



# Firm Brochure

(Part 2A of Form ADV)

*This brochure provides information about the qualifications and business practices of Carnegie Investment Counsel. If you have any questions about the contents of this brochure, please contact us at (216) 367-4114 or by email at: [info@carnegieinvest.com](mailto:info@carnegieinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Carnegie Investment Counsel is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Carnegie Investment Counsel's CRD number is: 150488.*

## MAIN OFFICE

30300 Chagrin Boulevard  
Pepper Pike, OH 44124  
(216) 367-4114

2142 Alpine Place  
Cincinnati, OH 45206

1629 Locust Street  
Philadelphia, PA 19103

6830 Porto Fino Place, Suite 1  
Fort Myers, FL 33912

8087 Washington Village Drive, #134  
Dayton, OH 45458

6591 W. Central Avenue, Suite 108  
Toledo, Ohio 43617

1500 Ashwood Drive, Suite 1504  
Pittsburgh, PA 15317

57 West 57<sup>th</sup> Street, Suite 330  
New York, NY 10019

1875 Century Park E, Suite 1970  
Los Angeles, CA 90067

[www.carnegieinvest.com](http://www.carnegieinvest.com)  
[info@carnegieinvest.com](mailto:info@carnegieinvest.com)  
[www.carroll-financial.com](http://www.carroll-financial.com)

*Registration as an investment adviser does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

You may obtain a complete copy of our updated brochure by contacting us at 216.367.4114 or by e-mail at [info@carnegieinvest.com](mailto:info@carnegieinvest.com). We will provide you a brochure any time at no charge. Our brochure is also available on the SEC's website at [www.adviserinfo.com](http://www.adviserinfo.com).

The material changes in this brochure from the last annual updating amendment of Carnegie Investment Counsel are described below. This list summarizes changes to policies, practices or conflicts of interests only.

- The firm has added a branch office in Toledo, OH.
- The firm has added a branch office in Los Angeles, CA.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

The firm registered by succession in April 30, 2009, taking over the former RIA registered in 1991 and was owned by Carnegie Capital Management Corporation which commenced operations in 1974. The owners are Gary P. Wagner, Richard L. Alt, and Arthur G. Merriman, III. No other entity has an ownership interest in Carnegie. The legal name of this RIA is Carnegie Capital Asset Management, LLC but the firm does business under the name Carnegie Investment Counsel.

### B. Types of Advisory Services

Carnegie Investment Counsel (hereinafter "CIC") offers the following services to advisory clients:

#### *Investment Supervisory Services*

CIC offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. CIC will work with Clients to help determine objectives and parameters for the managed account, then work to construct and manage a portfolio that matches each client's specific situation. CIC evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Upon request, CIC will create a written Investment Policy Statement, which outlines the client's current situation (income, tax levels, and risk tolerance levels).

In addition to portfolio management, Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Personal investment policy
- Risk tolerance evaluation
- Asset selection
- Regular portfolio monitoring

CIC will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

CIC may provide investment supervisory services on a non-discretionary basis, meaning that clients must authorize CIC to implement a recommendation prior to our executing a transaction for a client's account.

### ***Selection of Other Advisors***

CIC may direct clients to third-party money managers. CIC will not be compensated via a fee share from the advisors to which it directs those clients. CIC would charge a separate fee. Therefore, client may end up paying more in fees compared to going to the third-party advisor directly. This relationship will be disclosed in each contract between CIC and each third-party advisor. Before selecting other advisors for clients, CIC will always ensure those other advisors are properly licensed or registered as an investment advisor.

### ***Financial and Investment Planning***

CIC offers planning regarding investments, retirement, cash flow projections, estate planning, insurance, education, employee benefits, family business continuation and general business consulting. We also provide financial planning advice incident to a divorce.

Should you choose to implement our recommendations resulting from our planning services, we encourage you to work closely with your attorney, accountant, insurance agent, and other advisors. Although you may choose to implement the recommendations through us, you are not obligated to do so.

