviser's office.

The Adviser emphasizes the unrestricted right of clients to decline to implement any advice rendered, in whole or part. Where the Adviser is granted discretionary authority of the client's accounts, clients are welcome to set investment parameters and/or limitations in writing and such direction is followed until such time the client's instructions are amended in writing.

## **B. RECOMMENDATIONS INVOLVING MATERIAL FINANCIAL INTERESTS**

Carnick & Kubik does not recommend that clients buy or sell any security in which any of Carnick & Kubik's related persons have a material financial interest.

Other Possible Conflicts of Interest – Cross Trades: On rare occasions, Carnick & Kubik may assist with cross-trades between advisory clients as described below:

Cross-trading can provide significant tangible benefits to advisory clients, in the form of savings of commissions and other transaction costs. However, issues can complicate certain cross-trades, such as when an Adviser might enter into a cross-trade transaction that is in the interests of the client on one side but not necessarily in the interests of the other side. This is because it could be difficult for a single Adviser to represent both clients equally. If clients participating in such trades still desire the anticipated outcome, the Adviser must provide disclosure relating to the conflicts of interest. In that case, the type of transaction might be necessary for certain reasons and is desired on by both clients involved. Full disclosure is required so that each client (especially one that might be disadvantaged, if applicable) is fully informed. As a fiduciary, an Adviser must avoid conflicts of interest with clients or where conflicts might be unavoidable the client receives full and complete disclosure so they can make informed decisions about services received.

Carnick & Kubik only rarely engages in cross trades and only when both sides of the transaction receive a desired outcome. These transactions in no way affect the compensation paid to the Adviser and a third party service provider is used (e.g., Charles Schwab & Co., our custodial firm) except in the case of private, illiquid securities (rarely undertaken). In each instance, disclosure will be provided to the client on either side of the transaction. Further, Carnick & Kubik does not participate in cross trades on a principal basis because of the conflict of interest that exists in these transactions. This means that Carnick & Kubik and its related persons will never have an interest in any security that is the subject of a cross-trade.

Carnick & Kubik believes in keeping clients informed as part of its services. If clients or prospective clients have any questions or concerns at all with regard to prospective or actual cross trades, they should not hesitate to contact the Chief Compliance Officer, Craig Carnick, directly.

### **C. INVESTING PERSONAL MONIES IN THE SAME SECURITIES AS CLIENTS**

Carnick & Kubik and/or individuals associated with Carnick & Kubik may have similar investment goals and objectives and as a result the interests of the Adviser or related persons' accounts may coincide with (or be different from) the interests of clients' accounts; however at no time will the Adviser or any related person receive an added benefit or advantage over clients with respect to these transactions. In every case, the interests of clients will always be placed ahead of the Adviser and its staff.

The Adviser has established written policies and procedures for staff persons who may invest personal monies. The Investment Adviser will not permit insider trading and has established written policies and procedures pertaining to insider trading and other duties. All applicable rules of the Advisers Act will be strictly enforced. The Chief Compliance Officer is in charge of monitoring the personal trading of the Adviser's personnel.

### **D. TRADING SECURITIES AT/AROUND THE SAME TIME AS CLIENTS' SECURITIES**

The Adviser has established written policies and procedures for staff persons who may invest personal monies. Carnick & Kubik and its Advisory Representatives acknowledge the Adviser's fiduciary responsibility to place the investment needs of clients ahead of the Adviser and its staff. The interests of clients are held in the highest regard. At no time will the Adviser or any related person receive an added benefit or advantage over clients with respect to these transactions. The Adviser and its associated persons will not place itself in a position to have added benefit as a result of advice given to clients.

The staff of Carnick & Kubik shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry.

The Adviser has established trading policies for its access persons. Craig Carnick, the Chief Compliance Officer of Carnick & Kubik, is responsible for the monitoring of personal trading conducted by staff.

When the Adviser is purchasing or considering for purchase any security on behalf of a client, an Access Person of the Adviser may only effect a transaction in that security with prior written approval from the Adviser's Chief Compliance Officer. Carnick & Kubik does not normally invest in individual securities nor does the Adviser invest its clients in

thinly traded securities. Similarly, when the Adviser is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security without the written approval from the Chief Compliance Officer. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

## ITEM 12: BROKERAGE PRACTICES

### A. FACTORS USED TO SELECT CUSTODIANS AND/OR BROKER/DEALERS

General Financial Planning and Consultation clients are welcome to utilize the service provider(s) of their choice and are welcome to implement recommendations in whole or in part, entirely at their discretion.

