



## CLIENT BROCHURE

<b><u>Main Office</u></b>	<b><u>Carnick &amp; Kubik</u></b>	<b><u>First Houston Capital</u></b>	<b><u>Weatherstone Capital Mgmt</u></b>
1777 S. Harrison Street Suite 1100 Denver, CO 80210 303-741-2560	675 Southpointe Court Suite 102 Colorado Springs, CO 80901 719-579-8000	820 Gessner Suite 1720 Houston, TX 77024 713-461-0150	11152 Huron Street Suite 105 Denver, CO 80234 303-452-4374

Toll Free: (800) 447.8181

*This brochure provides information about the qualifications and business practices of Carnick & Kubik Group, LLC, a registered investment advisor with the Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 303-741-2560 or via email directly to the Chief Compliance Officer at [markr@carnick.com](mailto:markr@carnick.com).*

*The information in this brochure has not been approved or verified by the SEC or by any state securities authority.*

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

*The firm's CRD number is: 283403 and SEC number is: 801-107796*

Questions: [info@carnick.com](mailto:info@carnick.com) Web site: [www.carnick.com](http://www.carnick.com)

April 30, 2019

## **ITEM 2: Material Changes**

This section of the brochure discusses only material changes that have occurred since our last annual update which was dated March 22, 2019.

- On April 1, 2019, Carnick & Kubik acquired Weatherstone Capital Management based in Denver, Colorado.
- Assets under management was updated effective March 31, 2019.

### ITEM 3: Table of Contents

ITEM 2: Material Changes.....	2
ITEM 3: Table of Contents.....	3
ITEM 4: Advisory Business.....	4
ITEM 5: Fees and Compensation .....	7
ITEM 6: Performance-Based Fees and Side-By-Side Management.....	9
ITEM 7: Types of Clients.....	9
ITEM 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	10
ITEM 9: Disciplinary Information.....	12
ITEM 10: Other Financial Industry Activities and Affiliations .....	12
ITEM 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ....	13
ITEM 12: Brokerage Practices .....	13
ITEM 13: Review of Accounts.....	14
ITEM 14: Client Referrals and Other Compensation.....	15
ITEM 15: Custody.....	15
ITEM 16: Investment Discretion.....	16
ITEM 17: Voting Client Securities .....	16
ITEM 18: Financial Information .....	16
APPENDIX: Privacy Policy.....	17

## **ITEM 4: Advisory Business**

### **A. Advisory Firm Description**

Carnick & Kubik Group, LLC (“Carnick & Kubik”), is a fee-only investment advisory firm. Carnick & Kubik has been providing advisory services (through it and its predecessor) since 2011. On April 1, 2019, Carnick & Kubik acquired Weatherstone Capital Management, Inc.

Carnick & Kubik is managed by Nathan Kubik, David Kubik and Craig Carnick (“Carnick & Kubik Principals”), pursuant to a management agreement between C & K Management, LLC (“C&K”) and Carnick & Kubik. The Carnick & Kubik Principals serve as officers of Carnick & Kubik and are responsible for the management, supervision and oversight of Carnick & Kubik.

### **Focus Operating, LLC, Focus Financial Partners, LLC and Focus Financial Partners Inc.**

Carnick & Kubik is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, Carnick & Kubik is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2018, investment vehicles affiliated with Stone Point Capital, LLC (“Stone Point”) had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2018, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. (“KKR”) had less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

### **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.

Carnick & Kubik offers 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 Carnick & Kubik formalize the relationship with a properly executed client agreement.

## **Investment Advisory Services**

Carnick & Kubik offers Investment Advisory Services that include ongoing and continuous portfolio management depending on the services desired, as outlined in the Investment Management Agreement.

Carnick & Kubik tailors its advisory services and recommendations to meet the needs of its individual clients by assessing 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 anticipates that each client will actively participate in the review of information and the formulation of advice and recommendations.

Carnick & Kubik places a focus on liquidity, diversification, risk analysis and cash flow through the use of investments primarily available through nationally-recognized security exchanges.