### ***Services Limited to Specific Types of Investments***

CIC limits its investment advice to equities, bonds, fixed income, mutual funds, debt securities, ETFs, real estate, hedge funds, third-party money managers, REITs, insurance products including annuities, private placements, and government securities. CIC may use other securities as well to help diversify a portfolio when applicable.

### ***Pension Consulting Services***

CIC offers ongoing consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans) based on the demographics, goals, objectives, time horizon, and/or risk tolerance of the plan's participants. Pension consulting services are provided on a non-discretionary basis and CIC does not perform trades as part of its pension consulting services.

## **C. Client Tailored Services and Client Imposed Restrictions**

CIC offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client's current situation (income, tax levels, and risk tolerance levels). A client specific plan is determined to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent CIC from

properly servicing the client account, or if the restrictions would require CIC to deviate from its standard suite of services, CIC reserves the right to end the relationship.

#### **D. Wrap Fee Programs**

CIC does not participate in any wrap fee programs.

#### **E. Assets Under Management and Assets Under Advisement**

CIC has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$1,780,705,044.00	\$57,302,844.00	12/31/2018

As of December 31, 2018, CIC also had assets under advisement of \$370,543,571. These are client assets that CIC oversees, primarily as part of our retirement plan services, but does not manage on a discretionary basis nor direct trades.

### **Item 5: Fees and Compensation**

#### **A. Fee Schedule**

##### *Investment Supervisory Services Fees*

Assets Managed	Annual Fee
Up to \$500,000	1.75% or less
Over \$500,000	1.50% or less

There is an annual minimum fee of \$2,500. These fees are negotiable and the final fee schedule is attached to the Investment Advisory Contract. Fees are paid quarterly in advance and in some cases in arrears, and clients may terminate their contracts with written notice. Refunds for clients that are billed in advance are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Individual client fee rates may be lower than the stated fee schedule.

Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract.

CIC will use the market value at the end of the last day of the previous quarter to determine advisory fees.

### ***Selection of Third Party Advisor Fees***

CIC may direct clients to third party investment advisers. CIC will receive its standard fee on top of the fee paid to the third party adviser. This relationship will be memorialized in each contract between CIC and each third party adviser. The fees will not exceed any limit imposed by any regulatory agency. The notice of termination requirement and payment of fees for third-party investment advisers will depend on the specific third-party adviser selected.

### ***Pension Consulting Services Fees***

The rate charged for pension consulting services is either an annual flat fixed dollar fee of between \$5,000 and \$95,000 paid quarterly or, at the request of a client, a percentage of assets between 0.1 % and 1% of the amount of assets. These fees are negotiable depending on the service agreed upon and the level of assets in the retirement plan.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Generally, fees are paid quarterly in advance and in some cases in arrears. At CIC's sole discretion, and as outlined in the Investment Advisory Contract, CIC may charge fees in arrears and/or on a monthly rather than quarterly basis.

Advisory fees may also be invoiced and billed directly to the client with payments due at the end of the quarter in which they are billed. Clients may select the method in which they are billed.

### ***Payment of Selection of Third Party Advisor Fees***

The timing, frequency, and method of paying fees for selection of third-party managers will depend on the specific third-party adviser selected and will be disclosed to the client prior to entering into a relationship with the third-party adviser.

### ***Payment of Pension Consulting Services Fees***

Pension Consulting fees are withdrawn directly from the client's accounts with client's written authorization or may be invoiced and billed directly and are paid in arrears.

## **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CIC. Please see Item 12 of this brochure regarding broker/custodian.



#### **D. Prepayment of Fees**

CIC collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check.

In certain circumstances, fees may be collected in arrears. Client will be assessed any unpaid fees for work performed.

#### **E. Fees for Financial Planning Services**

Fees may be charged when the planning needs of a client exceed the necessary level required for appropriate management of the Client's account(s), or for special projects. An estimate of potential charges is provided in the Investment Advisory Contract and can result in additional charges. A maximum "not to exceed" fixed-fee for a project will be quoted upon request based on estimated time and scope.