Carnick & Kubik is a fee-only investment advisory firm. The Advisory Representatives of Carnick & Kubik are not registered representatives of Charles Schwab & Co., Inc. ("Charles Schwab & Co.") or any other broker/dealer.

Carnick & Kubik typically recommends the services of Charles Schwab & Co. for its advisory transactions.

Carnick & Kubik participates in the Schwab Institutional ("SI") service program. Schwab Institutional is a division of Charles Schwab & Co. and provides back office and other services to independent investment advisers. To date, Charles Schwab & Co. serves more independent Registered Investment Advisers than any other custodial firm in the nation.

Brokerage commissions and/or transaction fees charged by Charles Schwab & Co., or any other designated broker/dealer are exclusive of and in addition to the Adviser's fee.

An Adviser's duty to provide best execution for its clients means that the Adviser must seek to execute client transactions so that the client's total cost or proceeds in each transaction is the most favorable under the circumstances, although the Adviser may consider a variety of factors in making this determination. Carnick & Kubik recognizes its duty to obtain best price and execution for its clients under the circumstances available. The decision to utilize Charles Schwab & Co. is based on a number of criteria which include: The discount rates available, product and management program offerings, and execution services available. As previously noted, the Adviser believes this custodial firm provides excellent customer service to investors and to the Adviser.

The Adviser also takes into consideration the following:

- ❖ Quality of overall execution services provided;
- ❖ Promptness of execution;
- ❖ Creditworthiness, financial condition, and business reputation;
- ❖ Research (if any) provided;
- ❖ Promptness and accuracy of reports on execution;
- ❖ Ability and willingness to correct errors;
- ❖ Promptness and accuracy of confirmation statements;
- ❖ Ability to access various market centers;
- ❖ The broker's/dealer's facilities and technology;
- ❖ The market where the security trades;
- ❖ Any expertise in executing trades for the particular type of security;
- ❖ Commission charged;
- ❖ Reliability of the broker/dealer;
- ❖ Ability to use ECNs to gain liquidity, price improvement, lower commission rates and anonymity; and
- ❖ Operational capabilities.

Charles Schwab & Co. also enables the Adviser to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Charles Schwab & Co. may be higher or lower than those charged by other broker/dealers.

Carnick & Kubik has reviewed Charles Schwab & Co.'s best execution documentation. Charles Schwab & Co. utilizes its routing intelligence in combination with the speed of its proprietary routing technology. Among the factors this firm considers include: The amount of net price improvement, speed of execution, certainty of execution, cost of execution, service issues, reliability, credit worthiness of counterparties, and accessibility. Charles Schwab & Co. indicates it regularly and rigorously monitors execution quality through a regular and rigorous review of the execution quality it receives from the venues through which it routes equity and option orders. Additionally, the firm indicates it is continually looking for opportunities to improve execution quality. Among the factors considered, these may include: The amount of net price improvement, speed of execution, certainty of execution, cost of execution, service issues, reliability, credit worthiness of counterparties, and accessibility. Generally the larger service providers compare the reported executions and unexecuted orders to the National Best Bids and Offers (NBBO's) at the time of order entry and identify a subset of items that require review.

Charles Schwab offers SmartEx™, an intelligent order routing system designed to route most NASDAQ market or marketable limit orders quickly and seek the best available trade

execution. The firm also offers Direct Access trading technology, which provides for the ability to target the price desired want by routing orders directly to the selected ECN or NASDAQ market maker. Further, Charles Schwab & Co. states it will match any broker's guarantee, no matter how fast. Of course, market volatility, volume and system availability may delay account access and trade executions. Price can change quickly in fast market conditions, resulting in an execution price different from the quote displayed at order entry. Execution price, speed and liquidity and account access are affected by many factors, including market volatility, size and type of order and available market centers.

Price improvement is not guaranteed and will not occur in all situations.

The commissions paid by the Adviser's clients shall comply with the Adviser's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker/dealer might charge to effect the same transaction where the Adviser determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker's/dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

As trustee for a small number of irrevocable life insurance trusts (ILITs), the collection of insurance premiums is coordinated; premiums are paid; and the Adviser maintains all appropriate records. These ILIT funds are kept in separate Trust accounts and each ILIT client receives statements showing all transactions for their particular ILIT directly from their banking institution.

## **1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

Carnick & Kubik receives no research, product or service other than execution from a broker/dealer or third-party in connection with client securities transactions. The Adviser does not receive any "soft dollar" benefits.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist the Adviser in its investment decision-making process. Such research generally will be used to service all of the Adviser's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The

receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

The Adviser may receive from Charles Schwab & Co., without cost to the Adviser, computer software and related systems support, which allow the Adviser to better monitor client accounts maintained at Charles Schwab & Co. The Adviser may receive the software and related support without cost because the Adviser renders Investment Advisory services to clients that maintain assets at Charles Schwab & Co.