The portfolio strategies considered for use by Carnick & Kubik include individual equity securities, bonds, ETFs, no-load mutual funds, or a combination thereof. Carnick & Kubik also offers advice on the following: warrants; certificates of deposit; options contracts on securities and commodities; and investments in variable life or annuity products. Carnick & Kubik also offers advice on partnerships (public and private) and private real estate investment trusts but generally will not manage these types of investments. In such cases, Carnick & Kubik's services may be limited to review of the offering.

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.

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 rebalancing.

Certain clients may desire to keep holdings within their account(s) that are selected by the client and are not the subject of investment advice by Carnick & Kubik. These are self-directed assets. Carnick & Kubik will have no responsibility to manage any self-directed assets in client accounts and Carnick & Kubik accepts no liability to those clients in connection with any loss relating to the self-directed assets.

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.

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.

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

### **C. Selection of Other Advisers**

Carnick & Kubik currently does not utilize investment programs available through unaffiliated Independent Managers. However, these investment programs are available through Weatherstone Capital Management.

### **D. Financial Planning Services**

Financial Planning Services are dependent upon the nature and scope of services to be provided. Investment advice is also provided through the process of a formal written analysis or “Financial Plan.” Carnick & Kubik’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 can do so by paying a renewal fee.
2. A “Focused Financial Analysis” typically includes 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 data collection methods as utilized in the Comprehensive Financial Analysis because this approach helps 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 services are performed. If desired, clients can secure ongoing Consultation Services for an additional fee.

In the event the client engages long-term Financial Planning, Carnick & Kubik strongly encourages clients to contact Carnick & Kubik quarterly or no less than annually, to review investment and ongoing needs.

### **E. Consultation Services**

Carnick & Kubik’s business consulting services are focused on individuals and families who manage their own business. We will work to understand the unique and complex aspects of your business operations with a holistic view of your financial situation. These services are offered outside of the Carnick & Kubik’s Financial Planning and Investment Advisory Services for a fee.

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

Carnick & Kubik recognizes that each client is unique, and therefore, Carnick & Kubik focuses on providing individualized services. Carnick & Kubik can tailor services to each client and their specific situation based on the nature of the engagement. Clients electing to receive limited services should understand that Carnick & Kubik will not have sufficient information to perform a comprehensive analysis of their long-term financial goals and objectives.

Clients can impose reasonable restrictions on the management of their portfolios if Carnick & Kubik determines in its sole discretion that the conditions can be accommodated. Clients are advised to promptly notify Carnick & Kubik in writing if there are changes in their personal or financial situation, needs, goals, or objectives, and if they wish to place any limitations on the management of their portfolios.

## **G. Wrap Fee Programs**

Carnick & Kubik does not sponsor or manage wrap fee programs; however, wrap fee programs are available through Weatherstone Capital Management.

## **H. Assets Under Management**

As of March 31, 2019, Carnick & Kubik had assets under management of \$1,204,341,145 of which \$1,181,085,907 was managed on a discretionary basis and \$23,255,238 on a non-discretionary basis.

# **ITEM 5: Fees and Compensation**

## **A. Fees & Compensation**

Carnick & Kubik offers services on a fee basis, which include fees based on assets under management, fixed fees, and/or hourly fees. Carnick & Kubik's fees may be negotiable at its own discretion.

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

Fees for Investment Advisory Services are agreed upon at the time of engagement. The fee schedule that follows are annual fees which are billed in accordance with the written investment advisory agreement executed between the client and Carnick & Kubik. Services can be combined which will save clients fees compared to purchasing the same services separately.

Fees for Investment Advisory Services are billed in advance and are as follows:

<u>Annual Fee Structure for assets over \$500,000</u>	<u>Annual Fee</u>
Up to \$1,000,000	1.25%
The Second \$1,000,000	1.10%
Over \$2,000,000	1.00%

Clients with less than \$500,000 assets under management will be assessed a 1.50% annualized fee.

### **C. 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.

Fees for Comprehensive Financial Planning Services typically start at \$3,000 and are negotiable at Carnick & Kubik's discretion. Financial planning services are available to clients with a minimum of \$1,000,000 in assets with Carnick & Kubik.