There is no size limitation on asset size or minimum fee for Clients desiring financial planning assistance on a fixed rate project or hourly basis. Fees are negotiable for a limited number of services.

Fees for financial planning are usually billed at completions of the plan or project. However, CIC may request that a portion of the fee be paid initially and will present a bill for the remainder upon the completion of services. If fees are collected initially, never more than \$1,200 and never more than 6 months in advance.

If the financial planning fee is to be charged hourly, the hourly rate is negotiable and may depend on the complexity of the situation and the needs of the client. The hourly rate may be up to \$300.

For portions of fees that are paid in advance, refunds will be based upon the prorated amount of work that has been completed up to the point of termination. When prepayment is made, the Client will be given ten business days following the payment of the prepaid fee to request a full refund.

#### **F. Outside Compensation For the Sale of Securities to Clients**

Neither CIC nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

CIC does not routinely accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client. However, under special circumstances and only when the client meets certain net worth and/or account size thresholds as required by law, CIC may enter into an agreement with such qualifying clients that includes a performance or incentive fee. Any performance fee that CIC does charge to a client is intended to comply with Rule 205-3 under the Investment Advisers Act of 1940.

To the extent that CIC charges a performance fee for a particular account, CIC may be perceived to have an incentive to maximize gains in that account (and, therefore, maximizing CIC's performance fee) by making investments for that account that are riskier or more speculative than would be the case in the absence of a performance fee. CIC may also be perceived to have an incentive to favor accounts for which it charges a performance fee over other types of client accounts, as by allocating more profitable investments to performance fee accounts or by devoting more resources toward the management of those accounts. CIC seeks to mitigate the conflicts which may arise from managing accounts that bear a performance fee by monitoring and enforcing its policies and procedures that, among other things, require that allocation and other similar decisions may not be influenced by fee arrangements and investment opportunities will be allocated in a manner that CIC believes is consistent with its obligations as an investment adviser. See also Item 13 for information regarding the account review policies and procedures of CIC.

## **Item 7: Types of Clients**

CIC generally provides investment advice and/or management supervisory services to the following types of clients:

- Individuals
- Non-Profit Organizations
- Pension and Profit Sharing Plans
- Corporations or Business Entities
- Independent Trust Companies
- Government Entities

### ***Minimum Account Size***

There is an account minimum, \$250,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

CIC's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts. CIC uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

#### *Investment Strategies*

CIC uses long term trading, short term trading, margin transactions, options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be

making the assumption that past performance will be indicative of future performance. This may not be the case.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

### ***Investment Strategies***

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

CIC generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize margin transactions, and options writing. Margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Mutual Funds (open end and closed end):** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned below).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary and include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general the fixed income market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Hedge Funds** often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; May involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and

fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Private placements** carry a substantial risk as they are subject to less regulation than publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Annuities** are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Option writing** involves a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value and the possibility of leveraged loss of trading capital due to the leveraged nature of stock options. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option writing also involves risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither CIC nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CIC nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither CIC nor its representatives are registered with another Registered Investment Adviser firm or have registration relationships material to this advisory business.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

CIC may direct clients to third-party investment advisers. Clients will pay CIC its standard fee in addition to the standard fee for the advisers to which it directs those clients. This relationship will be memorialized in each contract between CIC and each third-party advisor. The fees will not exceed any limit imposed by any regulatory agency. CIC will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. CIC will ensure that all recommended advisers are licensed or notice filed in the states in which CIC is recommending them to clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

CIC does not recommend that clients buy or sell any security in which a related person to CIC has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of CIC may buy or sell securities for themselves that they also recommend to clients. Representatives of CIC may buy or sell securities for themselves within the same block or aggregated transaction as clients. It is the goal of CIC to put client's interest first, and the Chief Compliance Officer evaluates such transactions in the context of the personal trading process to ensure that such transactions do not generally compete with the pricing received by clients.