The software and related systems support may benefit the Adviser, but not its clients directly. In fulfilling its duties to its clients, the Adviser endeavors at all times to put the interests of its clients first. Clients should be aware however, that the Adviser's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Adviser's choice of broker/dealer over another broker/dealer that does not furnish similar software, systems support, or services.

Additionally, the Adviser may receive the following benefits from Charles Schwab & Co. through its Charles Schwab & Co. Advisor Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Charles Schwab & Co. Advisor Solutions participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

## **2. BROKERAGE FOR CLIENT REFERRALS**

Carnick & Kubik receives no referrals from any broker/dealer or third party in exchange for using that broker/dealer or third party.

## **3. CLIENTS DIRECTING WHICH BROKER/DEALER/CUSTODIAN TO USE**

Carnick & Kubik does not accept directed brokerage. Charles Schwab & Co. is the Adviser's custodial firm of choice. While it is possible that clients may pay higher commissions or transaction fees via the preferred service provider, the Adviser has determined Charles Schwab & Co. currently offers the best overall value to the Adviser and its clients for the brokerage, service, and technology provided. Carnick & Kubik periodically reviews other alternatives that are available to the Adviser market.

## **B. AGGREGATION (BLOCK) TRADING FOR MULTIPLE CLIENT ACCOUNTS**

The Adviser will generally provide investment advisory services in connection with mutual funds. When dealing with individual securities issues, the Adviser will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of the Adviser's investment advisory agreement (and/or the Investment Policy Statement) with each client for whom such trades are being aggregated. The Adviser will, of course, provide individual advice and treatment to each advisory client and in each instance, the Adviser must reasonably believe that it can obtain best price by aggregation. Therefore, transactions for each client generally will be effected independently, unless the Adviser decides to purchase or sell the same securities for several clients at approximately the same time. The Adviser may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Adviser's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

Due to the individualized nature of services, however, large orders of securities are not always consistent with the nature of the Adviser's services. Aggregation is undertaken in firms processing large orders of securities in order to realize more effective trade execution and the cost efficiencies that come from executing larger order sizes. In each case, the Adviser strives to allocate investment opportunities or trades among its clients in a manner that is fair and equitable and based upon the client investment objectives.

In each instance where aggregation is undertaken, it is the Adviser's policy that no client will be favored over any other client. Each client participating in an aggregated order will participate at the average share price for all Advisers' transactions in that security on a given business day. The Firm does not prorate transaction costs as that does not fairly distribute the costs for clients with differing rate schedules. There is no requirement to allocate trades pro-rata and in some cases it might not make sense. Therefore, each incidence will be reviewed by the Chief Compliance Officer to determine the appropriate action and a similar review will occur during the preparation of the Adviser's internal allocation statement. The objective of an allocation statement is to ensure that based upon the individual needs and financial objectives of its various clients (taking into consideration any restrictions or limitations), the Adviser is distributing investment opportunities among client accounts in a rational and predictable manner and that the distribution is fair and equitable to all. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement. If the order is partially filled, it will be allocated on a random basis and documented accordingly.

Deviations from the Adviser's allocation methodology are stated up front and are permitted only for good cause after a review by the firm's Chief Compliance Officer.

Examples of some circumstances that might warrant such a deviation include tax considerations, particular investment guidelines, client-imposed restrictions, etc. The Adviser will document any special considerations. It is the Adviser position that an order may be allocated on a basis different from that specified in the allocation statement if all clients accounts receive fair and equitable treatment and the reason for the change in allocation is explained in writing and is approved in writing by the Chief Compliance Officer generally no later than one hour after the opening of the markets on the trading day following the day the order was executed.

Rotational systems place clients in a set order of priority for allocations. By using a rotational allocation method, the Adviser will allocate securities based on a pre-determined order of priority among accounts. Each participating account will receive a full allocation in their order of priority until the entire order has been allocated. The Adviser will pick up where it left off for the next order for which it receives a partial fill.

There could still be potential pitfalls in adhering to a rotational allocation method since patterns of unintentional unfairness can still arise. As previously noted, deviations from the allocation methodology may occur after a review when necessary and are reviewed with the Chief Compliance Officer. The Adviser monitors its trading practices and utilizes specialized software system designed to assist the Adviser with efficient monitoring on an ongoing basis.

The Adviser receives no additional benefit as a result of the proposed aggregation.