For larger projects and where ongoing services may be desired, Carnick & Kubik will propose a fixed fee, agreed upon at the time of engagement, and dependent upon the complexity of the desired services. Any modifications to the fee arrangement will be agreed upon in writing between Carnick & Kubik and the client.

Financial Planning Services will be immediately terminated upon written notice by either party with the client invoiced for services earned by Carnick & Kubik.

### **D. Payment of Fees**

#### **Investment Advisory Services**

Investment Advisory fees are payable either in arrears or in advance, depending on the advisory agreement executed by the client. For clients who are billed quarterly in arrears, fees are typically prorated and paid quarterly, based upon the market value of the assets on the last business day of the previous quarter. For clients who are billed quarterly in advance, fees are typically paid quarterly, based upon the market value of the assets on the last business day of the previous quarter. Clients should refer to their investment advisory agreement for the billing methodology applicable to their account(s).

Carnick & Kubik typically deducts advisory fees from client accounts held at an independent custodian, as allowed under the safe harbor provisions of the SEC's Custody rule.

Account statements are required to be produced and sent to you by the account custodian no less frequently than on a quarterly basis. Carnick & Kubik encourages you to compare your custodial account statements with your Carnick & Kubik quarterly reports. In the event of a valuation discrepancy, the custodial statement will serve as the official statement.

### **E. Financial Planning**

Financial Planning fees are invoiced directly and paid by the client.

### **F. Other Fees**

Clients are responsible for the payment of all third-party fees associated with investing. Clients pay transaction and brokerage commissions for certain securities transactions to their broker/dealer or custodian as well as any fees associated with their particular accounts (e.g., wire transfer, margin fees, etc). The commissions and/or transaction fees charged by broker/dealers or custodians available



through Carnick & Kubik may be higher or lower than those charged by other broker/dealers. The commissions and/or transactions you pay are considered to be discounted from customary retail transaction charges and commission rates. Carnick & Kubik does believe these charges comply with its duty to seek best execution and they are reasonable in relation to the quality of brokerage services received. Carnick & Kubik does not receive any portion of these investment-related commissions and/or fees. Clients are encouraged to read each prospectus and securities offering document.

When transferring securities to Carnick & Kubik, clients should understand they are responsible for any liquidation or transfer fees charged by the custodian.

#### **G. Prepayment of Fees**

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, fees paid in advance for the final billing period are considered to be earned through the effective date of the termination date. Any unearned portion of the fee paid in advance will be refunded to the client.

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 Carnick & Kubik up until the effective date of termination. Any unearned portion of fees will be promptly refunded.

#### **H. Other Compensation**

Neither Carnick & Kubik nor its employees accept any compensation and/or 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 to advisory clients.

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

Carnick & Kubik does not charge any performance-based fees.

### **ITEM 7: Types of Clients**

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

Carnick & Kubik requires a minimum portfolio size of \$500,000 for its Investment Advisory Services. For clients who do not meet the minimum portfolio size or who do not desire comprehensive Investment Advisory Services, Carnick & Kubik also offers Consultation and Financial Planning Services.

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

If an ERISA account, Carnick & Kubik acknowledges that it is a fiduciary within the meaning of the

Employee Retirement Income Security Act of 1974 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 Carnick & Kubik and its principals, agents, and employees under those insured under that bond and will deliver to Carnick & Kubik a copy of the governing plan documents. If the Account assets for which Carnick & Kubik 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.

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

### **A. Methods of Analysis and Investment Strategies**

Carnick & Kubik believes each client presents a unique set of goals, values, objectives and challenges. Carnick & Kubik provides individualized attention to each type of investor who engages its services.

Carnick & Kubik provides advisory services for portfolios ranging from conservative to aggressive; each designed to meet the varying needs of clients based upon their specific objectives, risk tolerance and time horizons.