#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of CIC may buy or sell securities for themselves that they also recommend to clients. Representatives of CIC occasionally may buy or sell the same or similar securities before or after recommending to a client. This could unintentionally result in the representative receiving a better price. It is the goal of CIC to put client's interest first, and the Chief Compliance Officer evaluates such transactions in the context of the personal trading process to ensure that such transactions do not generally compete with the pricing received by clients.

### **Item 12: Brokerage Practices**

#### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on CIC's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and CIC may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in CIC's research efforts. CIC will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

CIC participates in the Schwab Advisor Services program offered by Charles Schwab & Co., Inc. (Schwab) and the TD Ameritrade Institutional program offered by TD Ameritrade, Inc. CIC also recommends Fidelity Brokerage Services. Schwab, TD Ameritrade, and Fidelity are independent and unaffiliated broker-dealers.

##### ***1. Research and Other Soft-Dollar Benefits***

While CIC has no formal soft dollars program in which soft dollars are used to pay for third party services, CIC may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). CIC may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit

from soft dollar research, whether or not the client's transactions paid for it, and CIC does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. CIC benefits by not having to produce or pay for the research, products or services, and CIC will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that CIC's acceptance of soft dollar benefits may result in higher commissions charged to the client.

CIC may recommend/require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. CIC is independently owned and operated and not affiliated with Schwab. Schwab provides CIC with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For CIC client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to CIC other products and services that benefit CIC but may not benefit its clients' accounts. These benefits may include national, regional or CIC specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of CIC by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist CIC in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of CIC's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of CIC's

accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to CIC other services intended to help CIC manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to CIC by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to CIC. While, as a fiduciary, CIC endeavors to act in its clients' best interests, CIC's recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to CIC of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Advisor receives some benefits from TD Ameritrade through its participation in the program.

As disclosed previously, CIC participates in TD Ameritrade's institutional advisor program and CIC may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between CIC's participation in the Program and the investment advice it gives to its clients, although CIC receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving CIC participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have CIC's fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to CIC by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by CIC's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit CIC but may not benefit its client accounts. These products or services may assist CIC in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CIC manage and further develop its business enterprise. The benefits received by CIC or its personnel through participation in the Program do not depend on the amount

of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, CIC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CIC or its related persons in and of itself creates a conflict of interest and may indirectly influence the CIC's choice of TD Ameritrade for custody and brokerage services.

## **2. *Brokerage for Client Referrals***

Please see Item 14B for a description of the referral arrangement CIC has with Charles Schwab & Co., Inc. and TD Ameritrade Institutional.

## **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

CIC allows clients to direct brokerage, however, CIC may recommend specific broker-dealers and custodians. CIC may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage, CIC may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

CIC maintains the ability to block trade purchases across accounts. When more than one account is trading a particular stock or ETF on the same day, block trading may be used to get identical pricing on the trades. Executing a block trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

We are not obligated to include any client transaction in a block trade. Declining to block trade may result in less favorable prices.

## **Item 13: Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

For clients to whom CIC provides investment supervisory services, accounts are reviewed on a periodic basis by CIC's investment advisor representatives to ensure the client's objectives are being met. The firm's chief advisors and/or delegated firm investment professionals review client account trading and communications on an ongoing basis, and the firm's CCO or designee, periodically reviews a sample of client accounts to confirm the accounts are managed consistent with the client's objectives and restrictions. Clients are encouraged to review their financial situation and investment objectives with CIC on a periodic basis and to advise CIC of any changes to their financial situation.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, income needs or inheritance).

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive, at least quarterly, a written report that details the client's account which will come from the custodian.

Financial Planning clients are provided a one-time financial plan concerning their financial situation. Additional reports may be provided depending on the client situation.

# **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)**

As indicated under the disclosure for Item 12, CIC utilizes the services of Schwab, TD Ameritrade and Fidelity. Schwab, TD Ameritrade and Fidelity each respectively provide CIC with access to institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them. The services may include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab and TD Ameritrade also make available to CIC other products and services that benefit CIC but may not benefit its clients' accounts. Some of these other products and services assist CIC in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of CIC's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. These custodians may also provide training and education to CIC associates to better interface with the custodial platforms. At times, custodians will also pay for expenses (airfare and/or accommodations) associated with such training and education.