Within the prime broker program, at times, Charles Schwab & Co. may effect clients' over-the-counter securities transactions on an agency basis. Charles Schwab & Co. executes transactions based upon a number of factors. These include: Size of order, trading characteristics of the security, favorable execution prices, access to reliable data, availability of efficient transaction processing and possible price reductions. In filling these orders, Charles Schwab & Co. may transact with a market-making broker/dealer ("market maker") on the other side of the trade. A market maker may mark-up/down the price of securities for which it makes a market, which is a cost that will be incurred by the client in addition to any agency commissions assessed by Charles Schwab & Co. Normally, best price and execution is obtained for over-the-counter securities transactions by executing directly with the market maker on a principal basis. The Adviser's choice to utilize the service provider's prime broker program available through the selected service provider may limit or eliminate the Adviser's ability to obtain best price and execution in each case. In certain

cases, a security may be purchased through another service provider and in such cases, the security purchased is then transferred to the client account at the client's selected custodian, and a "trade away" delivery fee is assessed to the client account. Broker custody of client assets may limit or eliminate the Adviser's ability to obtain best price and execution of transactions in over-the counter securities.

**Trade error policy**

On rare occasions, trade errors may occur. In the event the Adviser is responsible for a trading error that results in a monetary loss to the client, the Adviser will make the client whole. Charles Schwab & Co.'s policy on trade errors is to reimburse clients for any loss if the amount is \$100 or less. If the loss is greater than \$100 the Adviser will reimburse the client for a loss. Conversely, if there is any gain from the trade error, Charles Schwab & Co. retains that gain and it is a general policy to donate these error funds to charity in accordance with their then current internal policy.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. FREQUENCY AND NATURE OF PERIODIC REVIEWS AND WHO CONDUCTS THE REVIEWS**

Investment Advisory Services are an ongoing process and provide for comprehensive internal portfolio reviews which occur no less than monthly. Every 30 days, the Investment Committee, composed of Craig Carnick, William VanKeulen, Nathan Kubik, David Kubik and William Moyer, review each and every account. Basically, all accounts are grouped together and ranked as to various performance criteria. The object of this process is to identify any accounts that are “outliers” and fall beyond an acceptable range. Once these nonconforming accounts are identified, the Investment Committee takes the necessary steps to determine why the account is out-of-range. Sometimes this is a function of cash reserves being held at the client’s request. Sometimes this occurs when new accounts are still in the implementation stage. Client’s withdrawals can trigger out-of-range performance; and sometimes, hopefully not very often, the out-of-range situation indicates a problem for which Carnick & Kubik is responsible. In any event, these monthly Investment Committee Reviews are key to monitoring client accounts and providing the tools to assure the most effective management.

Reviews may occur more frequently, at the Adviser’s discretion, such as when significant deposits or withdrawals occur, with reported changes in the client’s circumstances, or with significant changes in market conditions.

Delivery of comprehensive Asset Performance Reports occurs every quarter for all clients with individual stock and/or bond portfolios. Mutual fund portfolios have comprehensive Performance Reports generated every six months. It is the firm’s policy to attempt to meet with all clients (telephonically, electronically or in person) for whom we manage portfolios containing individual securities quarterly. Likewise, we strive to meet with every mutual fund portfolio client semi-annually. In the case of clients who cannot make themselves available in person at our office or remotely by attending a Web-Ex meeting, the Performance Reports are sent by mail with a detailed cover letter. The goal of Carnick & Kubik is to go to every reasonable length to ensure that each of our clients have an opportunity to clearly and precisely communicate their needs, goals and objectives, financial situation, time horizon, risk tolerance, and any other material facts that might need consideration and to engage in this process on an ongoing basis. The Advisory

Representatives of Carnick & Kubik consider the stated individual needs of each client in order to determine any additional efforts that may be required.

Financial Planning or Consultation Services that typically are contracted to last for one year, pursuant to the terms of the client Agreement, terminate as follows: Consultation: At the conclusion of the project. Financial Planning: At the one-year anniversary of the Plan delivery date, if not renewed.

Financial Planning or Consultation Services that are hourly or project based pursuant to the terms of the client Agreement will automatically terminate upon the delivery of services. While the advice provided may include the recommendation of follow-up services or annual reviews, the client is welcome to secure any additional services under a new or amended Agreement, if desired.

## **B. REVIEWERS**

Reviews are conducted by the Adviser's Investment Advisory personnel: William Van Keulen, CFP®, Operations Director, William Moyer, CFA®, Senior Portfolio Manager, Craig Carnick, CFP®, Chief Compliance Officer.

## **C. FACTORS THAT WILL TRIGGER NON-PERIODIC REVIEWS OF CLIENT ACCOUNTS**

The timing of internal portfolio reviews may also be guided by the underlying assets of the portfolio, individual circumstances as reasonably known by the Adviser, market conditions and the request of the client.