During the process of financial planning or consultation, Carnick & Kubik may recommend its services, and/or the services of other professionals to implement its recommendations. Any professional referrals (i.e., insurance agents/firms, accounting professionals, legal professionals, etc.) are solely a courtesy and Carnick & Kubik receives no direct or indirect compensation as a result of these referrals. The client is never under any obligation to act upon any of the recommendations made by Carnick & Kubik under a consulting engagement and/or engage the services of any such recommended professional.

Carnick & Kubik utilizes a combination of fundamental and technical analysis while employing an asset allocation strategy that incorporates cash flow considerations, current and future financial obligations, risk perceptions, time horizon, and investment objectives. Carnick & Kubik takes the position that no single strategy can be relied upon to outperform the market. Carnick & Kubik's goal in its analysis is not to make any attempt to time the market.

When appropriate and based on the individual needs of clients, Carnick & Kubik 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 utilizes a number of computer databases and research available to professional investment advisers. Additionally, outside consultants may be engaged to provide professional services, statistical reports, tax alerts and investment reviews. Any costs associated with these consultations is borne solely by Carnick & Kubik unless other arrangements have been made, in writing, with the client in advance.

Typically, sales of investments in taxable accounts result in taxable gain(s) or loss(es) to the client. 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 in their account(s).

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.

## **B. Risk of Loss**

Carnick & Kubik believes that investors with diverse portfolios are optimally positioned for better long-term performance, because it is difficult to accurately predict short-term movements of the markets. No single strategy can be relied upon to outperform the market.

Investing in securities involves risk of loss that clients should be prepared to bear. It is important that clients understand these risks and they proactively address any concerns with their Advisor.

### *Market Risks*

Investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that Carnick & Kubik will be able to predict those price movements accurately or capitalize on any such assumptions.

Certain investments utilized by Carnick & Kubik may contain securities from emerging markets and developing countries. Investing outside the United States involves additional risks, such as currency fluctuations, illiquidity and price volatility.

### *Mutual Funds and Exchange-Traded Funds (ETFs)*

Mutual fund and ETF portfolios are comprised of individual equity and debt securities with their own unique company risks. Shareholders are liable for taxes on any capital gains, as these issuers are required by law to distribute capital gains to underlying shareholders.

Open-end mutual fund shares are calculated at the end of each business day where all shareholders receive the same closing price. ETF's generally trade intra-day where the net asset value (NAV) can fluctuate throughout the business day. As a result, ETF investors may receive different prices when trades are executed on the same day.

### *Use of Margin*

Margin lending is a feature where a custodian will lend a client money against the value of their portfolio securities. The borrowed money is called a margin loan, and can be used to purchase additional securities or to meet short-term financial needs. Margin can be profitable when stocks prices increase although financial risk to the client can be significant when stock prices decline. Clients should carefully read their custodian margin agreement to fully understand the risks associated with margin lending.

### *Cybersecurity*

The computer systems, networks and devices used by Carnick & Kubik and its service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could

be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

#### *Fixed Income Risk*

There are certain risks involved in investing in all types of bonds: Government, Municipal, Mortgage-backed/Asset-backed securities (MBS/ABS) and Corporate. These risks include interest rate risk, reinvestment risk, inflation risk, market risk and price risk. Additional risks for some government agency, corporate and municipal bonds may include credit risk, default risk and duration risk.

### **ITEM 9: Disciplinary Information**

Carnick & Kubik and its employees have not been the subject of any investment-related legal or disciplinary events in the past ten years that would be material to a client's evaluation of Carnick & Kubik.

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

Focus Operating, LLC, Focus Financial Partners, LLC and Focus Financial Partners, Inc.

As noted in Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Inc., and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Inc. Because Carnick & Kubik is an indirect, wholly-owned subsidiary of Focus LLC and Focus Inc., the Stone Point and KKR investment vehicles are indirect owners of Carnick & Kubik. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of Carnick & Kubik's business.

Carnick & Kubik does not believe the Focus Partnership presents a conflict of interest with its clients. Carnick & Kubik has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

#### **A. Selection of other Advisers or Managers**

As discussed in the Advisory Services section of this Brochure, Carnick & Kubik does not directly recommend the services of third-party advisers or sub-advisers. However, Weatherstone Capital Management does provide these services which presents a conflict of interest when referring individuals to this affiliate.