Many of these benefits and services generally may be used to service all or a substantial number of CIC's accounts. Offered brokers also make available to CIC other services intended to help CIC manage and further develop its business enterprise. These services

may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. CIC does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers.

## **B. Compensation to Non-Advisory Personnel for Client Referrals**

CIC receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through CIC's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with CIC. Schwab does not supervise CIC and has no responsibility for CIC's management of clients' portfolios or CIC's other advice or services. CIC pays Schwab fees to receive client referrals through the Service. CIC's participation in the Service may raise potential conflicts of interest described below. CIC pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by CIC is a percentage of the fees owed by the client to CIC or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. CIC pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to CIC quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by CIC and not by the client. CIC has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs CIC charges clients with similar portfolios (pursuant to CIC's standard fee schedule as in effect from time to time) who were not referred through the Service.

CIC generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab, unless the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees CIC generally would pay in a single year. Thus, CIC will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of CIC's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, CIC will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit CIC's fees directly from the accounts. For accounts of CIC's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from CIC's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be

executed through Schwab rather than another broker-dealer. CIC nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for CIC's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee

or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services.

Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

In addition, CIC has compensated eligible employees who refer clients to us for investment advisory services. These payments are taken from the stated investment management fee charged by us and does not result in an increase in the amount of fees paid by you or any client.

While it is not a common practice, CIC, from time to time engages solicitors whom it pays for client referrals. CIC discloses this practice in writing to the affected clients and complies with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law. These payments, also, are taken from the stated investment management fee charged by us and does not result in an increase in the amount of fees paid by you or any client.

### **Item 15:**

CIC is deemed to have limited custody due to its ability to deduct management fees in accordance with the advisory agreement, but does not otherwise have any access to client assets. Custody of client's accounts is held at the Custodian. Clients will receive statements from the Custodian no less than quarterly showing transactions and the value of the account assets. Clients should carefully review those statements for accuracy. In certain instances, CIC is deemed, under federal securities laws, to have custody of a small number of client accounts by virtue of a specific Adviser's role as trustee to such accounts. In these cases, the assets are maintained by independent, unaffiliated qualified custodians and are subject to an annual surprise custody examination in compliance with Rule 206(4)2 under the Investment Advisers Act.

### **Item 16: Investment Discretion**

For those clients' accounts where CIC provides ongoing supervision, the client generally has given CIC written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides CIC discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian. Certain accounts may be managed on a non-discretionary basis where client permission is required before a trade can be placed. This authority will be described in the Investment Advisory Contract.



## **Item 17: Voting Client Securities (Proxy Voting)**

CIC will accept voting authority for client securities in certain cases. Such authority is determined at the inception of each client account and is generally specified in the new account application. Authority may consequently be amended only with signed client authorization. Some clients may not elect for Carnegie to have voting rights and in some situations, it may be appropriate for another party to have voting rights as required by certain regulations. The following applies to Carnegie's policies and procedures when voting proxies on behalf of clients. When CIC does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. CIC does not maintain preapproved voting guidelines but relies on the investment committee to determine the appropriate course of action in voting client securities that is in the best interest of the client. Clients may direct CIC on how to vote client securities by communicating their wishes in writing or electronically to CIC. When voting client proxies the investment committee will always hold the interests of the clients above its own interests. Clients of CIC may obtain the voting record of CIC on client securities by contacting CIC at phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of CIC's proxy voting policies and procedures upon request. Where CIC does not have voting authority, Clients will receive Proxy information from the account Custodian.

## **Item 18: Financial Information**

### **A. Balance Sheet**

CIC does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither CIC nor its management has any financial conditions which are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

CIC has not been the subject of a bankruptcy petition in the last ten years.