Reviews may also be triggered by material market, economic or political events. As noted in the preceding Item A of this section, reviews may also be triggered by reported changes in the client's financial situation (which may include but are not limited to: Termination of employment, physical relocation, inheritance or retirement).

## **D. CONTENT AND FREQUENCY OF REGULAR REPORTS PROVIDED TO CLIENTS**

Clients can expect to receive confirmation statements for all transactions and monthly account statements directly from the custodial brokerage firm. In addition, Carnick &

Kubik produces and delivers comprehensive Asset Performance Reports every quarter for all clients with individual stock and/or bond portfolios. Mutual fund portfolios have comprehensive Performance Reports generated every six months.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. ECONOMIC BENEFITS PROVIDED BY THIRD PARTIES FOR ADVICE RENDERED TO CLIENTS (INCLUDES SALES AWARDS OR OTHER PRIZES)**

Carnick & Kubik does not receive any economic benefit, directly or indirectly from any third party in connection with advice rendered to Carnick & Kubik clients.

### **B. COMPENSATION TO NON-ADVISORY PERSONNEL FOR CLIENT REFERRALS**

Carnick & Kubik does not directly or indirectly compensate any person who is not part of Carnick & Kubik's advisory personnel with the rare exception of occasions where the Adviser may agree to modify a client's fee as a professional courtesy as a result of the client's referral by word-of-mouth. In such cases, the client in question would only be extended this courtesy where the client does not engage in the activity with any regularity and does so in such a manner that the activity would not be construed to result in as a solicitor / professional referral relationship.

## ITEM 15: CUSTODY

Carnick & Kubik does not take custody of client accounts (funds or securities) at any time. Custody of clients' accounts is held by Charles Schwab & Co., Member FINRA, NYSE, SIPC, or the client's selected custodial firm. Clients will receive regular and customary account statements from the custodian and should carefully review those statements.

In all cases, clients have a direct and beneficial interest in their securities (individual ownership), rather than an undivided interest in a pool of securities. Execution of transactions and custody of client funds and securities are services provided by the client's selected brokerage/custodial services provider(s).

The Adviser will only have access to custodial accounts in order to implement trades via written authorization and to deduct investment advisory fees and only with the appropriate client authorization. In each instance where fee deduction occurs, it is important that clients receive custodial statements directly. If clients find that statements are not being received directly, they must promptly contact Carnick & Kubik and their custodial firm.

The Adviser does not accept any fees in excess of \$500 or more for portfolio management services to be performed more than six months in advance. Where retainers are required for other services, custody is a non-issue where services are in process.

## ITEM 16: INVESTMENT DISCRETION

Clients engaging the Adviser for Investment Advisory Services have the ability to leave standing instructions with the Adviser to refrain from investing in particular industries, invest in limited amounts of securities and to re-balance portfolios (also termed as “limited discretion”).

With the client’s authorization as provided in the custodial account forms and the Adviser’s client Agreement, Carnick & Kubik will maintain limited discretionary trading authority to execute securities transactions in the investor’s portfolio within investor’s designated investment objectives, to include the securities to be bought and sold, and the amount of securities to be bought and sold. Carnick & Kubik will never have full power of attorney nor will the Adviser ever have authority to withdraw funds or to take custody of investor funds or securities other than the ability to deduct advisory fees via investor’s qualified custodian and only with client authorization.

The Adviser also may render non-discretionary Investment Advisory services to its clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual accounts held through employer-sponsored retirement plans. In so doing, the Adviser either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client’s retirement plan. Investments and service providers relative to Plan offerings are limited to only those available through the respective Plans and are determined by the Plan Sponsor(s).

## **ITEM 17: VOTING CLIENT SECURITIES (PROXIES)**

The Firm does not take any action or render any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in the client accounts.

## **ITEM 18: FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

Carnick & Kubik does not require nor solicit prepayment of investment advisory fees which would result in custody issues. Therefore, the Adviser is not required to include a balance sheet with this brochure.

### **B. FINANCIAL CONDITIONS REASONABLY LIKELY TO IMPAIR THE ADVISER'S ABILITY TO MEET CONTRACTUAL COMMITMENTS TO CLIENTS**

Neither Carnick & Kubik nor its management have any financial conditions that are likely to reasonably impair the Adviser's ability to meet contractual commitments to clients.

### **C. BANKRUPTCY PETITIONS IN PREVIOUS TEN YEARS**

Carnick & Kubik has not been the subject of a bankruptcy petition in the last ten years.