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

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

Carnick & Kubik has a Code of Ethics in place in accordance with applicable securities laws that sets forth the standards of conduct expected of its employees. Written policies and procedures are reasonably designed to prevent certain unlawful practices. Employees are required to:

- Place the interests of clients ahead of their personal interests.
- Owe a duty of loyalty to clients and always act in an ethical manner when interacting with clients, prospects and vendors.
- Conduct all personal security transactions in full compliance with the Code of Ethics.
- Avoid taking inappropriate advantage of their position.
- Use independent, sound judgment when making investment recommendations and engaging in professional activities.

Clients and prospective clients can contact Carnick & Kubik to request a copy of its Code of Ethics.

### **ITEM 12: Brokerage Practices**

#### **A. Selecting Custodians and Broker/Dealers**

Carnick & Kubik typically recommends the services of Charles Schwab & Co. and Pershing, LLC (the "Custodians"), for its Investment Advisory clients.

Factors Carnick & Kubik considers in recommending Custodians or any other broker/dealer to clients include their respective financial strength, reputation, execution, pricing, research (if any), and service. The Custodian may enable Carnick & Kubik to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by the Custodians may be higher or lower than those charged by other financial institutions.

Brokerage commissions and/or transaction fees charged by Custodians, or any other designated broker/dealer, are exclusive of and in addition to the Carnick & Kubik's investment advisory fee.

#### **B. 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. Carnick & Kubik does not receive any "soft dollar" benefits.

### **C. Client Referrals**

Carnick & Kubik does not have formal referral agreements with any broker/dealer or third party.

### **D. Directed Brokerage**

Carnick & Kubik does not offer directed brokerage services.

### **E. Aggregation (Block) Trading**

Carnick & Kubik always attempts to allocate investment opportunities in a fair and equitable manner. Carnick & Kubik generally manages client accounts with an aggregation method known as block trading. Block trading is the sale or purchase of a large number of securities in a single transaction. This is an efficient means of executing many client transactions in the same security, generally at the same price. Block trading, also known as batch trading, is commonly used when executing equity transactions. In some instances, block trading may also be used for bond trades although due to the unique characteristics of fixed income securities, including limited inventory and inefficient markets, Carnick & Kubik will often manage these transactions based on individual client directives. Carnick & Kubik is not obligated to batch trades although in its trading process it regularly considers opportunities to reduce commission costs to fulfill an important aspect of its best execution obligations to its clients.

If an aggregated order is not filled in its entirety, the head trader will allocate trades on a rotational basis.

### **F. Trade Error Policy**

On rare occasions, trade errors may occur. To resolve trade errors, Carnick & Kubik will place a correcting trade with the client's broker/dealer. At Schwab, Carnick & Kubik is responsible for any losses exceeding \$100 when it is determined it is responsible for the error. To minimize administrative costs, Schwab will absorb any losses less than \$100. When investment gains result from a trade error, the gain will be retained by the client unless it is determined to be not permissible or the client elects not to accept the gain for tax purposes or other reasons. Any gains not retained by clients are donated by Schwab to a charity of its choice.

## **ITEM 13: Review of Accounts**

Carnick & Kubik primarily manages client accounts on a discretionary basis meaning we provide continuous and regular supervision of these accounts. Trading software is used to monitor accounts and when appropriate, and at its discretion, Carnick & Kubik will make portfolio changes to ensure client assets are managed according to their agreed upon allocation models.

In limited instances, Carnick & Kubik will manage client accounts on a non-discretionary basis. Carnick & Kubik will provide continuous and regular supervision of these accounts; however, they will first receive client permission before effecting trades in the accounts.

Carnick & Kubik's investment committee meets on a periodic basis to discuss strategic and tactical decisions related to client portfolios. The committee consists of highly experienced individuals with an understanding of global macro issues combined with significant experience evaluating equity and fixed income securities and markets.

All investment advisory clients are advised that it remains their responsibility to notify Carnick & Kubik of any changes in their investment objectives or financial situation. Clients are encouraged to review their financial planning issues, investment objectives and account performance with Carnick & Kubik at least on an annual basis.

Broker/dealers and custodians are obligated to provide clients with transaction confirmations and statements at least quarterly. Clients are encouraged to compare these statements with any reports that may be provided by Carnick & Kubik.

#### **ITEM 14: Client Referrals and other Compensation**

Carnick & Kubik's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practice conferences, which typically include Carnick & Kubik, other Focus firms and external attendees. These meetings are intended to provide training or education to personnel of Focus firms, including Carnick & Kubik. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Carnick & Kubik. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict of interest. The marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Carnick & Kubik to consider the conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Carnick & Kubik. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus in the last year: BlackRock, Inc., Fidelity Brokerage Services, LLC, Orion Advisor Services, LLC and Charles Schwab & Co., Inc.

#### **ITEM 15: Custody**

Carnick & Kubik uses independent, third party custodians not affiliated with Carnick & Kubik and does not take direct custody of client funds or securities, with the exception of the SEC's safe harbor allowing it to deduct advisory fees directly from client accounts.

Carnick & Kubik provides its clients with a service called Standing Letters of Authorization (SLOA) allowing clients to conveniently instruct their custodian to send their funds to another party. This is deemed by the SEC as custody even though Carnick & Kubik does not have the ability to change any routing or account number information provided by the client to the custodian. The custodian is also

responsible to review all SLOA instructions prior to initiating wire instructions. Carnick & Kubik takes the potential for wire fraud very seriously and has reasonable procedures and controls in place to manage this risk.

#### **ITEM 16: Investment Discretion**

As mentioned in ITEM 13 (Review of Accounts), Carnick & Kubik primarily manages client investment portfolios on a discretionary basis. On a limited basis, it will offer investment management services on a non-discretionary basis.

In advance of providing services, all clients must first execute an Agreement with Carnick & Kubik describing the obligations of both parties entering into such an agreement. Clients are also required to sign a separate agreement with their chosen custodian.

#### **ITEM 17: Voting Client Securities**

Carnick & Kubik does not vote proxies on behalf of its clients. Clients will receive proxies or other solicitations directly from their custodian and may contact the custodian with questions about any particular solicitation. Also, Carnick & Kubik does not participate in any class action lawsuits on behalf of its clients.

#### **ITEM 18: Financial Information**

Carnick & Kubik does not require or solicit prepayment of investment advisory fees of more than \$1,200, six months or more in advance. Carnick & Kubik is unaware of any financial condition that is likely to impair its ability to meet its contractual commitments to its clients. Carnick & Kubik has not been the subject of a bankruptcy petition.



## **Appendix: Privacy Policy**

### **Your Privacy Is Important To Us**

One of our top priorities is to make sure that we keep the information we have about you secure. We value our relationship with you. We work hard to preserve your privacy. The very nature of our relationship with you requires us to collect or share certain types of information about you. This privacy notice explains how we use potential, current and former client information.

### **What personal information do we have?**

We collect only the information necessary, to provide the services you request, to administer your business with us and to meet regulatory requirements as to suitability and anti-money laundering policies. We may collect information:

- When you provide material for an initial consultation;
- When you complete a Data Workbook for financial planning or other forms, agreements and applications; and,
- When your employer, in connection with its sponsoring and administering your retirement plan, provides plan details to us.

### **How do we use your personal information?**

We use your personal information described above and may provide it to others:

- When we process your requests, transactions or open accounts on your behalf;
- When we must fulfill legal and regulatory requirements; and,
- When we perform services on your behalf.

We do not disclose personal information about our potential, current and former customers, unless given permission or if required to do so by law.

### **Protecting the Confidentiality of Your Personal Information**

We only allow access to your personal information to those individuals who need it in order to provide services to you. Individuals who have access to your personal information are required to keep it strictly confidential. We maintain multiple levels of various safeguards to protect your personal information.

Please contact Mark Riley, Chief Compliance Officer, at [markr@carnick.com](mailto:markr@carnick.com) if you have any questions or concerns.